



Capacity Development for the Clean Development Mechanism (CD4CDM) Project

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Your Excellence Monsieur le Ministre de l'Environnement, Madame la Directrice du Département de l'Environnement, Hon. Representatives of ministries and agencies of the Government of Mauritius, private sector and NGO participants, members of the media, Ladies and Gentlemen :

Let me first add my words of welcome to my distinguished colleagues on the day of this important event and, in turn, to thank you for the heartfelt welcome that I and my organization have continually received in Mauritius.

We are gathered here to continue a process of dialogue, knowledge sharing, and collaborative effort that started in 2007 under the Capacity Development for the Clean Development Mechanism (CD4CDM) Project—as well as to launch an important new communications tool to extend that collaboration. We hope to stimulate increased awareness, build technical skills, and hone concrete business opportunities for a new economy – the “green” economy – of which the carbon market and related projects under the umbrella of the so-called Clean Development Mechanism or “CDM” of the Kyoto Protocol is but just one instrument.

Most countries of the world already accept the growing threat to current and future generations of its citizens of global climate change. They are preparing to take actions to prevent catastrophic



social, environmental, and economic damages that such climatic changes will pose, even before the full extent of the risks are 100% certain.

Likewise, most countries have recognized the importance of the global carbon market and the implementation of CDM projects as an opportunity for the “common but differentiated” responsibilities entailed upon all states in implementing the United Nations Framework Convention on Climate Change to be successfully realized. Indeed, the Republic of Mauritius was among the first countries to sign the compact, as early as September 1992, and for the past years has been proactively seeking to intelligently and effectively engage in this new market.

The tone of the debate has changed from ‘whether’ to ‘when.’ Signs of human induced climate change are now visible from the melting icecap in Greenland to the increased droughts, floods and tropical cyclones across Africa. Likewise, a rapidly changing and increasingly unfavorable energy market requires a proactive strategy to deal with environmental challenges and energy security issues. As rising costs of oil, coal, and natural gas have made manifest the urgent need to conserve our planet’s precious natural resources and to develop cleaner, more decentralized sources of energy, questions such as ‘*can we afford to...?*’ have been replaced by the imperative: ‘can we afford *not* to?’.

Put simply, many countries are fully grasping the magnitude of the climate challenge, and are now moving beyond debate toward putting in place actions and measures to “get the job done”.

I have been asked to speak today about the potential contribution of CDM and carbon finance to Mauritius’ sustainable development. As I see it, actions and measures designed to address climate change and to promote sustainable energy consumption in countries such as Mauritius can only succeed if they successfully address a much broader suite of social preoccupations than reducing greenhouse gas emissions or protecting the environment. UNEP’s view, as well as that of UNDP, our partner on CDM capacity building here in Mauritius, is that engaging in the carbon market



should not be viewed as an end in and of itself, but rather a means to help countries to achieve locally appropriate sustainable development goals as well as to fulfill the global Millennium Development Goals (MDGs).

At the core of sound CDM project design and implementation lies facilitating these national sustainable development priorities and creating win-win investment opportunities for multiple stakeholders. This is not just empty talk, but a fundamental legal requirement and prerequisite to CDM approval. Later today we shall hear more about the national “sustainable development criteria” the Government of Mauritius has put in place to regulate carbon transactions in a manner that ensures that these sentiments are not simply “empty words”.

To name just a few of the many examples of the types of projects which could reasonably access future carbon investment in Mauritius in the short-term include: supplying 1 million households with highly energy efficient light bulbs, increasing consumption of bagasse and fully utilizing both sugar cane and other agro-wastes in electricity production, generating energy from municipal waste, erecting both on and off-shore wind parks, increasing local blending of bio-ethanol and biodiesel into the transport fleet, and expanding an existing solar water heater financing program to serve 20,000 additional households. In the long-term, even more options for accessing climate change related finance are likely to come on the table, such as harnessing tidal energy and marine biomass resources, and building ultra-efficient supercritical coal power plants.

