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Capacity Building for CDM in Tanzania, Uganda and Angola

Synthesis report



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Synthesis report

Commissioned by NORAD

Econ Pöyry Pöyry AS, P.O.Box 5, 0051 Oslo, Norway. Phone: + 47 45 40 50 00, Fax: + 47 22 42 00 40, http://www.econ.no

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1 Objective and outputs

Norad provides assistance to developing countries in the cleaner development mechanism (CDM) field as part of its bilateral development cooperation. Funds for private sector development earmarked for climate related cooperation can be used for support to development of specific projects, as well as capacity building and institutional cooperation.

The distribution of CDM projects among Kyoto Protocol non-Annex B countries is highly uneven. Some countries, especially the Least Developed Countries (LDCs) are all but non-existing in CDM pipeline statistics. There are several reasons for these countries' lacking ability to benefit from the possibilities to promote investments and sustainable development. It is assumed that lack of capacity in the institutional framework and the CDM enabling framework are important factors, along with the general investment climate and risks.

Norad thus wishes to target its assistance towards strengthening these countries' capacity within CDM to enable them to participate in the carbon market and reap the benefits from the mechanism.

Based on a pre-mapping and contact with the embassies in a number of countries, Norad has selected Tanzania, Uganda and Angola as focus countries for this effort. The primary objective of this project was therefore to map existing CDM capabilities in these three countries, identify areas where gaps in knowledge exist and provide a list of potential capacity building initiatives that could assist in closing these gaps.

The outputs from this project should be a clear path forward for targeting needed assistance that will result in tangible results: a functioning CDM infrastructure and projects that are eligible under the CDM.

This synthesis report provides a summary of the three individual reports prepared by Econ Pöyry for Norad, entitled "Capacity Building for CDM in Tanzania", "Capacity Building for CDM in Uganda" and "Capacity Building for CDM in Angola", published on 20 April 2009.

Section 2 of this synthesis report provides and overview of the status of CDM in all three countries, and includes a discussion of the status of the Designated National Authority (DNA), local capacity for CDM project development and potential CDM projects in each country. Section 3 presents the main conclusions of the three reports, and the recommendations made for interventions and capacity building needs, as well as a discussion of potential reputational risks for Norway.

2 Status of the CDM in the three countries

2.1 Tanzania

The UN Framework Convention on Climate Change (UNFCCC) was signed by Tanzania in 1992 and ratified in 1996. The Kyoto Protocol was signed in 1997 and accessed in 2002, whereas the DNA was officially established in 2005.

2.1.1 Status of the DNA and supporting institutions

The Division of Environment (DoE) is the focal point and DNA. The DoE has established a Climate Change Secretariat currently comprising five part-time staff members under the Deputy Director in charge of the Environmental Impact Assessment Section.

The Tanzania DNA approval process follows a two step model in which the investor submits a Project Idea Note (PIN) requesting for *No Objection* to develop a CDM project. This is reviewed along the lines of the sustainable development criteria available and if it is found to suit the requirements of the criteria, a letter of *No Objection* is issued and the investor can continue preparing the PDD. Subject to receiving the final approval, the DNA charges an administrative fee of 2.5 % of the estimated CERs produced throughout the project crediting period. This fee is imposed to cover the costs the DNA incurs in reviewing the PIN and PDD for a project, and is charged upfront of any project registration with UNFCCC. The national sustainable development criteria for reviewing CDM projects were developed through taking into consideration the Tanzania Vision 2025 and the National Strategy for Growth and Reduction of Poverty (NSGRP).

2.1.2 CDM capacity building and local capabilities

Tanzania has benefitted from a large number of CDM and climate change capacity building programmes and some 16 development agencies or United Nation organisations have ongoing support initiatives related to the CDM. Examples of some of these climate change capacity building programmes include CD4CDM launched by UNEP in 2007, the regional UNDP-UNEP CDM Capacity Building Programme (UUCCBP), launched in 2008, and the Southern/Eastern Africa CDM Capacity Development Programme, also launched in 2008.

Several of these donor funded projects overlap, and a joint stocktaking report (unpublished, 2008) of these various programmes identifies major overlaps. There is a risk that internationally funded projects will duplicate each other, leading to inefficient use of funds and resources and missing opportunities to create synergy. Several representatives from development agencies in Tanzania have expressed the view that the level of institutional support for CDM in Tanzania is too high, and any new initiative, therefore, must be carefully considered in order to ensure that it does not duplicate ongoing programmes and that it meets priority needs of the authorities and their capacity to absorb additional support.

