# UN emission market needs urgent reform

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The United Nations (UN) global carbon market requires substantial reform because it too often fails to support the projects and people it is meant to help, according to new research from the Economic and Social Research Council (ESRC).

The research findings are released as the UN, which has designated 2012 the International Year of Sustainable Energy for All, begins a policy dialogue about its Clean Development Mechanism (CDM), under which companies are allocated tradable credits if they pay others to cut their carbon emissions.

The CDM is designed to help finance investment projects that reduce emissions and bring real development benefits to those communities in poorer countries that host them. But a three-year ESRC research project to explore the politics and governance of the Clean Development Mechanism found that it is skewed towards the interests of polluting corporations and people who earn a living from the CDM market rather than the communities that host the projects .

"The goals of CDM are being undermined by poor governance and vested interests, especially in the energy sector," said Professor Peter Newell, from the University of Sussex, who led the research. "We have found a strong link between who takes the decisions about which projects earn CDM credits and who benefits."

He added: "There is a real danger that the Clean Development Mechanism could become a 'rich man's club' of project developers, emission verifiers, and government officials where these roles overlap and lack transparency."

Under the CDM, projects that reduce emissions in developing countries can earn credits that they sell to industrialised countries. The buyers use them to meet some of their emission reduction targets under the UN's Kyoto Protocol.

But critics of the CDM claim that many of the projects that earn credits do little or nothing to actually reduce emissions. They also argue that industrialised nations should be doing more to cut their emissions, rather than buying "pollution rights" from the developing world.

Professor Newell said the UN's recent climate change conference in Durban had underlined the need for urgent CDM reform. The Executive Board of the Clean Development Mechanism has temporarily suspended new registrations from controversial coal-energy projects that offer no clear emission-reduction benefits, but negotiators in Durban have moved ahead with support for carbon capture and storage projects that channel investment into fossil fuels.

At the same time, the Executive Board of the CDM has launched a policy dialogue through 2012 to reflect on how to improve the CDM's performance in the future. It comes as the price of carbon credits has fallen to an all time low, creating little incentive for polluting industries to change their practices. But the research suggests that reform of the Clean Development Mechanism needs to consider more than just the carbon price signal to companies.

"We need to reform the CDM as soon as possible so that it does more to channel investment to projects that will make a real difference," said Professor Newell. "Our research shows that we need to get local communities more involved in decisions, build stronger governance institutions and coordinate Clean Development Mechanism finance with other development money in the area of climate change. But crucially, we need wider political changes – the barriers to promoting clean energy cannot be overcome by carbon markets alone."

He added: "If we don't seize this opportunity to reform the way the CDM operates, then I fear that the problems we uncovered with our research will only become worse. The United Nations General Assembly has designated 2012 as the International Year of Sustainable Energy for All. Reform of the Clean Development Mechanism would be an excellent way for the UN to show it really is committed to sustainable energy."

Provided by Economic & Social Research Council

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