At the same time, governments such as Mauritius understand that they cannot act alone. Not only does there exist an appropriately high level of expectation for international collaboration on technology transfer and scientific research and development cooperation, but also the hope that private actors will rationally act to take advantage of new economic opportunities. The lion’s share of the investment capital required for facilitating a transition to a more sustainable, low-carbon economy must and will come from the private sector and mainstream financial actors.



Indeed, as an investment model, the CDM is fundamentally a public-private partnership, as well as a new economic stimulus for “eco-innovation”. That is why the Ministry of Environment is working with entities such as the Board of Investment and private industry across Mauritius to develop a national “CDM Investor’s Guide” and to elaborate an effective national CDM strategy that takes into account actions aimed at creating a more favorable investment climate for this growing new investment market.

Some nay-sayers like to point out that, despite the explosive growth in carbon transactions worldwide, Africa and other small developing countries have thus far failed to substantially benefit from the carbon market. This is true. For example, as of July 2008, only 1 out of the 213 CDM projects that had successfully issued carbon credits originated in Africa. But fortunately, this is not the full story. And it should be recalled that the global story of the development of the carbon market itself is perhaps only in its first chapters...

Take for example mounting evidence that things are changing, that these countries are slowly rising up the CDM “learning curve”. In 2004, there were only two projects on the whole African continent in the CDM pipeline – one in South Africa and another in Morocco. By 2007, this had risen to 52, jumping again to 67 by mid-2008. Six sub-Saharan African countries accessed the CDM for the first time in the past 18 months.

While this still pales in comparison to the wider CDM market, which has seen global project numbers grow from 61 in 2004 to nearly 3,500 in the pipeline in mid-August, there has been a huge upsurge of interest in the market for African projects. And according to our forecasts at the UNEP Risø Centre, which monitors trends on global CDM transactions, Africa could see roughly 230 CDM projects in the pipeline by 2012. If all these materialize, they could cumulatively generate 65 million carbon credits worth close to one billion US dollars at a conservative carbon credit price of \$15.



Beyond 2012, a recent World Bank report speaks to even larger potential, and identified more than 3,200 potential low-carbon energy project concepts that could be implemented in sub-Saharan Africa, which could generate in excess of 170GW of extra power—more than double the region’s current installed capacity.

However, reaching this level of new “green” investment is highly dependent on capacity building, technical assistance to entrepreneurs and financial institutions, as well as innovative financial risk sharing mechanisms being implemented. Among many reasons for the slower take-off in Africa as compared to other regions is a lack of skills and capacity, as well as financing gaps for the numerous technically viable projects. Capacity is critically lacking within local and regional financial institutions and “investment intermediaries” that can identify, develop, and transact CDM projects. There is a need to build the capacity of local entities to spot opportunities that deliver a multitude of economic and social returns and that can put together a multi-stakeholder financing package that taps into the wide spectrum of available capital sources.

That is why this workshop, and the subsequent targeted training sessions with local banks and financial institutions, entrepreneurs, researchers and industry representatives is such a critically important step. The workshops will improve their understanding of the technical and financial modalities of carbon transactions, and help actors to draft carbon investment documentation.

As important as institutional reforms and financial sector intermediation may be, *human beings* must lie at the core of any capacity development activity. Without strong human competencies in project design, financial engineering, carbon accounting, and technological and environmental impact assessment, future carbon offset projects are unlikely to materialize and be implemented.

Through partnerships such as the CD4CDM Project, which is funded by the Netherlands ministry for development cooperation, and our other CDM capacity development activities, UNEP seeks to show that increasingly the supply of quality projects offered to the global carbon market from



countries like Mauritius is not only possible, but urgent, and that relatively modest investments in capacity development can yield important results. Therefore, let us continue to work together over the next few days to bring to life concrete projects that can create a better future for the next generation of citizens of this blessed ecologically extraordinary island.

Thank you for your attention and for your continued cooperation.