



THE CDM IN LATIN AMERICA AND THE CARIBBEAN
LESSONS LEARNED - JAMAICA

PROJECT: CLIMATE CHANGE

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Introduction

This document was developed as part of the implementation of the Climate Change Initiative - Phase II, developed by the Sustainable Energy Program currently carried out by the Latin American Energy Organization and the University of Calgary, with financial support from the Canadian International Development Agency (CIDA).

The objective of this Initiative is to strengthen OLADE member countries technical and institutional capacity to participate in the Clean Development Mechanism (CDM), through the provision of up-to-date information regarding CDM procedures and activities, critical analysis of regional and national CDM activities, and provision of targeted training and technical assistance.

The Phase II of the project builds on the earlier phase of information gathering (Phase I), which included LAC and International CDM Assessments. The products of Phase II Project are:

- National Case Studies: to be carried out in four OLADE member countries to extend the analysis of the current CDM institutional and project development situation in each country, identify the capacity building needs and to make suggestions of possible best practices and actions that can be put in place in order to strengthen the capacity to participate in the CDM. The four countries chosen for the case studies are Cuba, Jamaica, Nicaragua and El Salvador
- Development of National Training and Capacity Building Workshops based on identified technical and institutional issues.
- Development of a Lessons Learned Document: summarizing identified lessons learned through the process of implementing actions in the CDM field and outlining possible considerations for strategic actions to enhance in-country participation in the CDM.

The current document presents lessons learned during the implementation of the activities in Jamaica and these are based both on the work in the country as well as on the elaboration of the Jamaica Case Study that was described before. Some of the relevant lessons learned are organized around the development of institutional issues, project activity development as well as on issues that pertain to the current work related to the organization of a permanent DNA in the country.

Jamaica ratified the Kyoto Protocol on 28/06/99, and has an Interim National Designated Authority Designated to the CDM, dully register with the Secretariat of the United Nations Convention on Climate Change. Jamaica has a set of criteria used for the national approval of CDM projects.

As per December 2005, the CDM project portfolio of Jamaica includes at least 3 projects currently under CDM project development, and a t least 21 projects at the concept development with an expected delivery of up to 1 million Tons CO_{2e}

during the first commitment period of the protocol. As per May of 2006, Jamaica has 1 project registered in the CDM.

During the implementation of activities of this OLADE/University of Calgary project in Jamaica, contacts were established with 40 institutions/organizations and private sector developers, representing 23% of the total of contacts established by the Initiative in the four target countries of El Salvador, Cuba, Jamaica and Nicaragua.

The areas of action defined in conjunction with the local authorities in Jamaica were:

1. Collaboration in assessing national approval processes for the CDM in country.
2. Development of an assessment of the CDM potential targeted at energy sector projects in Jamaica.
3. Provision of technical assistance for detailing CDM prospects for energy efficiency projects in the country.

Lessons Learnt

Lesson Learnt # 1. Some factors that appear to be determinant for the development of regulatory frameworks in the CDM at the national level in most developing countries, have not been present in Jamaica, having an early impact on the type of institutional development found in the country.

Amongst those factors:

- a. Jamaica has not been a large recipient of early stage financial support from different organizations, multilateral or bilateral agencies and carbon buyer's pools. Financial resources destined to support institutional development in developing countries, coming from different types of organizations have played an important role in most of Latin America in assisting the strengthening of local DNA to the CDM. Large sums of money have moved through institutions like the World Bank, UNDP, bilateral agencies, multilateral financial institutions aimed at providing support for early stage institutional development as well as market understanding and development at the country level side of the offer of emissions reductions. Although Jamaica was one of the countries in the region ratifying the Kyoto Protocol earlier on, it has not received consistent support as other countries in the region, and like most of the small island states in the Caribbean, its institutional development has taken time to materialize. In this context the Jamaica case is clearly exemplified by the fact that although having an interim designation given to the MLE as CDM DNA, it has taken more than 3 years for the implementation of the necessary steps to change MLE status from interim to permanent DNA.
- b. Offering of projects and above all number of projects in a portfolio have contributed in most countries, in having the necessary institutional response in the approval procedures for the CDM. In the Jamaican experience, an early project, the Wigton Wind Farm project played an instrumental role in creating the need for the definition of the DNA, since a letter of national approval was requested very early-on, in the CDM market and regulatory development. Since then, no other project have requested such approval in a formal manner, and such a lack of developments have contributed to the relative stagnation of the institutional development in the country, coupled to the complex political environment for ministerial submissions to the Jamaican Cabinet requesting the necessary support for the establishment of the formal roles and functions of a DNA as an office in the MLE.
- c. Early portfolio identification and development have been important in defining the shape of institutions and approval procedures. It is

