

# The CDM and its Development Dividend

**“CDM Beyond the Numbers”**

Carbon Expo 2007

May 2-4, Cologne

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## CDM's Objectives

- Assist non-Annex I Parties in achieving sustainable development and in contributing the Convention's objectives
- Assist Annex I Parties in achieving compliance with their emission reduction commitments

# Questions

- Does the CDM foster sustainable development? (a development dividend)
- How could it be improved?

# Why ask the question?

- First and foremost, sustainable development is a critically important goal in its own right.
- As well, the CDM's success rests fundamentally on its credibility.

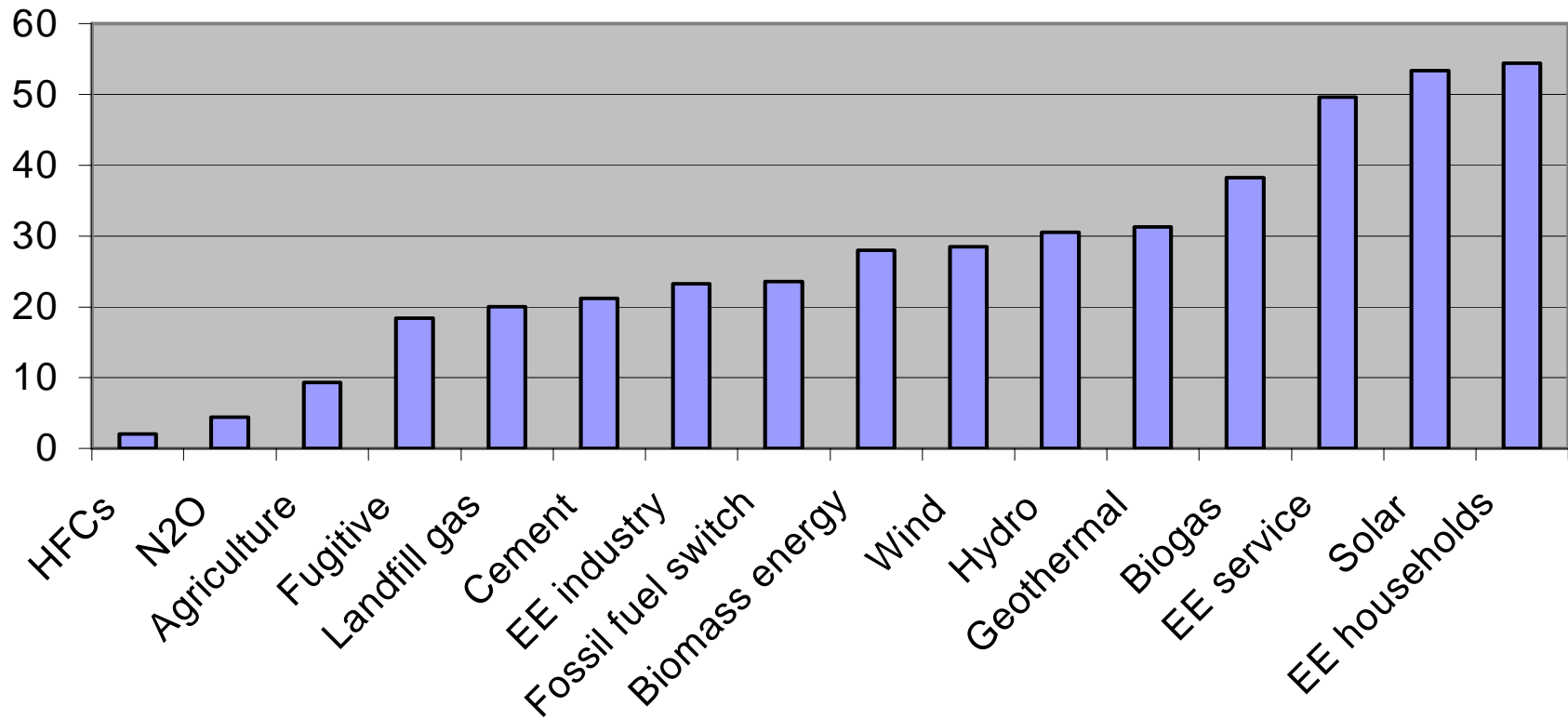
# Why is it the Wrong Question?

