

Institution: University of Sussex
Unit of Assessment: 21 Politics and International Studies
Title of case study: Reforming the Clean Development Mechanism
<p>1. Summary of the impact</p> <p>This case study focuses on the governance dimensions of the Clean Development Mechanism, established under the Kyoto Protocol, and on how these affect its contributions to sustainable development. It documents four areas of impact, the underpinning research and associated engagement and dissemination activity having: (1) contributed to the work of the UN CDM Executive Board and its decision to launch a Policy Dialogue; (2) helped to shape the outcomes of this Policy Dialogue, in turn contributing to the limited reform of CDM processes that has occurred since 2012; (3) supported other policy processes through advisory and training work; and (4) contributed to raising public awareness of carbon markets and climate-change issues through extensive media coverage.</p>
<p>2. Underpinning Research</p> <p>This case study draws upon research conducted by Peter Newell on the performance of the Clean Development Mechanism (CDM) in practice. The CDM is a market-based offset mechanism created under the 1997 Kyoto Protocol which allows richer countries, with legal obligations to reduce their greenhouse gas emissions, to pay poorer ones for projects that reduce these emissions more cheaply. In return, developing countries are meant to receive local sustainable development benefits, such as jobs, technology and improved health and environmental outcomes. Whereas most research to date has looked at market-based explanations for the performance of the CDM, this work analyses the difference that governance makes to the realisation of sustainable development benefits from CDM projects.</p> <p>The research has highlighted a number of key governance deficits in relation to participation, accountability, coordination and capacity, which are inhibiting the ability of governments to realise sustainable developmental benefits from CDM projects. The research examined these governance issues at a range of levels, from the UN's CDM Executive Board (EB), to national governments that have responsibility for approving and screening projects, down to local bodies that oversee consultations and participation with local communities about the risks and benefits of projects they are asked to host. It found widespread evidence of collusion, corruption and exclusion in decision-making and project approval processes. Unlike many desk-based evaluations of projects, the research pointed to the importance of getting to grips with issues of power, politics and political economy as significant shapers of 'who gets what, when and how' from CDM projects. It found that decision-making tends to revolve around tightly-knit networks of project developers, financiers, regulators and auditors, while many key stakeholders are not adequately consulted. The research also found many examples of a revolving door between national officials, project developers and verification agencies, often even occupying more than one role at the same time. The research highlighted the need for redress mechanisms and efforts to monitor and evaluate whether or not sustainable development benefits are being delivered by projects, as well as to ensure that adequate opportunities are provided for participation in and consultation over the projects.</p> <p>This research was conducted by Peter Newell. Initial research was carried out whilst he was at the University of East Anglia, before moving to Sussex in August 2011. Field work for this research (in Argentina, India and South Africa) was conducted from UEA, but the analysis, writing up, dissemination and publication of the research were undertaken at Sussex [see Section 3, R1, R2, R3]. While at Sussex, Newell's research in this area has been supported by the ESRC (as a Climate Change Leadership Fellow and through a grant on low carbon transitions in Southern Africa), and the Climate and Development Knowledge Network.</p>
<p>3. References to the Research</p> <p>R1 Newell, P. (2011) 'The governance of energy finance: the public, the private and the hybrid',</p>

Impact case study (REF3b)

Global Policy. 2(1): 94–105.

- R2** Newell, P. and Bumpus, A. (2012) 'The global political ecology of the clean development mechanism', *Global Environmental Politics*, 12(4): 49–67.
- R3** Phillips, J. and Newell, P. (2013) 'The governance of clean energy in India: the Clean Development Mechanism (CDM) and domestic energy politics,' *Energy Policy*, 59(C): 654–62.
- R4** Newell, P. and Paterson, M. (2010) *Climate Capitalism: Global Warming and the Transformation of the Global Economy*. New York: Cambridge University Press.

Outputs can be supplied by the University on request.

4. Details of the impact

As summarised in Section 1, this research has had impact in the following four areas:

1. *The work of the UN CDM Executive Board:*

In 2011, the UN CDM Executive Board (EB), which is the highest governmental decision-making body on carbon markets, held a closed retreat to discuss challenges facing the CDM in the wake of a series of crises engulfing global carbon markets. A briefing note on Newell's research was produced for this retreat, following an invitation to 'well-known leaders and thinkers in this area' [see Section 5, C1]. This was shared with Board members and made a 'key contribution' to ensuring the success of the retreat [C2]. The most significant outcome of the retreat was agreement to launch a Policy Dialogue on the CDM.

