

Chetan Chauhan and Anika Gupta, [Hindustan Times](#)

Email Author

Copenhagen/New Delhi, December 19, 2009

First Published: 01:12 IST(19/12/2009)

Last Updated: 01:14 IST(19/12/2009)

India, China's CDM success becomes the world's envy

As global negotiators failed to thrash out a climate change deal, the world's least developed nations made it known that any new version of the Clean Development Mechanism (CDM) should include them.

They have a point. CDM, a system that funds clean technology in developing countries, has been a spectacular success for India and China.

Close to 80 per cent of the CDM projects registered with the United Nations are from one of these two countries. Carbon mitigation is now India's fastest growing market.

But it's a very different picture for the world's 49 least developed nations.

"We have only one project under CDM. China and India have over 1,000 each," said Bangladesh's chief climate negotiator Quamrul Chowdhury. "We want a quota for the least developed countries so that they can get international funds for climate mitigation."

Chowdhury's proposal at the climate summit was supported by the G-77 + China, the African bloc and several Asian countries like Nepal.

There's a growing consensus that CDM could do with some serious reform.

"Some preferential treatment for the least developed countries is needed," said Ashutosh Pandey, CEO of carbon consultancy firm Emergent Ventures. Pandey suggested a special fund to support small-scale projects.

When CDM was first created, it seemed like a miracle solution for regulators who wanted to turn carbon cuts into good business policy, while at the same time maintaining the principle of differential responsibility.

Under CDM, for every tonne of carbon dioxide that doesn't enter the atmosphere, a developing country earns one carbon credit. It can sell these credits to rich nations through a global exchange.

But from the beginning there were concerns about whether CDM would help the least developed countries and the poorest of the poor.

A report by the International Institute for Sustainable Development, written three months after the Kyoto Protocol came into effect, found that "of the 49 least-developed countries as defined by the UNFCCC, only two (Bhutan and Bangladesh) have projects in the pipeline, and they have only one project each."

The World Bank and UN set up programmes to help least developed countries start CDM projects, but the problems were institutional. These countries don't generate a lot of carbon dioxide emissions, so they don't have enough emissions reduction potential to tempt European companies.

"The market needs to be re-oriented for the smaller nations, not just India and China," said UNFCCC Executive Secretary Yvo de Boer. "The poor countries need to get more from the developed world through CDM."

The tendency isn't just for investors to choose large economies. They also prefer large projects. Even in India, the majority of CDM projects are vast, such as the power plant efficiency

initiatives that can generate 50,000 carbon credits or more a year.

Small projects such as village leaders banding together to plant trees would have trouble getting off the ground under today's CDM infrastructure, which requires that the whoever starts the project go through an expensive audit that takes close to two years.

Heads of state and their respective delegations had to tackle gaps in CDM at this year's Climate Change conference.

The new market's success means that it's unlikely to disappear. If anything, it's poised for even greater growth.

So far, CDM has produced nearly 350 million carbon credits. It could get as big as 2 billion per year, according to some estimates.

The US, which never ratified the Kyoto Protocol and so could never buy CDM credits, might try to work out a deal to enter the market.

If that happens, it won't be a question of competition between large and small projects – there'll be more than enough demand for everyone.

<http://www.hindustantimes.com/StoryPage/Print/488259.aspx>

© Copyright 2009 Hindustan Times