- Sustainable development is defined by the host country, for good reason
- Even *one job* created counts as some sustainable development – how to establish a threshold test?
- The right question: regardless of whether the projects now foster sustainable development: how can we get more of it?

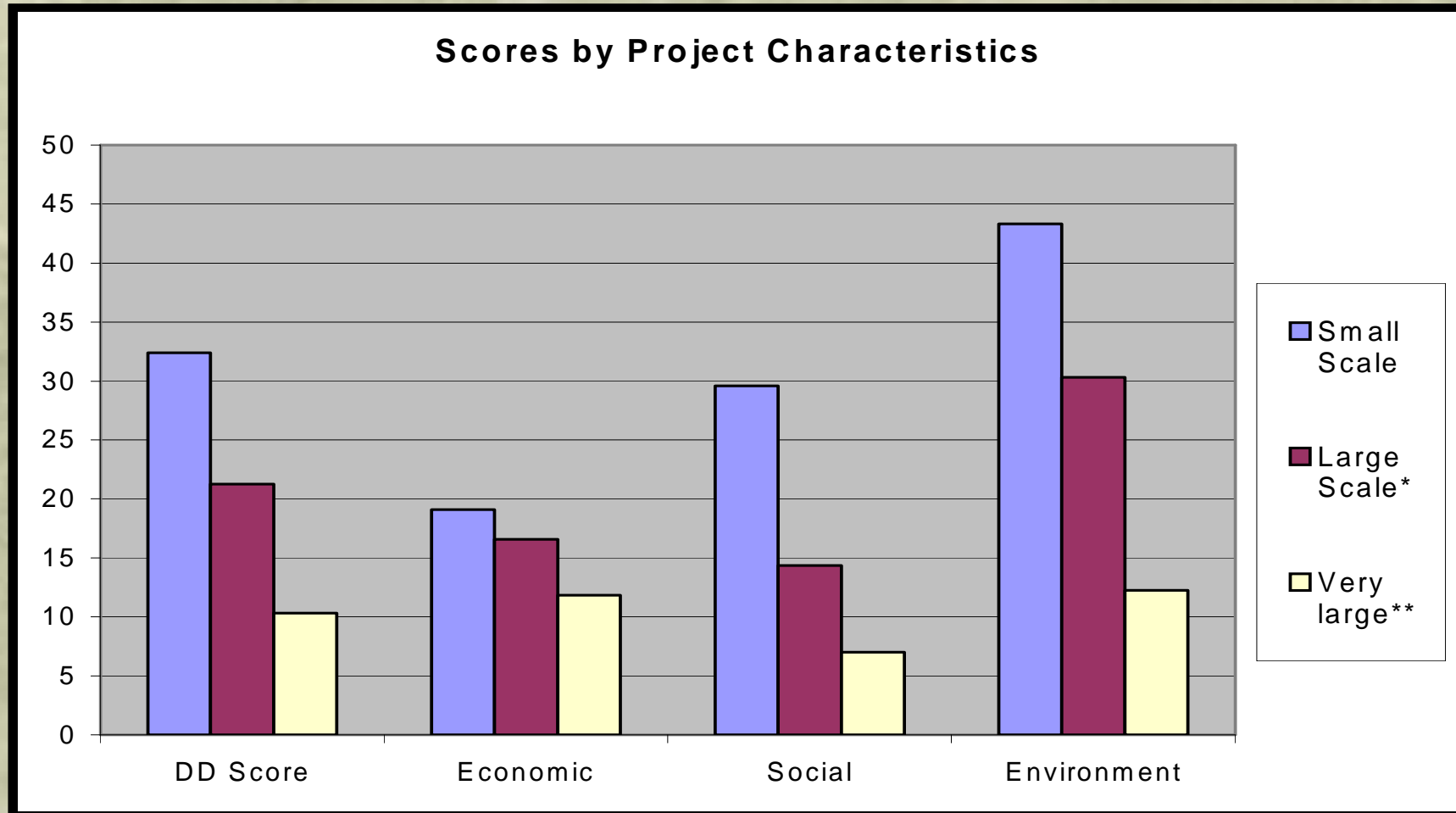
# The Development Dividend Project

- Ranked all registered projects as of June 2006, on 11 weighted indicators. (see [www.iisd.org/climate/global/dividend.asp](http://www.iisd.org/climate/global/dividend.asp))
  - Large variability by project type
  - Big vs. small – no clear answers
  - Programmatic is promising
  - Regional distribution – some surprises