Tanzania has a few local organisations with both theoretical knowledge and practical experience in the CDM that can support project developers (i.e. CEEST, EPMS and TaTEDO) in addition to international firms like EST-Camco based in the country that

would be able to assist developing a project into a CDM project all the way to registration.

2.1.3 CDM project pipeline

In addition to the single project which has been registered as a CDM project in Tanzania (the Mtoni Landfill project, estimated to generate 202,271 CERs per annum) a pipeline of at least 13 potential CDM projects at various stages of development, were identified. These projects cover a number of sectors, mainly in renewable energy (hydropower, wind and biomass), landfill gas, fuel switch and afforestation/reforestation. In addition to the variety of project possibilities, the tools necessary to develop PDDs are considered to be in place. For example, the national electricity grid emission factor has been established and is available from the DNA's office.

Despite the pipeline being impressive at first site, many of the projects have not developed further for some time. Reasons for this standstill include stringent criteria for national approval (a number of potential CDM projects have already been rejected by the DNA) and a high (and not size specific) administrative fees (2.5 % of CERs upfront of final project approval with the DNA). In addition, a significant number of projects currently in the pipeline claim that they need support and funding for further PDD development.

2.2 Uganda

The Framework Convention (UNFCCC) was signed by Uganda in 1992 and ratified in 1993. The Kyoto Protocol was ratified in 2002, whereas the DNA was formally established in 2004.

2.2.1 Status of the DNA and supporting institutions

Since its establishment in 2004, the DNA has been organized under a single government department, the Ministry of Water and Environment (MWE), which undertakes all the activities of the DNA. Prior to 2009, the DNA secretariat has been the Department of Meteorology (DoM), operated by with a single person from DoM, and without a budget for addressing the DNA duties and responsibilities. Recently, an emerging realization that climate change will impact the economic development of Uganda has led the GoU to request assistance from the international donor community in order to prepare the country for new challenges. With support from the Royal Danish Embassy, Uganda has established a Climate Change Unit (CCU). In the new organization, the Minister of Water and Environment still heads the DNA, but the day to day operations are now attended to by a Climate Change Secretariat (CCS), which is located directly under the MWE. The CCS is supervised by a broadened national steering committee headed by the Permanent Secretary of MWE. The secretariat has recruited a staff of seven, including 4 professionals. This new staffing and the provision of an operational budget to be gradually taken over by government (after 4 years) will greatly increase the capacity of the operational activities of the DNA.

The first step of the DNA approval process is review of a Project Idea Note (PIN) to consider the project's CDM eligibility and fulfilment of the sustainable development criteria. If the project is acceptable at this stage, a *letter of consent* is issued and the project developer is encouraged to go ahead and prepare a full PDD. Having a complete PDD, the investor applies to the DNA for a *letter of approval*. The PDD must satisfy the sustainability criteria, and is examined by the National Climate Change

Steering Committee. Within thirty days the steering committee comes up with a recommendation advising the minister of MWE whether or not to sign the letter of approval. If satisfied, the Minister signs the letter of approval on behalf of the DNA. The cost of the process is according to the DNA a "very nominal, negligible fee that should not discourage any project developer from making use of CDM".

2.2.2 CDM capacity building and local capabilities

Uganda has benefitted from a number of CDM support programs since the beginning of this decade. This has included support to project developers and institutional support to government institutions. There have been four projects supporting the establishment of the DNA, all completed by 2008, in addition to two projects in the voluntary market for emission reduction.

Currently nine bilateral and multilateral development agencies are funding climate change related support programs that also include CDM. These agencies include the Royal Danish Embassy, the Royal Belgian Embassy, the Royal Norwegian Embassy, UNDP and GTZ. The large number of development agencies involved in the climate change arena in Uganda creates potential challenges with respect to donor coordination. This has led the World Bank to suggest assigning a person dedicated to coordinate the cross-cutting issue of climate change engagement amongst the development partners.

The major constraint in developing projects under the CDM in Uganda has been the development of the PDDs. Developing PDDs is expensive and requires specialized expertise which is not readily available in Uganda.

2.2.3 CDM project pipeline

The CDM support programmes implemented in Uganda has led to a few early project developments, of which one was registered in 2007 (The West Nile Hydro Power Project). During the past year eight projects have reached the stage of validation with the Designated Operational Entities (DOE). Five of these projects are part of the same small scale forestry programme, two are cogeneration projects in the sugar industry, and one is a small scale hydro power project. A further seventeen projects have been identified that are at the PIN stage. Forestry and hydro power investments dominate among these projects, but there is also interesting new work related to Programme of Activities (PoA).

