

MDG Carbon: Carbon Finance for Achieving Millennium Development Goals (MDGs) in China

The Challenge

Climate change is emerging as one of the most important issues facing the global community in the 21st century and is expected to pose a serious threat to development and global poverty reduction efforts. Climate change could significantly undermine efforts to achieve and maintain the Millennium Development Goals (MDGs). China is the world's second largest GHG emitter. With energy demand expected to grow through 2020, its thirst for foreign investment, and its dependence on carbon-intensive coal as a primary source of energy, China has the potential to be the largest single recipient of CDM projects. The reports from various sources forecast that the country will draw 30-50% of the CDM's potential benefits largely due to comparatively low cost of emissions abatement.

Globally, the range of project types and sectors currently encompassed by the CDM projects has also been more limited than expected, with 90 percent of Certified Emission Reductions (CERs) from registered projects flowing from 'end of pipe' interventions that generate few or no sustainable development or poverty reduction benefits. The statistics of CDM projects in China shows the same results.

The Response

In partnership with the Ministry of Science and Technology and Arcelor Mittal, the world's largest steel firm, a new project entitled "MDG Carbon: Carbon for Achieving Millennium Development Goals (MDGs) in China" was developed to create new and innovative mechanisms to capitalize on the potentially significant benefits carbon finance, it can offer to China for its attainment of MDGs. Further to UNDP's Global MDG Carbon Facility launched in November 2005, The China MDG Carbon Programme is a mechanism that can help achieve this outcome in China. MDG Carbon defines environment and development benefits with reference to the MDGs, and seeks to support projects with environment and development benefits that contribute to achieving the MDGs.

Expected Achievements

The MDG Carbon Programme seeks to link carbon emission reductions under the Kyoto Protocol and carbon trading schemes to achievement of sustainable development under the Millennium Development Goals (MDGs). This will include the following expected achievements:

- Developing a strategic framework and plan for MDG Carbon market development in China,
- Supporting the design and implementation of pilot MDG-Carbon projects that go beyond the current 'end of pipe' projects, with major emphasis on least developed areas of China.
- Strengthening and developing capacity of the local stakeholders for real CDM projects development. This will be supported by pilot establishment of a Climate Exchange process in China - a public-private sector platform for facilitating carbon trading between multinational and local firms.

At A Glance

Start Date: October 2006

End Date: June 2009

Executing Agency: Ministry of Science and Technology

Project ID: 00051456

UNDAF: Outcome 3 – More efficient management of natural resources and development of environmentally-friendly behavior to ensure environmental sustainability with special focus on energy, biodiversity and water resources)

MDG: Target 9, Goal 7 – Ensure environmental sustainability

UNDP Trust Fund: US\$ 200,000

Private Sector: US\$ 1,500,000

Total Budget: US\$ 1,700,000

To contribute to this initiative or to request more information about any of our programme please visit our website at www.undp.org.cn. Alternatively you can contact us on + 86 (10) 8532 0800 or by email at registry.cn@undp.org.

UNDP fosters human development to empower women and men to build better lives in China. As the UN's development network, UNDP draws on a world of experience to assist China in developing its own solutions to the country's development challenges. Through partnerships and innovation, UNDP works to achieve the Millennium Development Goals and an equitable Xiao Kang society by reducing poverty, strengthening the rule of law, promoting environmental sustainability, and fighting HIV/AIDS. www.undp.org.cn