DD Scores by Project Category

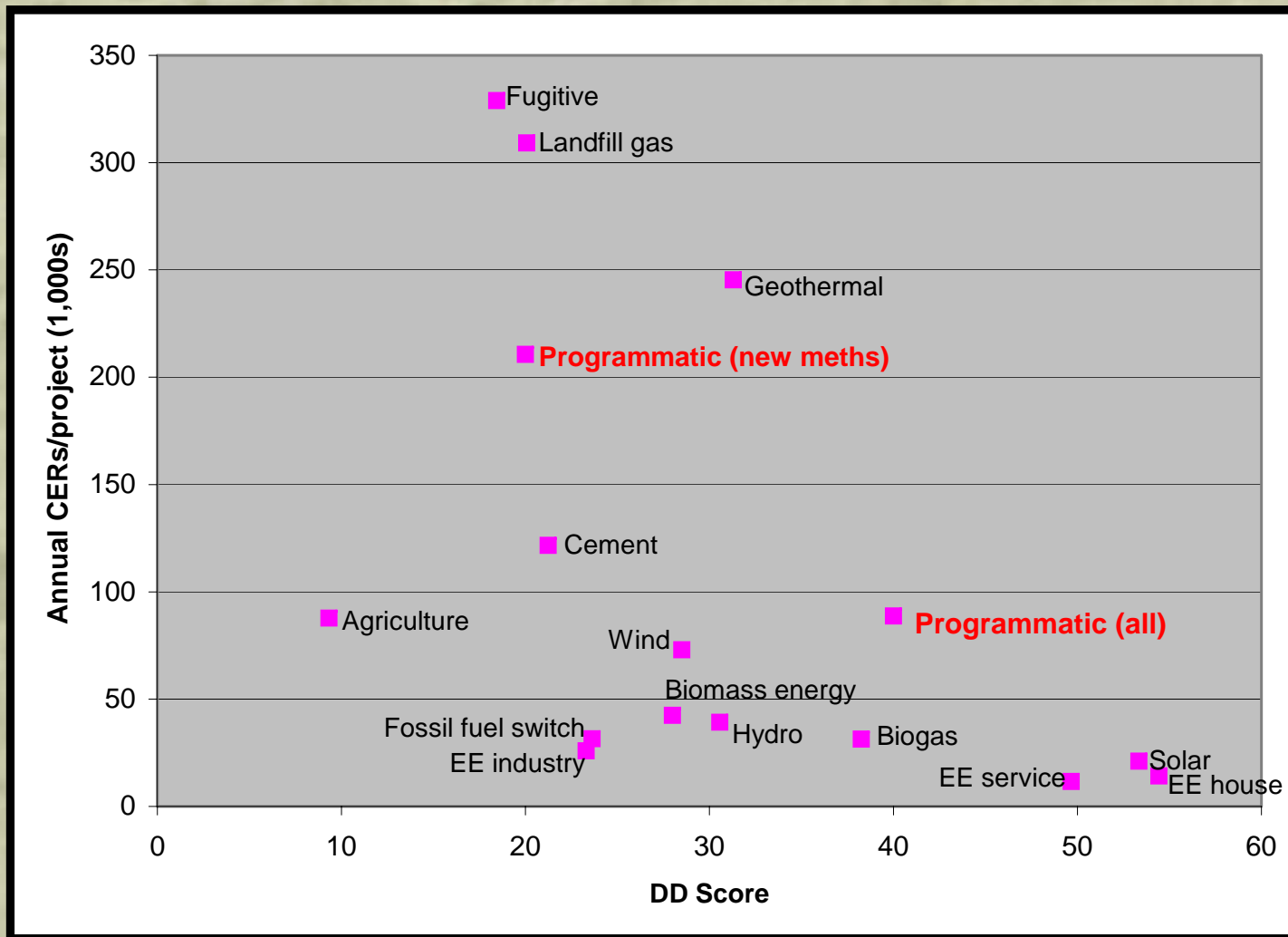


Scores by Project Characteristics



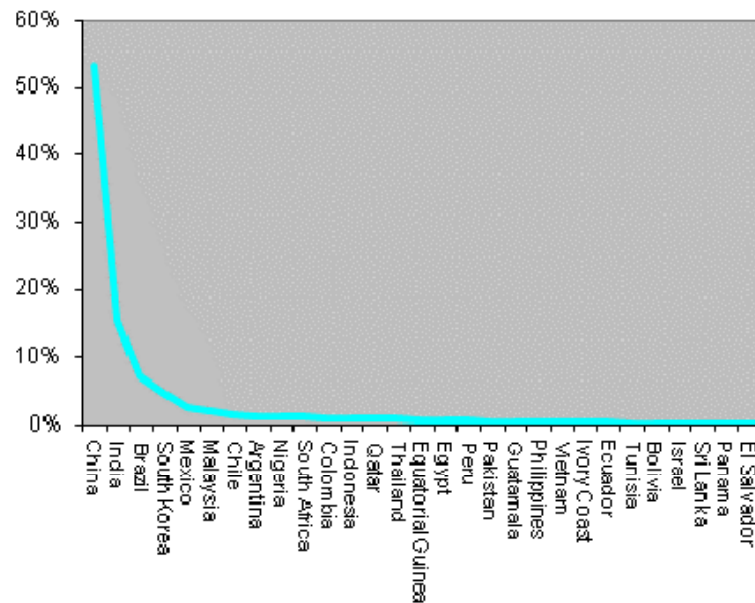
# Is Small Beautiful? Is Big Bad?

- There is more scoring variation among projects as a function of *type* than of *size*
- There are glaring exceptions to the “small is beautiful” rule
