

## CDM in Asia and the Pacific: Opportunities and Challenges

Chief, Environment Section  
United Nations-ESCAP **Mohammad Aslam Khan**

The Asian and Pacific region offers great potential for CDM activities. First, it is dominated by developing countries that are not required to meet the quantified greenhouse gas emission targets under the Kyoto Protocol and therefore offer emission credit opportunities. Second, there is great scope for market interventions for emission reductions in the energy sector in this region. In Asia, energy demand is rising faster than in other parts of the world. Per capita commercial energy use more than trebled in most parts of the region between 1973 and 2000. Fossil fuels now account for about 90 per cent of commercial energy generation in the region, with coal accounting for about 40 per cent. Despite the decline in primary energy consumption following the 1997 financial crisis, the demand for energy services in the region continued to grow at a high rate owing to the still low level of per capita energy consumption, and fossil fuels continue to dominate the energy supply mix. In meeting the energy supply challenge sustainably, the developing countries therefore need substantial assistance from developed countries. In return, developing countries can provide substantial credit opportunities to developed countries that are committed to help reverse the course of climate change and global warming.

It is gratifying to note that many developing countries in the region have already taken measures and steps for energy policy shifts, such as inter-fuel substitution, cleaner fuel and clean fuel technologies, an increasing share of renewable energy in the commercial supply mix and "win-win" energy efficiency measures. While protecting the environment, such activities have also brought substantial economic gains. For example, in Thailand, the introduction of economic instruments such as demand-side management has saved 295 megawatts of peak demand, reduced CO<sub>2</sub> emissions by more than 1 million tons and resulted in annual consumer savings of US\$ 100 million. Many other Asian countries have also initiated energy efficiency and/or renewable energy programmes and projects. Last year, the Malaysian Government, introduced economic incentives for energy conservation and efficiency activities. The initial efforts outlined above provide a very good springboard for launching CDM activities.

While highlighting the opportunities that could arise from the new market for emission credits, it is important to note that there are also some concerns expressed with regard to CDM. For example, it has been pointed out that sustainable energy development demands an increase in the share of renewable energy, as well as the enhancement of energy efficiency. However, undertaking these initiatives on a large scale may be difficult in the region owing to the limited financial resources

for investment and constraints related to technology transfer. Similarly, questions have been raised regarding forestry and land-use changes. For example, it is believed that CDM may not enhance forest plantations or biomass growth on a scale that would in turn significantly increase sinks for greenhouse gases. Furthermore, the administrative process to get the emission reduction certified present a major impediment to implementing projects under CDM. It is therefore important to address these concerns. Moreover, capacity building of both public and private sector is extremely important to promote CDM related projects in the region.

In this context, international organization like UNESCAP and Asian Development Bank and the World Bank can play an important role. Recently, UNESCAP organized two training workshops, one in Hayama, Japan, for participants from East Asian countries and another in Bishkek, Kyrgyzstan, for participants in Central Asia and the Caucasus region. The workshops served as fora for the exchange of information and experiences on CDM opportunities and identified barriers and measures to promote the implementation of CDM. Climate change and CDM experts were also invited to share their expertise. Prior to these, UNESCAP had organized a workshop jointly with the World Bank in which representatives from both the public and private sectors participated alongwith a somewhat more experienced CDM community, The private sector provided their insights based on their practical experiences in overcoming difficulties related to the reduction of green house gas emissions especially in relation to CDM. Asian Development Bank and UNIDO have also organized activities to promote capacity building activities related to CDM.

It is important that the international organizations continue their activities to help build capacities in the countries to promote CDM based on their comparative advantages. UNESCAP for example, perceives its future role related to climate change and CDM activities in the following four areas:

- Policy advice such as support for the development of national, subregional and regional policies, strategies and action programmes, as well as integration of multilateral environmental agreements into national legislation
- Capacity-building through regional, subregional and national training workshops and seminars
- Advice and assistance on CDM project and programme development including mobilization of financial resources
- Promotion of regional coordination among United Nations and other international agencies