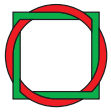

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Mitigation versus Sustainable Development?

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Mitigation versus Sustainable Development?

Why NAMAs Shouldn't Repeat the CDM's Mistakes

by Christof Arens, Hanna Wang-Helmreich, Timon Wehnert*

Next year, Rio de Janeiro is going to host the Rio+20 summit. Since the 1992 UN Conference on Environment and Development (UNCED), the term sustainable development has successfully spread out into every niche and corner of our world. No government and no company would officially proclaim that they would disapprove of sustainable development. So, we are tempted to say that we have reached a global consensus here. The pitfall is that the concept behind the term is rather vague. There seem to be manifold definitions and the question remains how to operationalise our objectives.

Despite this vagueness, we can formulate key cornerstones of sustainable development, such as poverty alleviation, environmental protection, employment generation, improvements of health and well-being. Many of these have been iterated by heads of states and in important international documents like the Millennium Development Goals.

Consequently, in the UNFCCC climate negotiations, developing countries have stressed the importance of sustainable development over and over again. As important as climate change is, they argue, it must be addressed in the context of sustainable development. This was reflected in the Bali Action Plan, agreed on in 2007, which called for mitigation activities by developing countries in the form of Nationally Appropriate Mitigation Actions (NAMA), which are to be conducted "in the context of sustainable development".[1] Thus, NAMAs should serve a dual goal: mitigation and sustainable development in developing countries.

When it comes to putting flesh on the bones of the NAMA concept, the question of how to address both mitigation and sustainable development will be crucial. It may be helpful to note that the basic construction of the Clean Development Mechanism (CDM) is of a comparable nature. The instrument carries its dual aim in its name: it aims at supporting countries in their development, and this development must be clean, i.e. climate friendly. As article 12 of the Kyoto Protocol reads: "the purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development..., and to assist Parties included in Annex I in achieving compliance with their... reduction commitments". Thus, analysing the lessons learned from the CDM seems to be an important step for designing the NAMA concept.

Lessons learned from the CDM

The CDM's dual aim has in fact not been fulfilled equally for both parts: apart from reducing GHG emissions, the contribution of the CDM to the host countries' sustainable development has been very limited.[2] As early as in 2006, Lohmann documented a number of cases where projects were found to have negative impacts for the local population.[3] Other studies question the CDM's contribution to sustainable development on a general level.[4] Michaelowa and

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1 Bali Action Plan - UNFCC (2008). *Report of the Conference of the Parties on Its Thirteenth Session, Held in Bali from 3 to 15 December 2007. Addendum: Part Two: Action Taken by the Conference of the Parties at Its Thirteenth Session* <http://unfccc.int/resource/docs/2007/cop13/eng/06a01.pdf>

2 We are leaving the doubts on the environmental and climate integrity of the mechanism aside here; cp., e.g., Schneider, L. (2007). *Is the CDM fulfilling its environmental and sustainable development objective? An evaluation of the CDM and options for improvement*. Berlin: Öko-Institut; Michaelowa and Purohit (2007). *Additionality determination of Indian CDM projects – Can Indian CDM project developers outwit the CDM Executive Board?* Zurich: Climate Strategies.

3 Lohmann, L. (2006). *Carbon Trading. A critical conversation on climate change, privatisation and power*. Uppsala: Dag Hammerskjöld Centre (development dialogue no. 48).

4 See, e.g., Sutter, Ch. and J. Pareno (2007). Does the current Clean Development Mechanism (CDM) deliver its sustainable development claim? An analysis of officially registered CDM projects. *Climatic Change* 84:75–90; Olsen, K.H. (2007). The clean development mechanism's contribution to sustainable development: a review of the literature. *Climatic Change* 84: 59-73.