- Large projects have potential to contribute to funds for sustainable development

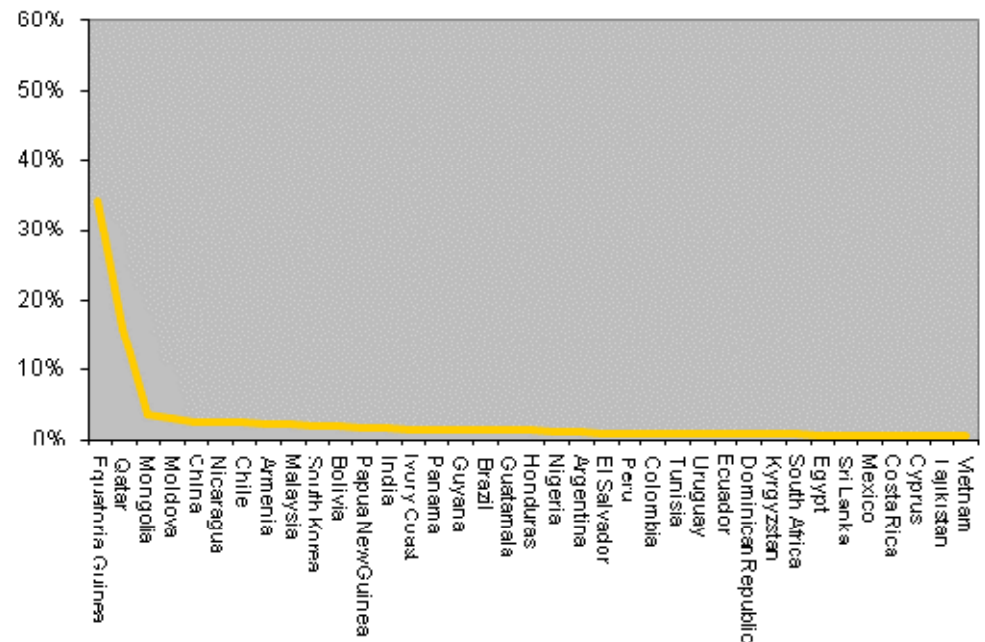


## Regional distribution of CERs: We should expect to see disparities

Unweighted Distribution of CERs in Pipeline  
(total to 2012, as of May 2007)



