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What are the Financing Prospects for Brazilian Sustainable Development? From Clean Development Mechanism to Nationally Appropriate Mitigation Actions

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The two ways in which the international regime on climate change has been negotiated, created at the Conference of the Parties (COP 13) in 2007 and framed in the so-called Bali Road Map, resulted in two task forces: the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) and the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA). While the former is in charge of, among others, the issues involving all aspects of the Clean Development Mechanism (CDM), the latter focuses on long-term cooperative actions to be followed by the different countries—in particular, what are called the Nationally Appropriate Mitigation Actions (NAMAs), by which the developing countries would present mitigation actions in the context of their sustainable development on a voluntary basis.

The interrelation between these two working groups can be summarised in the following way: AWG-KP constitutes the building block for negotiations concerning future periods of commitment of the countries belonging to Annex I under the Kyoto Protocol, while AWG-LCA was established as the way for further implementation of the United Nations Framework Convention on Climate Change (UNFCCC). However, for many countries, the creation of these two groups could mean the creation of an additional protocol or a substitute for the Kyoto Protocol, which would be an enormous regression from the perspective of the developing countries that have been beneficiaries of projects potentially financeable by the generation of carbon credits through the CDM.

Although the Cancun Conference (2010) has restated the importance of this mechanism continuing after 2012, it is right to highlight the loss of its relative importance if negotiations move towards a substitute agreement for the Kyoto Protocol. The CDM has had an important role in the financing of projects that contribute to the sustainable development of developing countries. However, the use of this mechanism has been limited by high transaction costs, which is reflected by a market for carbon credits generated by CDM projects below their potential. This recognition has led to international negotiations among countries under AWG-KP to reform the CDM and make it more effective and efficient in achieving its main objective of promoting the sustainable development of its beneficiary countries.

The Copenhagen Accord, established at COP 15 in Copenhagen in December 2009, recognises NAMAs as a means of increasing the participation of developing countries in the effort to reduce greenhouse gas (GHG) emissions. At COP 16, this agreement came into legal effect through the approval of the Cancun Agreements—by consensus, but not unanimously, since Bolivia rejected its endorsement. However, future negotiations still need to address the issue of financing mechanisms for the

implementation of NAMAs, as well as the negotiations for the second period of the Kyoto Protocol and, in particular, renewal of the CDM after 2012.

Despite the urgency of the need to stabilise GHG emissions to encourage greater participation by developing countries such as Brazil through NAMAs, it is important that the CDM is maintained, and enlarged through a sectoral approach, to ensure the financing of sustainable development for Brazil and other countries with similar development levels. It is argued that the CDM and NAMAs should have a complementary role—rather than one replacing the other—since they meet different needs of developing countries.

Currently, important uncertainties remain as to whether forthcoming negotiations will lead to a higher volume of resources to finance low-carbon growth in developing countries. We do not know how the resources available for the CDM will combine—or not—with resources available for NAMAs. Given that there are important deadlocks on the future of the Kyoto Protocol and that, on the other hand, there is no consensus either on NAMAs nor on their financing, we cannot discount the worst scenario of a total lack of financing. It would be inconceivable for future negotiations not to achieve either of the two objectives. The two parallel negotiation channels, AWG-KP and AWG-LCA, conceived to come to a more comprehensive agreement on climate negotiations, are being used strategically by the Annex I countries, with non-explicit conditions being introduced so that national interests outweigh the global interest of reaching a truly global agreement capable of stabilising GHG emissions.

The principle of common, but differentiated, responsibilities has been an important element to guarantee equity in the negotiations between developed and developing countries, and the conception of the UNFCCC itself has been shaped to comply with this criterion, which should be presented as non-negotiable. Brazil has a great potential to increase its use of the CDM in several different sectors. It would be very important if future negotiations advocated for the continuation of the Kyoto Protocol and that financing be made available for NAMAs as additional resources. These factors are requirements for reaching a truly global future agreement on climate change.

Note:

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Reference:

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