Michaelowa, for example, conclude that "projects addressing the poor directly are very rare and that even small renewable energy projects in rural areas tend to benefit rich farmers and the urban population".[5] Other studies look at the CDM's contribution to transferring environmentally friendly technologies to developing countries. The overall findings are that hardly more than a third of the projects involve technology transfer.[6]

Clearly, the CDM has difficulties putting its contribution to GHG mitigation into the broader perspective of sustainable development. One problem is that the mechanism puts a price exclusively on the climate effect of the projects but not on other benefits, such as employment generation or health improvements (e.g., when more efficient cooking stoves replace open fires for household cooking).

Moreover, local stakeholder groups often have difficulties voicing their concerns in the course of the project approval phase. This is due to limited local capacities and lack of knowledge of the CDM, but also due to the construction of the approval process, which is carried out in English and internet-based.

At the international level, no procedures or criteria are envisaged for the assessment of a CDM project's contribution to sustainable development. CDM host countries determine for themselves how to assess impacts other than GHG emission reductions, and the Designated National Authority (DNA) of the host country is responsible for checking whether CDM projects actually comply with these requirements.

A study by the Wuppertal Institute,[7] however, has found that despite a limited number of good practice examples, many CDM host countries have not actually defined sustainability criteria and that the sustainable development criteria of host countries that do exist, frequently lack transparency and clarity. The criteria are usually qualitative guidelines that are rather vague and leave much leeway for interpretation. Consequently, project participants can easily avoid giving concrete and verifiable details and stay at the level of very general statements. Without clear guidance for evaluation of sustainable development aspects, the process gets highly subjective and leaves too much room for interpretation, for both applicants and evaluators. Furthermore, the stakeholder consultation is often only rudimentary, completely unregulated and badly documented.

Nice to have

NAMAs are often discussed as a new mitigation instrument, which is supposed to overcome some of the shortfalls of the CDM. However, NAMAs may well repeat neglecting the second part of its goal, sustainable development, if this issue is not addressed wisely. Recently, the Wuppertal Institute has analysed the current status of 16 NAMAs in a comparative study.[8] Although we find a high potential of linking these NAMAs to sustainable development, only half of the current NAMA proposals actually discuss this issue at all.

From the perspective of potential NAMA funders we see a clear imbalance between mitigation and sustainable development. The EU, for example, puts forth the position that "the allocation of support to developing countries should move towards…actions which maximize climate value for climate money".[9] In the same document, sustainable development is addressed much less forcefully by stating that "financial support for action to adapt to or mitigate climate change should support other sustainable development action." This falls in line with the general debate on NAMAs, in which sustainability issues are generally referred to as 'co-benefits'. The term speaks for itself: there is one clear objective – reduction of GHG emissions; sustainable development is nice to have.

In our view, the current discussion on NAMAs is prone to repeat the CDM's mistakes. If the current paths are

5 Michaelowa, A. and K. Michaelowa (2007). Climate or development: is ODA diverted from its original purpose? *Climatic Change* 84: 5-21.

6 See, i.a., De Coninck, H., F. Haake and N. van der Linden (2007). Technology transfer in the Clean Development Mechanism. *Climate Policy* 7: 444-456;
Schneider, M., A. Holzer and V.H. Hoffmann (2008). Understanding the CDM's contribution to technology transfer. *Energy Policy* 8: 2920-2928.

7 Sterk, W., F. Rudolph, C. Arens, U. Eichhorst, D. Kiyar, H. Wang-Helmreich, and M. Swiderski (2009). *Further Development of the Project-Based Mechanisms in a Post-2012 Regime*. Wuppertal: Wuppertal Institute for Climate, Environment and Energy <http://www.wupperinst.org/uploads/tx_wiprojekt/CDM_Post_2012_Study.pdf>

8 Wang-Helmreich, H., W. Sterk, T. Wehnert and C. Arens (2011). *Current Developments in Pilot Nationally Appropriate Mitigation Actions of Developing Countries*. JIKO Policy Paper. Wuppertal: Wuppertal Institute for Climate, Environment and Energy on behalf of: Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) <http://www.jiko-bmu.de/960>

9 European Council (2009). Council conclusions on International financing for climate action - 2948th economic and financial affairs. Luxemburg <http://ec.europa.eu/economy_finance/articles/eu_economic_situation/article15369_en.htm>

followed, sustainability will become an add-on of minor importance – quite in contrast to the original idea formulated in Bali.