not until 2004, that through a request for proposals, MLE started understanding the potential sectors for CDM project development in the country. This issue has contributed to a relative lack of coordination on regulatory and project promotion activities in the country. The exercise conducted with the support of OLADE and University of Calgary, creates a framework for linking future developments in the country, having assisted the strengthening of the institution and the understanding of where some opportunities exist in the CDM.

- d. Relative presence of leading examples in within the region. Institutional development as well as project development in the LAC region have follow a given path of following leading examples coming from strong entrepreneurship of institutions and project sectors (probably ones for which methodological issues have been sorted out already).

Lesson Learnt #2. A determinant factor in the institutional development of the Jamaica DNA was the existence of a CDM project reaching final stages of execution, therefore requiring a national approval to the CDM.

The development of the Wigton Wind Farm, proposed by the Petroleum Corporation of Jamaica played a major role in the definition of the DNA in Jamaica, issue that is clearly indicated in the writing of the Cabinet Decision that created the Interim DNA. In such Cabinet Decision, a specific point was related to the authorization given to MLE to extend a letter of approval to the Wigton project. Through the period from 2002-2006, MLE has operated as interim DNA, having being able to conduct implicit functions as a DNA. At present, and with the expectation that some other projects are or will be under preparation, MLE is in the process of making a submission to Cabinet in order to get assigned the status of permanent DNA, designation that has to come not only in the form of authorization but more on the enactment of a decision comprising role, structure, organizational matters and dedication of financial resources for the operation of the DNA.

Lesson Learnt #3. The political as well as the policy frameworks in Jamaica play a role in influencing the formal designation of the CDM DNA.

The Cabinet Decision 32/02 gave authorization to MLE to become the interim DNA in Jamaica, although it did not define duration periods for the interim designation. The current operation of MLE in responding to the functions as a DNA clearly need definition of several aspects that are related to its organizational structure, functions of personnel, roles and functions of a dedicated office within MLE, etc. The definition of the permanent status of the DNA in Jamaica over the next few months will require the exercise of actions in the political and the policy/institutional level. On the political level, the minister encharged of MLE must submit a proposal to the Cabinet,

process that has a quota of politics associated since at such a high level, many issues are generally associated to decision making, especially if a decision is associated with expanding or increasing staffing/funding mechanisms in the public administration. At the policy level, as well, the decision makers in the ministry must be prepared to address several types of issues, particularly the issue of potential market and numbers of projects that may come on line in the CDM. For this latter issue, the initial work conducted by the OLADE/University of Calgary Program may come to be very supportive since for the first time Jamaica counts with an assessment of project opportunities for the CDM in the energy sector. The on-going work should be complemented with support for PIN and PDD development with special focus on programmatic CDM project activities. Current developments in Jamaica regarding the institutional development structure to be followed in two directions: permanence of the DNA within the MLE and the implementation of a UN conventions coordination office clearly sign to the potential impact of political discussion in the definition of the DNA activities. It should be suggested that complying with the roles assigned to a DNA within the Kyoto Protocol and the CDM operationalization should be given the proper institutional definition in order to develop the capacity to assist project developers.

Lesson Learnt # 4. Jamaica has the necessary institutional framework and capacity to establish its DNA in a definite manner.

The Environmental management Division at MLE has the necessary experience and knowledge as to constitute the required background for facilitating the transition from interim into a formal DNA in Jamaica. An issue to take into consideration is whether or not this division of MLE is to host directly the placing of the DNA. An important issue to take into consideration in organizing the charter of the DNA is related to the inclusion of roles and functions in the promotion of the CDM and not only on the regulatory aspects of the national approval of projects. The authorities in Jamaica must pay attention to this issue in designing the appropriate institutional supportive framework. On one side, if MLE as permanent DNA is to retain promotional roles, specific allocations of budget and personnel must be included for such tasks, and on the other hand, if MLE is only going to deal with national approval of CDM projects; specific consideration must be given to initiate a process of strengthening other players in the country with a capacity in promoting CDM ventures and project development.