2. *The UN's Policy Dialogue on the CDM:*

Newell's engagement with this Policy Dialogue process involved: the formal submission of evidence to the Dialogue Panel; the distribution of this evidence to a range of governmental and non-governmental stakeholders, including the UK government and the then chair of the CDM EB who participated in a public debate about the research [C3]; the dissemination of academic publications to many of the same stakeholders; and various presentations, including the May 2012 UN climate change negotiations in Bonn, at an event organised by the NGO *CDM Watch* [C4]. The chair and discussant at this event, who were both members of the CDM Policy Dialogue High-Level Panel, directly engaged with the evidence presented and expressed their commitment to take forward its findings [C5]. This engagement activity in turn had the following impact:

(i) *UK government submission:* The research and formal evidence were extensively drawn upon by the UK Department for International Development in its submission to the Policy Dialogue. This submission called for efforts to improve the governance of the CDM, including an appeals mechanism; improved local consultation and stakeholder engagement, including the promotion of best practice; ex-post assessments of the sustainable development contributions of projects; and sanctions for projects failing to deliver these outcomes. These proposals drew heavily upon and directly mirrored those called for in Newell's research and submission to the Dialogue Panel [C6].

(ii) *Policy Dialogue paper on governance:* Significant traces of Newell's research are evident in a key Policy Dialogue report. This report recommended that the CDM EB 'assist DNAs (Designated National Authorities) in coordinating more effective local stakeholder consultations and improve the accountability of project proponents to local communities throughout CDM project design and implementation' [C7]. This recommendation directly mirrored Newell's proposal for an alternative CDM governance process based on clear national development strategies, common guidance on public consultation, strengthened DNA capacity, and continuous monitoring and ex-post validation [C4].

(iii) *Final reports:* Likewise, the final Synthesis Report of the Dialogue process reproduced several of the main findings of Newell's research. This includes statements that '[M]ost studies employ varying criteria to assess impacts and occasionally lack any ex-post assessments, relying on information provided by project developers when requesting registration, rather than on post-implementation data'; that '[C]omparison of projects across different countries shows that their contribution to sustainable development depends both on project type and host country'; and that

'[s]ome stakeholders indicate that the capacity of host countries to follow-up on the initial assessment of a project's contribution to sustainable development is limited given the paucity of resources in many cases' [C8]. Key recommendations from Newell's research also featured prominently in the Final Report of the High-Level Panel, including its call for the CDM to 'strengthen and restructure its governance' by 'enhancing its openness and transparency, and opportunities for stakeholder participation, creating avenues to hear appeals and address grievances'. This included the increased monitoring of sustainable development benefits, efforts to strengthen national capacity in this regard, sanctions in cases of harm caused by projects, and guidelines on adequate local consultation procedures. Echoing the recommendations of the research, it is stated that 'There is a clear need to improve the reporting, monitoring, and verification of the sustainable development impacts of CDM projects, and to implement safeguards against projects with negative impacts' [C9].

In the wake of this Final Report and the pressure generated by researchers and NGOs, state Parties to the UN climate negotiations called on the CDM EB to act. It did so by approving a voluntary tool for describing sustainable development co-benefits of CDM projects at its 70th Board meeting in November 2012, moving away from original opposition to acceptance of an additional tool for recording such benefits. In light of the shortcomings highlighted by this and other research, the CDM EB has also sought to encourage governments to share experiences of local consultation processes.

3. Advisory and training work:

Newell has also undertaken extensive advisory and training work, with impacts on policy processes. For example, Newell serves as Senior Policy Advisor on the UK Department of Energy and Climate Change's (DECC's) International Climate Fund, in which capacity he has served as an evaluator of business cases for the joint DFID/DECC Carbon Markets Finance initiative and has provided input which has had direct impacts on the design and development of this initiative, aimed at improving the development benefits of CDM projects [C10].

He has also provided training for various policy bodies on the CDM, some of which have, in turn, had direct impact. For example, Newell participated in a training session for the Commonwealth Parliamentary Association, at the end of which the parliamentarians attending issued a communiqué calling for tougher action on climate change which specifically emphasised the 'risks from international carbon trading mechanisms' highlighted by Newell [C11].

4. Public awareness of the shortcomings of carbon markets:

Key findings from Newell's research have been extensively covered in all forms of mass media. Leading broadsheets covering the research have included *The Guardian*, *The Times of South Africa* and *The Financial Times*, for whom Newell produced an interactive guide on climate politics in the run-up to the December 2011 Durban conference. The research has been covered on numerous TV and radio channels, including Sky News, BBC *News 24*, BBC *Radio 2* and BBC *World in Spanish*, which featured a full-page story on Newell's research [C12]. Newell's research has also featured in the '*The Carbon Con*' documentary, which was screened at the Durban conference at a side-event with panel discussion organised by CDM *Watch*, and has been downloaded from YouTube and other media over 3,000 times [C13]. Newell's research has also been widely cited and drawn upon by advocacy NGOs working on change issues, including the Rainforest Foundation, the Global Forest Coalition and The Corner House in the UK [C14].