Integrate sustainable development into NAMAs

But how can sustainable development firmly be integrated into NAMAs? Again, we take a look at the CDM: one key attempt to strengthen sustainable development is the CDM Gold Standard. Projects under this premium label have to satisfy additional rules to demonstrate their sustainable development benefits. The Gold Standard requirements include safeguarding principles ("do no harm assessment"), criteria and indicators for assessing the environmental, social and economic impacts of a project, as well as detailed requirements for stakeholder involvement.[10]

Among other studies,[11] the above-mentioned study by the Wuppertal Institute (see footnote 7) found that the Gold Standard is a robust instrument that allows a solid evaluation of a CDM project's impacts while at the same time not placing undue burdens on project participants. The Wuppertal Institute interviewed various project developers who use the Gold Standard and concluded that they all found the Standard requirements to be well manageable.

Therefore, we see a need to address sustainable development in NAMAs much more stringently. To ensure that sustainable development is adequately addressed in NAMAs, we propose the following:

- As a minimal requirement, there need to be safeguarding principles for NAMAs. A "do-no-harm assessment" needs to be an integral part of a NAMA development process, to minimise unwanted negative side-effects.
- Following the principle of "what gets measured, gets managed," it is important to introduce other evaluation criteria for NAMAs beyond direct mitigation effects in terms of tonne CO_2 per USD invested. In order to promote sustainable development issues in NAMAs, we do need clear criteria and indicators to measure these kinds of benefits. This will, certainly, be far more complex than at the Gold Standard's project level as NAMAs aim at transforming whole industry sectors. Nevertheless, a variation of the Gold Standard's requirements could in principle also be applied to NAMAs to enhance their contribution to sustainable development.
- In order to minimise negative impacts and to achieve broad-based support, introducing NAMAs should be as transparent and participatory as possible. Any guidelines for NAMA development should therefore also include provisions for meaningful stakeholder consultation. The CDM Gold Standard offers a valuable reference for successful involvement of stakeholders.
- Experiences from the CDM have demonstrated that leaving the assessment of sustainable development to host countries may produce mixed results. However, the COP has to ensure that the instruments it creates do at least not harm the sustainable development of countries. It may therefore be recommendable to consider aspects of sustainable development on an international level as to adequately ensure the contribution of sustainable development in NAMAs.

Conclusion

Looking at the tremendous potential NAMAs have with respect to GHG mitigation in developing countries and looking at the billions of dollars which need to be invested to tap this mitigation potential, we cannot risk that all of these investments may eventually contradict sustainable development. Against this background, it will not be sufficient to reiterate the need for sustainability in Sunday speeches or vaguely hint to it in introductions of rules and regulations.

Instead, sustainable development must be an integral part of NAMAs on every level. We need to set rules on how to measure, report and verify sustainability aspects just as we measure, report and verify GHG emission reductions. Only by doing so, we can fulfil the dual aim of NAMAs expressed in the Bali Action Plan: mitigation AND sustainable development.

[10] Ecofys, TÜV-SÜD and FIELD (2008). *The Gold Standard Requirements Version 2.1,* effective June 2009. <http://www.cdmgoldstandard.org/Current-GS-Rules.102.0.html;

[11] Guerra González, J. and Th. Schomerus (2010). *The Gold Standard as a Guarantee for the Sustainability of CDM-Projects in Developing Countries?* Working Paper Series in Business and Law No. 5. Lüneburg: Leuphana Universtität Lüneburg.