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**CDM Investment:
A Multi-Stakeholder Simulation Exercise
"Can We Make a CDM Deal?"**



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10-11 September 2005, Xiamen, China

CDM Investment: A Multi-Stakeholder Simulation Exercise "CAN WE MAKE A CDM DEAL?"

Introduction

The simulation exercise "*Can we make a CDM deal?*" is an initiative of the Centre for Socio-Eco-Nomic Development (CSEND). It was conceived as a learning tool to help deepen the understanding of CDM deal making among developing country government officials, private sector entrepreneurs and civil society representatives, in order to assist these host countries in attracting foreign investment (however, other institutions involved in the emerging CDM regime and markets might also find the tool useful).

This simulation pertains a FDI negotiation between two companies with CDM potential. It is a modelling tool that can be easily used in the context of capacity building and of creating enabling environment in the host countries for CDM projects as well as for business representative and government officials of Annex 1 countries. The simulation can also be a complementary teaching tool for academic courses focusing on KP/CDM and FDI.

Participants learn from discussion of the substantive matters of CDM and through actual application of their newly gained knowledge in a simulated negotiation process. It is expected that through this type of experiential learning, participants will be better acquainted with the CDM mechanisms and its implementation, as well as the business negotiation aspect of such deals.

Synopsis

This negotiation exercise simulates a complex negotiation situation of international CDM investment, akin to that of FDI investment situations that host countries are facing today. In essence, this negotiation exercise will simulate the competitive environment and decision-making process regarding overseas investment in CDM projects.

This simulation focuses on the deal making aspect of the Clean Development Mechanism (CDM), a sub-section of the United Nations Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol (KP). In this simulation, participants are asked to negotiate a CDM project in a virtual developing country.

CDM rules allow companies to generate tradable certified emission reduction (CER) credits by undertaking climate protection projects that are additional to the *status quo*. Once issued by the CDM Executive Board, the investing company can use the CERs to comply with any relevant domestic GHG emission regulations or can trade them in emerging carbon markets.

¹ This simulation was developed under the auspice of the NSS programme of the World Bank with partial financing from the Government of Canada and completed in 2002. This simulation was jointly authored by Dr Lichia Yiu, Dr. Anne Arquit Niederberger and Dr Raymond Saner.

Players involved in this simulation consist of government representatives from a virtual industrialized country (Industria) and a virtual developing country (Xinado), a private sector investor from Industria (InCo LLC) and the private sector project owner from Xinado (SuCo Ltd.), an international and local NGOs focused on climate and environmental issues and correspondents of a globally active newspaper called International Free Press. Participants receive background information and public and confidential briefs, and will have the opportunity to negotiate different aspects of the deal making associated with setting up a CDM project.

Learning Objectives

- To engage and build capacity and capability within multiple stakeholders to formulate, shape and implement CDM projects
- To inform stakeholders on Kyoto mechanisms and emission trading concepts, CDM deal-making and CDM project preparation
- To engage stakeholders in joint learning that will raise awareness for the key strategic, institutional and operational capacities needed to implement the CDM effectively
- To provide *hands-on* experience in deal making negotiation at the project level
- To provide means of disseminating know-how on the Kyoto mechanisms to a broader audience, in particular by facilitating know-how transfer to local institutions that can implement the simulation exercise domestically

Duration

Duration of the simulation will be two days, divided between information dissemination, skill building and practices.

However, the role play teams will need to use additional out-of-class time in the evening to prepare for their assigned roles.

Target Audiences

1. Stakeholders from non-Annex I and Annex I countries with basic understanding of the UNFCCC, Kyoto Protocol and CDM that are considering engaging in CDM project activities (e.g. government authorities across ministries, DNAs, project developers, NGOs).
2. Stakeholders from non-Annex I and Annex I countries who need to be informed of the business potential offered by Kyoto Protocol and CDM (business associations and/or private sector companies in sectors with CDM potential; local financial institutions; regional development banks)
3. Stakeholders from non-Annex I and Annex I countries charged with building CDM capacity (providers of CB services, private sector associations, DNAs, government authorities)
4. Stakeholders from non-Annex I and Annex I countries who represent interest of the community and need to understand the Kyoto Protocol and CDM potential

Participants

The minimum number of participants required in order to create a meaningful learning experience will be 20 participants.

More participants could be accommodated as long as there will be sufficient number to form another track which requires a minimum number of 8 persons and additional 2 syndicated rooms.

