

# Mobilizing financing for sustainable energy in developing countries: MDG Carbon Facility

MDG



UNDP's MDG Carbon Facility is an innovative financing mechanism designed to direct increased financial flows from the growing international market in carbon emission offsets toward projects that contribute directly to meeting the Millennium Development Goals (MDGs) in the least developed countries

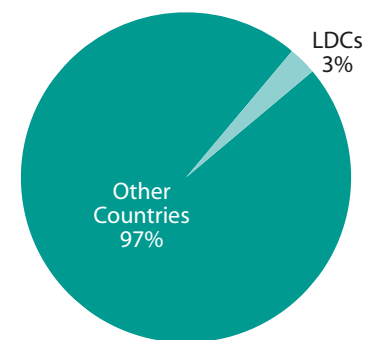
—from MDG Carbon Website

## What Are the Issues?

Climate change will pose a serious threat to development and poverty reduction, with the effect felt most strongly by the poorest people in the least developed countries who rely on the natural environment for their livelihoods. Climate change threatens to undermine efforts to achieve the MDGs.

- Clean Development Mechanism (see box) provides important opportunities to address poverty and environmental issues in developing countries.
- Assisting developing countries with their efforts to cope with the impacts of climate change and to create more sustainable, less greenhouse gas intensive development paths is an important focus of UNDP.
- To date, geographic coverage of CDM is limited. Much more needs to be done to direct a growing body of carbon finance to a wider range of developing countries, in particular the Least Developed Countries (LDCs), as well as to a broader range of activities that can provide real sustainable development and contribute to the achievement of the MDGs.

DISTRIBUTION OF CDM PROJECTS

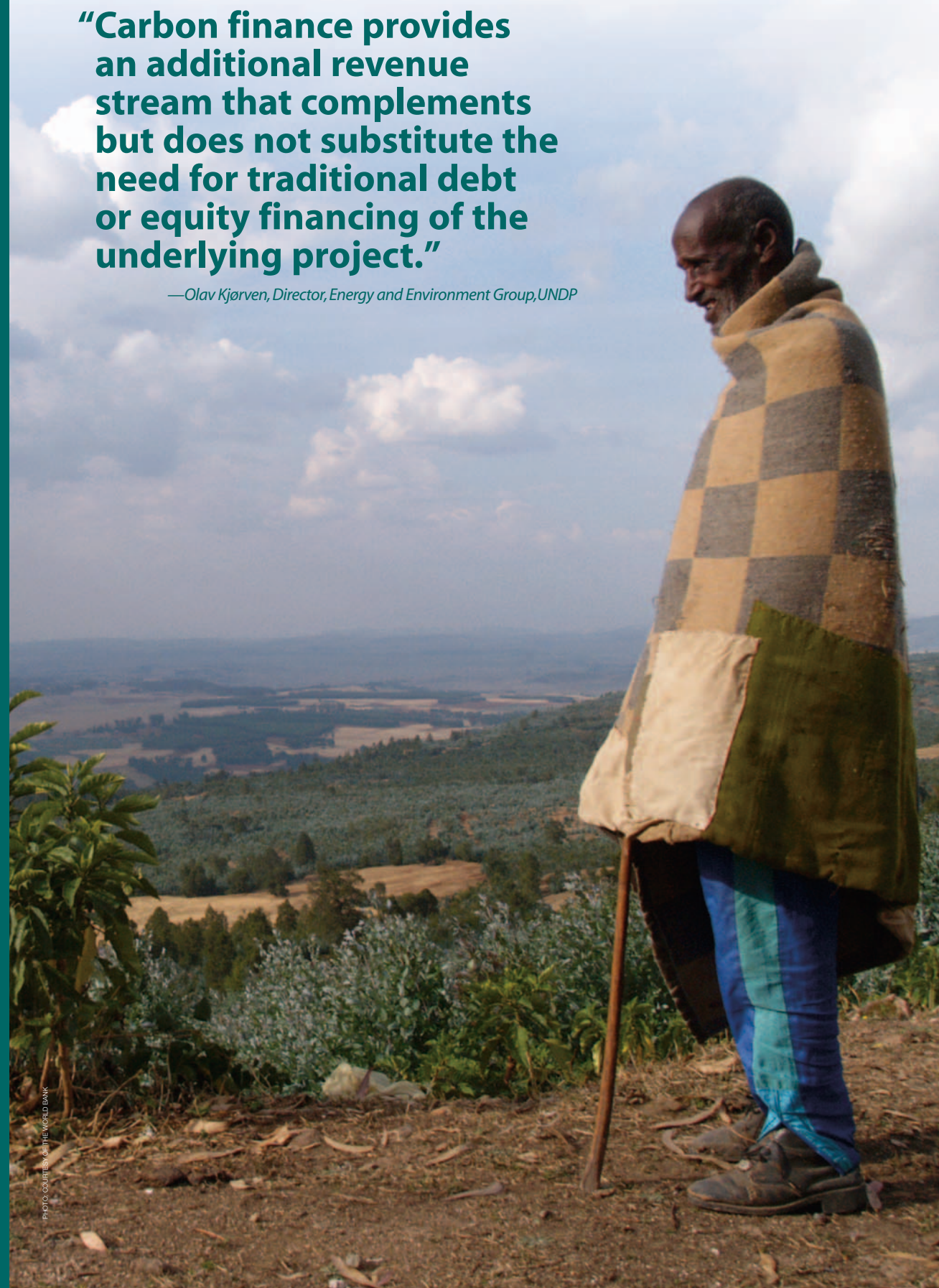


### What is the Clean Development Mechanism?

The **Clean Development Mechanism (CDM)** is an arrangement under the Kyoto Protocol that allows industrialized countries with a greenhouse gas reduction commitment to invest in emission reducing projects in developing countries as an alternative to more costly emission reductions in their own countries. The CDM offers significant benefits for developing countries in terms of increased capital flows, additional revenues for technology transfer and environmental investment, and reduced cost of achieving sustainable development objectives.

