



Cross-cutting Study: "Development projects accessing carbon finance"

Summary report on the study feedback conference/debate

Paris, 15 January 2014

Reminder of the background: The structural crisis in the carbon market has raised questions about the good governance of carbon funds in development projects.

While the structural crisis experienced in the carbon market has recently led to questions concerning the good governance of carbon finance in development projects which access this kind of funding, existing mechanisms do still seem to offer revenue potential.

Moreover, it must be stressed that, following fears of collapse at the end of 2012, the voluntary carbon market held up, mainly due to support from donor and voluntary sector agencies which have continued to fund high-quality carbon projects.

Conversely, the issue of good governance of carbon funds threatens to heap opprobrium on the financial models of these development projects.

Under the circumstances, the NGOs *Groupe Energies Renouvelables, Environnement et Solidarités* (GERES), *Initiative Développement* (ID) and *Agronomes et Vétérinaires Sans Frontières* (AVSF), with co-funding from F3E, commissioned an in-depth study on how the benefits and local socio-economic consequences of projects receiving carbon finance are shared out.

Carried out over more than eight months by a team of independent consultants, the study was aired in public on 15 January 2014 in liaison with these NGOs which are involved to various degrees in carbon projects and wish to promote a common vision. Around forty carbon finance stakeholders – NGOs, donors, consultancies, businesses, local authorities and voluntary standards bodies - came to exchange information and share experience.

The proposed approach and main points covered

What are the recommendations on setting up projects accessing carbon funds? Is there a specific market opportunity for NGO projects consistent with development objectives?

Drawing on feedback from carbon projects, the study proposed an approach designed to learn lessons from the past and come up with proposals for the future.

In this connection, the consultants from P3Value visited Mali, Peru and Cambodia to observe several field projects run by GERES, AVSF and ID (and carried out desk case studies on projects implemented in China), where activities aim to improve access to domestic energy and conserve forest resources.

The case studies looked at the relevance and limits of using the voluntary carbon market as a project funding source. They highlighted matters of access, governance and income distribution in relation to this kind of funding.

The study findings reveal that fair, solidarity-based carbon finance can be relevant. They show how this kind of funding has helped to encourage other public or private stakeholders to support ongoing development projects.



Despite complex carbon project engineering, access to this kind of funds is still seen as an additional source of income in a project structure, provided that good governance is assured.

In view of the unpredictable, unknown level of the income it will generate, carbon finance can also involve financial risk.

However, the study findings have shown that carbon finance does help to structure and support project activities in the long term, again provided that they adopt good governance and take account of local geographical, cultural, environmental and socio-economic constraints.

The importance of the human dimension of projects and dialogue with local stakeholders was also emphasized.

The study will be the subject of a second, restricted, workshop in March 2014 to take the debate further and examine prospects for optimum, ethical, solidarity-based use of carbon finance in projects developed by NGOs.

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