

Delivering low-carbon energy in developing countries

Clean energy development for the developing world is currently hampered by a lack of consistent, coherent and co-ordinated policies. Governments involved in these schemes need to ensure more effective governance of clean development

Key findings

- Energy policy is shaped by other policies in areas such as trade, industry and agriculture and the energy needs and political interests of those sectors – while carbon finance currently has minimal policy influence as a driver of change.
- Many governments are unable to verify the claims made by project developers about the environmental and particularly social benefits from Clean Development Mechanism (CDM) projects.
- Crucial components in the governance of climate aid and finance are: stable and predictable flows of finance; governance structures that ensure the fair and effective dispersal of new forms of climate finance; independent evaluation; and the capacity to absorb, distribute and monitor funds.
- Many consultations over proposed CDM projects provide little opportunity for individuals or communities to understand or engage with the effect of the project on the community

Background

A three- to five-fold increase in electricity demand is anticipated in the developing world over the next 30 years – a demand that mostly will be met by fossil fuel-based energy production, unless there is a large-scale switch to clean energy sources.

There is an increasing sense of urgency about the delivery of clean development projects. Schemes such as



the CDM offer industrialised countries the option to buy carbon credits by supporting emission-reduction projects in developing countries.

The Governance of Clean Development project, funded through the ESRC Climate Change Leadership Fellowship, analyses which of the actors, institutions and policymaking processes involved in clean development actually deliver effective climate action and development benefits – and how they do this.

Part of this research has focused on the regulation of carbon markets and climate finance, identifying a series of key issues that need to be addressed to ensure effective governance.

Policy relevance and implications

The ability of carbon markets to meet the simultaneous challenges of climate change, energy poverty and energy security depends on how well they are governed, by whom and for whom – making it crucial to develop appropriate governance tools.

- If carbon and energy finance is to realise its potential to tackle forms of energy poverty, it has to serve the needs of the poorest people. The governance of clean development needs to become more inclusive, equitable and transparent – using innovative ways of involving citizens in decision-making processes.
- The growing number of international institutions and initiatives active in the area of clean development means issues of duplication and comparative advantage arise. Policy co-ordination among them is key to ensure the best division of labour among funders working across different regions and sectors.
- Carbon finance and carbon markets are limited in size and scope, and their benefits for clean energy are often undermined by ‘business as usual’ decision-making in other areas of energy policy, such as trade, industry and agriculture. There is a suite of policy levers governments can use to screen finance to ensure it supports low-carbon development, rather than undermines it.
- Many government ministries depend on and have close ties to energy interests that benefit from state support and are threatened by the prospect of scaling up investments in clean energy. Building change-oriented coalitions also needs to be balanced with efforts to challenge the power of interests attached to conventional forms of energy.
- Many countries cannot afford to impose conditions on energy investors, for instance through taxation, as this will deter valuable foreign investment. Some form of minimal sustainable development requirements might provide greater guarantees that all countries are able to capture social benefits from carbon finance. There may also be a role for the CDM Executive Board in discounting a percentage of credits for projects which fail to demonstrate that they deliver genuine sustainable development benefits. ■

Brief description of the research

The Governance of Clean Development project analyses which of the actors, institutions and policymaking processes involved in clean development deliver effective climate action and development benefits, when and how. The project is led by Professor Peter Newell, University of Sussex, an ESRC Climate Change Leadership Fellow. The research identifies a series of key issues that need to be addressed to ensure effective governance of clean development – benefiting climate and development.

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