The potential for Uganda to benefit from CDM is significant; the Uganda Investment Authority which markets opportunities for CDM and carbon market investment has identified thirty sites suitable for mini-hydro power investment which could generate between 1 -20 MW each; the National Forestry Authority (NFA) has available large areas set aside for industrial forest plantation in chunks of 500 to 15000 hectares on 49-99 year leases, and the new Programme of Activity (PoA) facility opens up huge potential for programmatic efforts within wood fuel efficiency projects (93% of Uganda's energy consumption originates from biomass).

2.3 Angola

Climate change and environment has not been high on the political or civil society agenda in Angola in recent years. This is in large parts attributed to the post-conflict situation, limited institutional capacity and focus on reconstruction and development.

Angola signed the climate change convention in June 1992, which was ratified in May 2000 and entered into force in August of the same year. However, Angola only ratified the Kyoto Protocol in May 2007, which entered into force in august of that year.

2.3.1 Status of the DNA and supporting institutions

There is currently no DNA established in Angola. Although the DNA has not yet been established, a "National Strategy for Implementation of the United Nations Convention on Climate change and on the Kyoto Protocol" was prepared by the focal point in September 2007. This presents a five-pronged climate change strategy which provides the basis for Angola's strategy with respect to the Kyoto Protocol and CDM. In addition to the preparation of the first national communication to UNFCCC and the "National Adaptation Programmes of Action" (NAPA), the strategy also includes preparation of a national carbon fund.

The strategy has been accepted by the Minister of Environment, but one of the main barriers to establishment of the DNA appears to be the issue of where the Agency will sit. A decision on the above was expected by the end of 2008, but the elections and new government which was formed in October 2008 has led to significant reorganisation at ministerial level, delays and re-evaluations of proposed strategies.

Despite the relative slowness in establishment of the DNA, the Government has recently taken steps which indicate a more proactive focus on environment and climate change, manifested through the President's speech in the UN General Assembly, ratification of Kyoto Protocol, active participation at the Bali meeting, and speeches from the Minister for Environment at Poznan.

2.3.2 CDM capacity building and local capabilities

Angola is a relative latecomer to the international climate change community, which is reflected in the limited amount of capacity building which has been undertaken in the country.

The World Bank led Global Gas Flaring Reduction Partnership (GGFR) held a workshop in October 2006 on implementation of the Kyoto Protocol in Angola, and opportunities for carbon financing of CDM projects. The workshop's main objective was to support the Government of Angola (GoA) move forward toward ratifying the Kyoto Protocol and to start technical assistance related to the CDM. Apart from this GGFR workshop, there has been a distinct lack of engagement from the main CDM capacity building initiatives for Africa with respect to Angola.

Although no CDM capacity building programmes are currently running in Angola, a number of initiatives related to the countries ratification of the Kyoto Protocol in 2007 are being funded by the GoA and donor agencies. These include:

- Preparation of the "National Adaptation Programmes of Action" (NAPA);
- Preparation of the "First National Communication";
- National Forestry Resources Assessment (NFA).

Due to the lack of capacity building activities, there are no organisations in Angola with effective CDM capabilities, know-how and experience.

2.3.3 CDM project pipeline

As Angola has only relatively recently ratified the Kyoto Protocol, and as the DNA has not been established, no CDM projects have been registered in the country. There are currently no CDM projects in any "official" CDM project pipeline, which is not surprising, as potential project developers will be reluctant to invest in CDM project development until the DNA is established.

Although there is no existing project pipeline, the field visit confirmed that a number of opportunities exist within certain sectors in Angola. The ones which show the most potential for CDM are:

- The energy sector: Angola has significant hydropower potential, and the government has an ambitious programme of rehabilitation of existing, and often non-operational, hydro power plants and of construction of new hydro power capacity. The government has recently prepared a "Programme for development of small hydro electric plants" which foresees construction of approximately 50 small and mini hydropower plants in the short term (up to 2013), with a combined capacity of 95 MW, in addition to installation of 10 to 15 micro and pico hydropower plants.
- The oil and gas sector: The economy of Angola is dominated by oil production and its supporting activities. According to the GGFR, in 2007 Angola ranked 8th in the world with respect to estimated flared gas volumes, with 3.5 billion cubic meters (bcm) being flared during that year. This figure is expected to be reduced significantly following construction of the Liquefied Natural Gas (LNG) train to be located in the Zaire province, which will recover and market the majority of the associated petroleum gas currently flared. The first LNG from the project is expected by early 2012. It should be noted, however, that construction of the LNG plant will not completely eliminate flaring of associated gas, and it is expected that 1 bcm/yr of gas will continue to be flared once the LNG plant comes on line.
- The forestry sector: Angola's forest resources are abundant, well distributed across the country, and have high potential to supply sufficient quantities for internal consumption as well as export. The estimated harvestable area is approximately 40 percent of the country's 53 million ha of forest area (45 % of Angola's total surface).