**“Carbon finance provides an additional revenue stream that complements but does not substitute the need for traditional debt or equity financing of the underlying project.”**

—Olav Kjørven, Director, Energy and Environment Group, UNDP



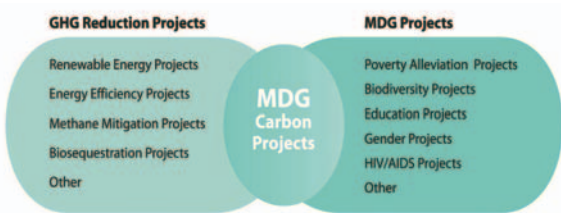


What Is Being Done?

What Are the Opportunities?

Core Objectives of MDG Carbon Facility

- Create a package of services for the carbon market that provides clear MDG and sustainable development benefits along with global and local environmental benefits.
- Leverage the technical expertise and project management capacities within the UNDP network to provide an integrated package of services to project developers (contact your local UNDP office).

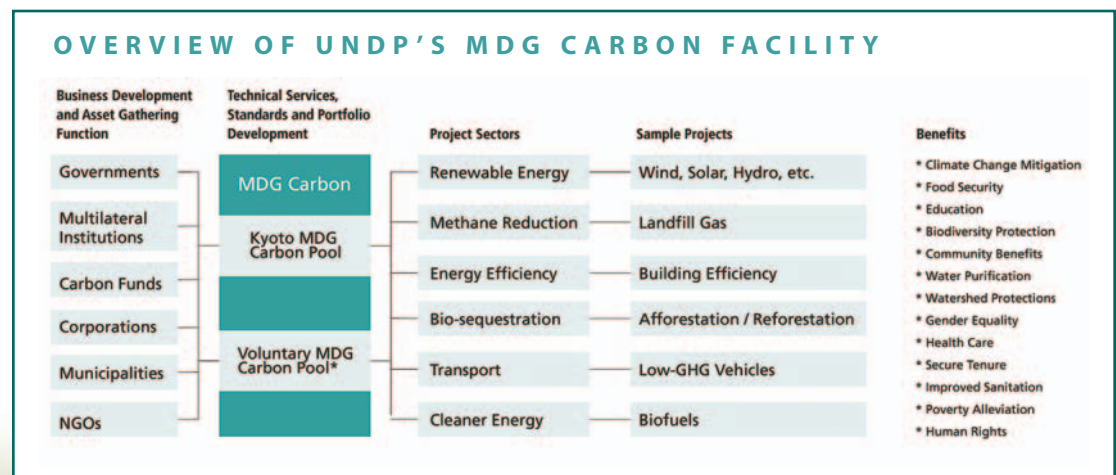
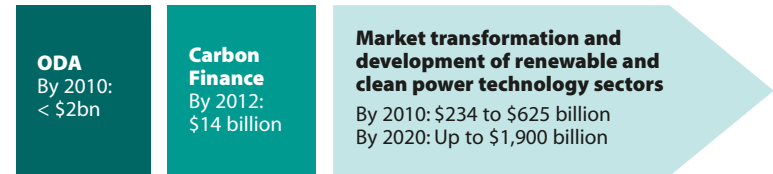


UNDP Interventions

- UNDP will mobilize carbon finance and direct this towards developing a portfolio of projects that yield tangible sustainable development and poverty reduction benefits.
- UNDP will provide a one-stop shop service in carbon finance from project identification to revenue generation, to enable project developers in pre-market situations to access carbon finance for sustainable development. UNDP will help countries identify the most suitable sources of finance — such as ODA, GEF, MLF, carbon finance, and ecosystem payment services — taking into account the eligibility criteria and the comparative advantages of each financing source.
- UNDP will establish a MDG Carbon portfolio of projects that will maximize the carbon development dividend. This portfolio will aim to strike a balance between cost-effective carbon projects (i.e. HFC, N2O, landfill methane recovery projects) and projects with high development impact (e.g. small community renewable energy projects).

- Satisfying the basic needs of the poor requires relatively small amounts of modern energy in absolute terms.
- Major new investments will be needed over the next 15 years to tackle a wide range of environmental issues that are central to developing countries' ability to eliminate poverty and reach the MDGs.
- For the UNDP to harness its existing expertise in energy and environment to strengthen developing countries' planning, legal, and financial institutions for well-functioning environmental commodity markets.
- Pairing environmental and development goals and directing financing available from carbon markets through instruments such as CDM to LDCs, will help mitigate global environmental risks while building the capacity of countries currently excluded from the CDM project portfolio to host and enjoy the benefits of cleaner technology and a more sustainable environment.

The Context: Financing Sources for the Environment and the MDGs



“Energy is critical in both how it impacts the global environment and how it is needed to protect the local environment. Access to clean energy is an essential component of sustainable development.”

—Olav Kjørven, Director, Energy and Environment Group, UNDP

