

# What can NAMAs learn from the CDM?

Tobias Schmidt, Chair of Sustainability & Technology, ETH Zurich  
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[tobiasschmidt@ethz.ch](mailto:tobiasschmidt@ethz.ch)



# NAMAs can learn from the CDM in 5 important aspects

1. Markets & market failures
2. Technology transfer
3. Sustainable development
4. Knowledge & actors
5. Data & supervision

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## 1. Markets & market failures:

**While the CDM market mechanism generally works NAMAs should address important remaining market failures**

### **Upsides:**

- Projects with lowest abatement cost identified
- Countries/project types with lower risks and larger market size preferred by investors
- ⇒ Market works relatively efficiently
- ⇒ NAMAs should preferably be market-based

### **Shortcomings:**

- Scale too low in order to reach 2C target
- High transaction costs
- ⇒ scale-up (create large NAMAs)
- Baseline not addressed (fuel subsidies)
- ⇒ Incentivise baseline activities (phase-out fuel subsidies)
- Problematic access to finance
- ⇒ Create incentives for low-discount rate financing vehicles

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## 2. Technology transfer:

**NAMAs should enable also smaller/ low-income countries to increase technological capabilities via technology transfer**

### **Upsides:**

- CDM has contributed to tech. transfer
  - Quality of tech transfer has improved over time (from technology to knowledge transfer)
  - Simple tech transfer has declined in countries where technological capabilities increased
- ⇒ Technology sourcing under CDM works efficiently
- ⇒ Also NAMAs should aim at qualitative improvement of tech transfer over time

### **Shortcomings:**

- Learning effects of transfer limited to few countries
  - Investors prefer large markets
- ⇒ Build large potential markets via NAMAs (scale-up)
- ⇒ A country's NAMAs should rather focus on few technologies that fit the country (e.g., high potentials)

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### 3. Sustainable Development:

## **NAMAs should go beyond the CDM's incremental contribution to sustainable development and integrate development targets**

#### **Upsides:**

- CDM projects have mostly a positive sustainable development rent
  - Hardly negative effects
- ⇒ CDM has incrementally contributed to its sustainable development goal

#### **Shortcomings:**

- Often trade-off between both goals
  - Investors focus on first goal (except when additional rewards for sust. dev., e.g., through Gold Standard)
- ⇒ NAMAs might increase incentives for contribution to sustainable development
- Contributions often decoupled from development plans
  - Division of mitigation and adaptation targets
- ⇒ NAMAs should build on development plans and potentially incorporate adaptation effects of mitigation measures



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## 4. Knowledge & actors:

**The large knowledge base created by the CDM should be transferred to and increased by NAMAs**

### **Upsides:**

- CDM has led to increased knowledge
    - CDM specific knowledge
    - General knowledge on emission abatement projects in developing countries
  - Knowledge is mainly carried by actors and within networks
- ⇒ Transfer the relevant knowledge to NAMAs (keep relevant actors alive under NAMAs)
- ⇒ Design NAMAs in a way that incentivises learning (markets)

### **Shortcomings:**

- Learning of political actors in host countries limited (DNAs)
- ⇒ Design NAMAs in a manner that they feed-back into the policy process

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## 5. Data & supervision

### **NAMAs should maintain the high data sourcing and low corruption potential of the CDM**

#### **Upsides:**

- CDM has led to improved publicly available database on developing countries
  - Many data points
  - Standardisation of data
- ⇒ Common standards for reporting of NAMAs with high data requirements
- CDM has shown relatively low potentials for corruption
- ⇒ Assure high MRV levels for NAMAs
- ⇒ Strictly couple finance of NAMAs to MRV quality

#### **Shortcomings:**

- High transaction costs and long approval times
- ⇒ Scale-up (select few projects)

# Where NAMAs can draw from and where they should go beyond the CDM

## Contributions from the CDM:

- Knowledge embedded in actors & networks
- Source of publicly available data
- MRV

## NAMAs:

- Selection of key technologies/project types according to needs and potentials
- Create preferably large markets for these technologies
- Support the building of technological capabilities for these technologies & increase local policy learning

## Add-ons:

- Tackling of baseline
- Integration of development plans (potentials and needs)
- Involvement of new actors & finance vehicles

# Thank you for your attention!