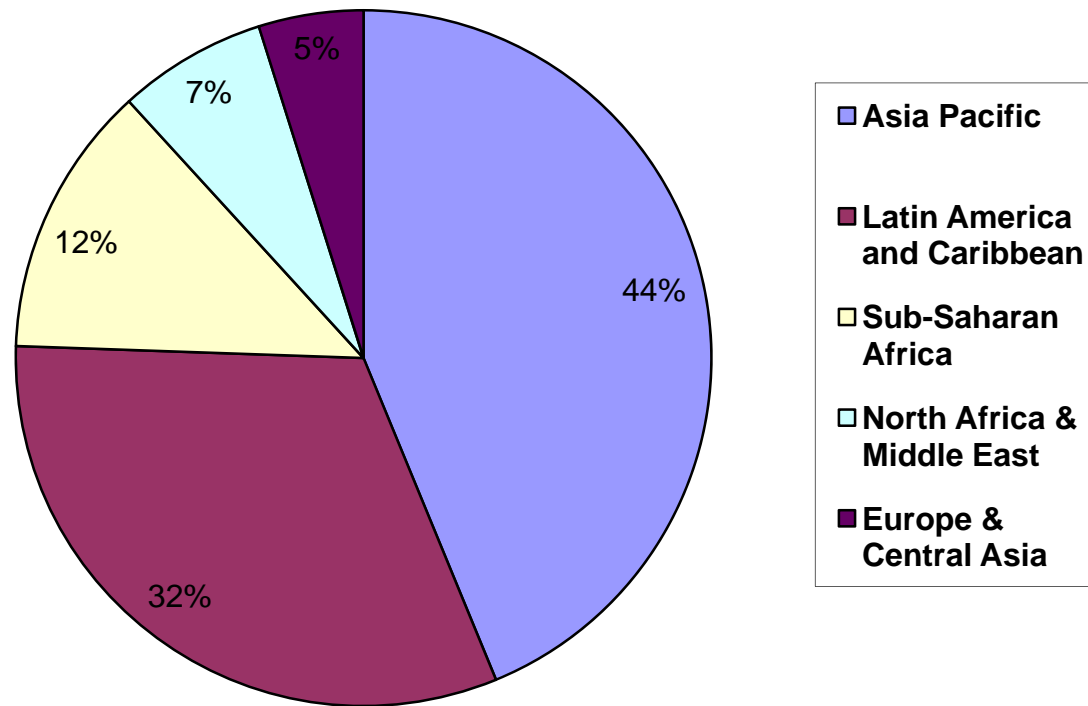
Pop/GDP-Weighted Distribution of CERs in Pipeline  
(total to 2012, as of May 2007)



# Region vs. Region Inequity is Higher

Weighted such that if CDM investment responded just to GDP and population, each region would get an even share of the total (i.e., 20%)

Weighted Regional Distribution of CERs  
as of May 2007



- Does it make sense for the poorest of countries to be chasing CDM investment?
  - DNAs are a substantial investment of human and financial resources
  - Payoff is unlikely
  - Opportunity cost: where else could that money be spent?

# Another Tack to Assessing CDM

- In which areas is there greatest potential for synergy between CDM-related climate change goals, development?
  - Avoided deforestation
  - Clean energy for the poor
  - Clean energy for industrialization
  - Mass urban transit

# How to Improve CDM?

- Conduct proper ex-poste assessments
- National-level initiatives:
  - SD criteria
  - Discrimination for SD (project types)
  - Contracts for SD
- Reform of CDM rules (but beware market imbalance):
  - Programmatic, policy-based, sector-based
  - Avoided deforestation



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