UNCTAD Representatives

Ms. Nazha Benabbes Taarji, Chief of the Investment Promotion Section, **UNCTAD**, Geneva

Mr. Kiyoshi Adachi, Legal Officer and Regional Coordinator, Advisory Services on Investment and Training, **UNCTAD**, Geneva

Facilitators

Dr. Lichia Saner-Yiu, Centre for Socio-Eco-Nomic Development (CSEND), Geneva

Dr. Anne Arquit Niederberger, A+B International (Sustainable Energy Advisors)

Resource Persons

Mr. Peter Cook, *Carbon Finance, International Finance Corporation (IFC), Washington D.C.*

AND

National Facilitators (to be confirmed)

Suggested Reading

Exploring the relationship between FDI flows and CDM potential. April 2005. Anne Arquit Niederberger and Raymond Saner. *Transnational Corporations*, Geneva: UNCTAD, vol. 14, no.1.

A User Guide To The CDM (Clean Development Mechanism), 2nd Edition. 2003. The Pembina Institute for Appropriate Development. Drayton Valley, AB, Canada: The Pembina Institute.

The Cement Sustainability Initiative: Progress Report. 2005. Geneva: World Business Council for Sustainable Development. Available at <http://www.wbcsd.ch/cement>.

The Expert Negotiator, 2nd Edition. 2005. Raymond Saner. Leiden/Boston: Martinus Nijhoff Publishers.

About CSEND

CSEND

The Centre for Socio-Eco-Nomic Development (CSEND) is an independent, project-financed, non-profit foundation, registered with the Geneva (Switzerland) Chamber of Commerce. Recent CSEND projects have been funded by international organisations, such as the World Bank, the United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD), World Trade Organisation (WTO) and the International Labour Organisation (ILO), as well as by bilateral development co-operation agencies, for example Swiss Agency for Development Cooperation (SDC), the State Secretariat for Economic Affairs (SECO) of Switzerland, Canadian International Development Agency (CIDA) .

CSEND specialises in the various fields of organisational reform and institutional development, project start-up and team building, management development and training seminar, international negotiations and mediation, quality management (ISO10015), and cultural exchanges. CSEND works to strengthen public administrations and public-sector enterprises through the use of an interdisciplinary, socio-economic approach.

In the field of international negotiations, CSEND designs and conducts seminars for government officials, diplomats and others on international trade, diplomatic, environmental negotiations. Participants are provided with concepts and techniques needed for an effective mastery of diverse negotiation situations with different contexts. CSEND team designs and develop life case simulations as part of the learning process tailored for specific international negotiations.

Dr. Lichia Saner-Yiu has 20 years of experience in teaching international negotiations to business executives, diplomats, government officials, UN staff, NGO representatives and MBA students. She is also an expert in international management and intercultural communications.

About Policy Solutions

Dr. Anne Arquit Niederberger has 15 years of experience in climate change science, policy and consulting. She holds a Ph.D. in Oceanography (with degrees from Dartmouth College and the University of Hawaii), began her career as a paleoclimatologist with the International Geosphere-Biosphere Program, and was actively involved in the Intergovernmental Panel on Climate Change, both as a scientific expert and representative of the Swiss government.

A dual American-Swiss citizen, she represented Switzerland from 1991-2000 in the UN negotiations of the Climate Convention and Kyoto Protocol, as well as other international agreements related to energy and environment. She has worked in a range of international fora, and was Vice-President of the OECD Working Group on Energy & Environment. She has developed an extensive international contact network and continues to serve a wide range of clients from around the world.

At the domestic level, she was Deputy Head of Climate Change Affairs at the Swiss Agency for Environment; Deputy Director of ProClim-, the Swiss Academy of Science's Forum for Climate and Global Change dialog among the scientific community and policymakers; and designed and was the first manager of the Swiss AIJ Pilot Program at the Swiss State Secretariat for Economic Affairs.

Following a year-long world cycling tour, she launched her strategic and policy consultancy, Policy Solutions (with offices in Switzerland and New York), in April 2001.



Annex 1: Workshop Programme

10th September, 2005

- Introduction and ground rules
- Background briefing on CDM
- Information session on the simulation – “Can we make a deal?”
- Forming teams by tracks
- Brief overview on “how to prepare for negotiations”
- Planning for negotiation

11th September, 2005

- Round I: Team presentation by SuCo and InCo to respective government representatives by Tracks
- Team coordination and planning (by separate roles)
- Round II: Influencing and further coordination within country (no direct contact is possible)
- Round III: Formal negotiations (company to company, government to government)
- Round IV: Final negotiations
- Group report and processing
- Observations and comments by the experts and facilitators
- Issues and Discussions