3 Conclusions and recommendations

3.1 Tanzania

Tanzania has benefitted from a large number of CDM and climate change capacity building programmes. Any new initiative, therefore, must be carefully considered in order to ensure that it does not duplicate ongoing programmes and that it meets priority needs of the authorities and their capacity to absorb additional support.

Development agencies are now taking steps to coordinate support programmes. To the extent that Norway will engage in CDM capacity building in Tanzania, interaction with and active support to donor cooperation activities is essential.

3.1.1 Conclusions on capacity building needs

The consultant's assessment of capacity building needs for CDM in Tanzania concludes the following:

- There is no need for intervention and capacity building in support of the DNA;
- Coordination between the various development agencies providing funding for CDM activities in Tanzania should and could be improved, and this is currently being addressed through a Danish initiative mapping the different programmes, which will initiate a programme for coordination of the development partners within the year;
- In terms of institutional support for the energy sector, we conclude that the potential for developing projects in the energy sector under CDM are being adequately considered and developed;
- The potential for projects within the forestry sector is substantial, and interest in the sector from international developers is high, but Tanzania has not yet registered a definition of forests with the UNFCCC, and any forest project under CDM is at the moment excluded;
- The report has identified some 16 projects that are at some stage of developing PINs or PDDs, and existing and planned programmes to support project development are many and seem adequate in order bring CDM projects up to PDD preparation level;
- Although capacity to develop projects up to PDD preparation are adequate, most of the projects currently in the pipeline claim that they need support and funding for further PDD development;
- There is significant potential to apply the newly approved "CDM Programme of Activities" (PoA) process in Tanzania, and capacity and know-how needed to develop these projects in Tanzania is currently very limited.

3.1.2 Recommendations

The following concrete recommendations are made for interventions from Norway to facilitate more CDM-projects in Tanzania, in order of priority:

1. Development agencies are now taking steps to coordinate support programmes. To the extent that Norway will engage in CDM capacity building in Tanzania, interaction with and active support to donor cooperation activities is essential. Until the result of the ongoing stocktaking assessment of donor programmes and coordination is known, we recommend that Norway address CDM and climate change issues in the ongoing programmes with forestry and energy institutions such as the support to the Division of Environment, the Division of Forestry and Beekeeping, and through cooperation with institutions like Ministry of Energy and Minerals.

- 2. Norway should initiate a dialogue on a higher political level, bringing current obstacles to CDM project development in the national CDM framework to the VPO and Presidents Office attention. Tanzania is losing investments due to stringent criteria in the existing framework. The potential for CDM project development in Tanzania is considerable, ranging from fuel switch projects and landfill to hydro and A/R-projects, but they do not appear attractive in the current investment climate.
- 3. Tanzania has not yet communicated the national forest definition under CDM to the UNFCCC. As it is a requirement to determine baseline scenarios' in A/R projects, any A/R project in Tanzania is currently blocked from being registered.

Based on Norway's close ties with the Tanzanian forestry sector, Norway should establish whether Tanzania has a forest definition, and ensure that this definition, when ready, is formally communicated from the Division of Forestry and Beekeeping to the DNA, and thence to the UNFCCC.

- 4. It is recommended that Norway assists Green Resources and ESD-Camco to clarify any outstanding issues there might be with the Designated National Authority. Pending on a positive validation from a Designated Operational Entity, these two project developers have projects that, if registered by the UNFCCC, could open the forestry and energy sector for more CDM-part-financed projects.
- 5. Norway should make the local consulting agencies like CEEST, EPMS and TaTEDO aware of the support mechanisms for CDM-project development Norway already has available. For PINs and PDDs the need for support is on a technical level, providing knowledge on the technical calculations of baselines and CERs. Norway could integrate the support mechanism into a formal project development programme, which would involve a first step project review, followed by provision of support for PDD preparation to local consultants and project developers where relevant.

3.2 Uganda

Uganda has benefitted from a number of CDM support programs since the beginning of this decade. This has included support to project developers and institutional support to government institutions.