Lesson Learnt # 5. The exercise conducted on assessing the CDM potential in the energy sector in Jamaica indicates that in small developing countries a major potential exists in the energy efficiency and other types of programmatic project activities.

The results presented in the Jamaica Case Study, indicated that both renewable energies as well as energy efficiency type project activities have an interesting potential to be developed in the context of the CDM. Energy efficiency CDM potential is of the same order as the one identified potential

for project specific renewable energy interventions. The opportunities that arise from the COP 11, with the guidance and decisions taken on the programmatic CDM, need to be realized in Jamaica, if a sustainable development contribution of the CDM is to be internalized in the development of the energy sector of the country. A clear match exists between the local framework supporting renewable energy and energy efficiency development in the country, with the objectives of such global environmental markets like the CDM.

At the internal level in-country, complementary policies and efforts must be dedicated in support of assisting the removal of barriers for project/program development. On the CDM level, networks of stakeholders must be promoted in order for such types of programmatic assemblies of projects to be formulated by dedicated organizations that can assist in reducing the risk perceptions associated to program type activities. Jamaica can take a major leadership role in implementing programmatic type CDM project activities by focussing efforts in the hotel, small and medium enterprise, standards for energy efficiency equipment and other potential interesting types of renewable energy technologies.

Lesson Learnt # 6. The experience conducted by Jamaica in establishing a “call for proposals” for CDM project, sets a new approach useful in driving the scope of promotional activities for the CDM in the country.

Jamaica conducted in late 2004, a call for proposals for prospective CDM projects in the country. The result of the process was the reception of up to 21 project opportunities identified by a myriad of local institutions, and developers both nationally and internationally. Although many of such proposals were intended as if funds were ex ante going to be available for project development in areas such as pre-feasibility and pilot plant development, and not necessarily the projects were presented in a style of definition of CDM project activities, the effort conducted created the basics of a project portfolio that can be pursued by the authorities in the country. The MLE as acting DNA for the CDM in Jamaica, now faces important decisions on how to pursue the portfolio, that is what roles does it want to play in creating the environment required for those projects to be pursued, assessed and eventually implemented in the country. Certainly, the provision of issuance of no objection letters, which is part of the national procedures in the CDM, is important in supporting the developers, but above all the major requirements are related to the conformation of technical assistance and promotional services that can be useful to those developers. As in many developing countries, project ideas for innovative renewable energy and other sustainable development projects, require the availability of pre investment support funding structures, as well as supportive regulations. The portfolio observed in Jamaica creates the need for Jamaica to pursue more aggressively the policy statements in support of renewable energies and energy efficiency, by strategically attempting to use local capacities in combination with carbon funding. Mobilising the required structures calls for the open discussion between agencies in the

government, as per which are the best strategies for a successful promotion in the CDM.

Lesson Learnt # 7. Taking into account the experience of having involved several other Caribbean nations in the implementation of the capacity building activities developed in Jamaica, it is possible to conclude on existing asymmetries in the Caribbean region with respect to both development of institutional capacities as well as project portfolios for the CDM.

Jamaica is representative of the Caribbean nations, the implementation of activities of this Initiative took advantage of relative position and included several other small countries in the Caribbean region. Through the participatory discussion of representatives from those nations, it comes clear the lesson learnt related to the challenges that are being faced by such small countries with respect to the dilemma of developing a sound institutional/regulatory framework for the CDM and the effort it takes to develop a portfolio of projects for the CDM that could be competitive in the current structure of the carbon market. It seems appropriate to comment that although programmatic type CDM project activities are eligible, realizing the potential identified especially in energy efficiency calls for a multidimensional effort complemented by actions in the energy sector, actions in the scope of the regional financing and promotion of innovative mechanisms for project developers in order to remove project development barriers and making those projects real for CDM transactions.