5. Sources to corroborate the impact

- C1** UN Framework Convention on Climate Change Secretariat, email to Peter Newell (14 September 2011). The briefing note is not publicly available, but is available on request.
- C2** Andrew Howard, UNFCCC Secretariat, email to Peter Newell (20 November 2011): '*The retreat was well used by the Board to step back and focus on the strategic direction and priorities of its future work. As I said to you earlier, the focus was very much on how the CDM can be positioned vis-à-vis the evolving needs of Parties and CDM stakeholders, and hence on actions that should be taken to achieve this.With regard to the inputs made by you and several others, these were very well appreciated. Your inputs were circulated to Board*

members prior to the retreat and I presented the "key threads" from them to the retreat. Of course, not everything was agreed with, but these inputs gave both a lively and thought-provoking start to the retreat and several themes which then continued through the rest of the discussions. The retreat participants truly appreciated the independent, external perspectives of the authors and their willingness to contribute them. A number of points emerged from the discussions: The most significant result was agreement to launch the "policy dialogue on the CDM". Thank you again for taking the time to make your input. I think the retreat results were very positive and yours was a key contribution to ensuring this.'

- C3** Submission to CDM Policy Dialogue at: http://www.cdmpolicydialogue.org/public_input. Record of the debate in November 2011 on 'Carbon markets for the poor' at: <http://www.icis.com/heren/articles/2012/03/19/9542981/emissions/edcm/uk-study-slams-the-use-of-the-carbon-clean-development-mechanism-by-fossil-fuel-companies.html>
- C4** A report on this presentation is available at: <http://www.iisd.ca/climate/sb36/enbots/>
- C5** Director, Carbon Market Watch Nature Code.
- C6** UK Government, '*Improving the Clean Development Mechanism*', UK submission to the High-Level Panel on the Clean Development Mechanism Policy Dialogue (July 2012), sections 1 and 5. Daniel Marks, who was responsible for writing and coordinating the UK government's submission, can endorse this claim. Daniel Marks, Economist, Finance and Negotiations Team, Climate and Environment Department, Department for International Development (T: 020 7023 0213). Marks has also written to Newell: '*I read the documents you sent with interest and used these along with your submission to the CDM Policy Dialogue to inform the UK's submission to the panel*' (30 July 2012, email correspondence).
- C7** *CDM Policy Dialogue Research Programme*, Research Area: Governance (1 October 2012), see e.g. p. 10. At: <http://www.cdmpolicydialogue.org/research>.
- C8** Synthesis Report of the Call for Input on the CDM Policy Dialogue (7 March 2012), points 7, 10, 21, 25, 38 and 39. At: http://www.cdmpolicydialogue.org/public_input.
- C9** *Climate Change, Carbon Markets and the CDM: A Call to Action*. Report of the High-Level Panel on the CDM Policy Dialogue, pp. 10–11 and recommendations 9.1–11.2. At: <http://www.cdmpolicydialogue.org/report>.
- C10** E-mail from Commercial Manager, DECC (26 November 2013). The business case can be found at: <https://www.gov.uk/government/publications/international-climate-fund-business-case-and-intervention-summary-carbon-market-finance-programme>
- C11** Report from Giz Watson on the Commonwealth Parliamentary Association, Third International Parliamentary Conference on Climate Change – Global to Local: Climate Change Post-Copenhagen London, UK (12–15 July 2010). At: [http://www.parliament.wa.gov.au/WebCMS/webcms.nsf/resources/file-cpa-report-3rd-climate-change-giz-watson/\\$file/3rd%20Climate%20Change%20Conference%20Giz%20Watson.pdf](http://www.parliament.wa.gov.au/WebCMS/webcms.nsf/resources/file-cpa-report-3rd-climate-change-giz-watson/$file/3rd%20Climate%20Change%20Conference%20Giz%20Watson.pdf).
- C12** See e.g. BBC *World*, at: http://www.bbc.co.uk/mundo/noticias/2011/11/111117_carbono_mercado_am.shtml; *The Guardian* at: <http://www.theguardian.com/business/feedarticle/9947090>
- C13** *The CarbonCon*
http://www.theecologist.org/tv_and_radio/ecologist_film_unit/1074614/the_carbon_con_investigating_the_true_cost_of_offsetting.html
- C14** Rainforest Foundation '*Rainforest Roulette? Why creating a forest carbon offset market is a risky bet for REDD*', September 2012 and the Global Forest Coalition '*REDD+ tricksters*'. The Corner House, '*Beyond Patzers and Clients*', *Strategic Reflections on Climate Change and the 'Green Economy'*. http://www.rainforestfoundationuk.org/Rainforest_Roulette_PR