3.2.1 Conclusions on capacity building needs

The consultant's assessment of capacity building needs for CDM in Uganda concludes the following:

- Currently nine bilateral and multilateral development agencies are funding climate change related support programs that also include CDM. Obviously this creates challenges with respect to donor coordination;
- The World Bank has suggested assigning a person dedicated to coordinate the cross-cutting issue of climate change engagement amongst the development

partners, which would undoubtedly improve the general understanding of climate change and hopefully also ensure better goal achievement on new initiatives;

- Support to the DNA seems to be adequately covered. It appears that the DNA is not a barrier in the CDM project development and approval processes;
- The principal CDM potential in the electricity sector is within hydro power, and relevant institutions should therefore take an active part in providing project developers with relevant data so that credible emission factors can be included in PDDs without unnecessary delay;
- Similarly, forestry projects require data, and the barriers to develop PDDs in line with existing methodologies are significant. The National Forestry Authority has CDM capabilities, but strengthening of this and its capacity to promote forestry CDM projects seems to be a relevant target for support;
- Although Uganda has benefitted from a number of CDM support programmes since the beginning of this decade, which has resulted in an impressive CDM project pipeline, a barrier to project development is a lack of capability and financial resources to carry projects through the entire project cycle to UNFCCC registration;
- Approved PoAs may be relevant for investment plans in Uganda and support to project developers and relevant public institutions, and this is an area of relevance to many Ugandan institutions and development agencies.

3.2.2 Recommendations

The following concrete recommendations are made for interventions from Norway to promote CDM in Uganda, in order of priority:

- 1. Improve local project development capacity, both in local availability of qualified consultants and enabling project developer to access finance for developing PDDs.
- 2. Use the support mechanism for CDM project development as part of an integrated capacity building and project development programme. The financial support for preparation of the PDDs would be provided directly to local consultants within the framework of a capacity building programme where international experts would provide training and technical assistance to the local experts throughout the PDD preparation process.
- 3. The World Bank has suggested assigning a person dedicated to coordinate the cross-cutting issue of climate change engagement amongst the development partners. One important task is to channel information on adaptation and mitigation measures to and from the concerned parts of GoU. Norway should consider supporting a dedicated position for this purpose.
- 4. Facilitate that basic data needed for CDM-project development is computed and made readily and easily available for project developers. This applies for both energy and forestry sectors.
- 5. Climate change should be included or addressed in all programs that Norway is supporting in Uganda. Climate change it is currently the responsibility of the Ministry of Water and Environment. Support from Norway is needed to

encourage the office of the President, Prime Minister, and Ministry of Finance, Planning and Economic Development to get involved, so that the issues of adaptation to climate change could be addressed in all sectors of government planning.

- 6. Success of the REDD mechanism at national level is closely related to the ability of monitoring and documenting changes in biomass land cover. Consequently there is a need for strengthening monitoring institutions like the National Biomass Study (NBS). Given its commitment to the Ugandan Forestry Sector, Norway should assess the status of the NBS and take this into consideration in its ongoing support to the National Forestry Authority.
- 7. Approved PoAs may be relevant for investment plans in Uganda and support to project developers and relevant public institutions. It is our recommendation the use of PoA in relation to the URP is discussed in the Development Partner Group for Environment and Natural Resources, and that GTZ programmes are taken into consideration assessing further intervention.

3.3 Angola

Angola only ratified the Kyoto Protocol in May 2007, which entered into force in august of that year. Angola is therefore a relative latecomer to the international climate change community, which is reflected in the limited amount of capacity building which has been undertaken in the country.

3.3.1 Conclusions on capacity building needs

The consultant's assessment of capacity building needs for CDM in Angola concludes the following:

- The most significant barrier to adoption of the CDM in Angola is the fact that the DNA is not yet in place. Establishment of the DNA is a political/legislative process, and capacity building is not required at this stage for establishment of the DNA, but will be required once the DNA is established;
- There is currently very limited CDM know-how and capability within the country and for potential staff within any newly established DNA. Once established, the staff of the DNA will require training on the CDM rules and procedures pertaining to DNAs;
- The DNA staff will also require training on how to assess projects with respect to the newly defined sustainable development criteria and procedures for project approval;
- Technical assistance and training is required to determine the emission factors for the country's separate grids, and for potential off grid developments, in order to facilitate the process for potential projects developers;
- A review is needed of the "Programme for development of small hydro electric plants" to determine the potential for CDM to attract carbon revenues for implementation of the small scale hydro power plants, to what extent the CDM can be integrated into the Programme and how it can be used to attract investment into the sector;
- With respect to the oil and gas sector, a dialogue with the relevant stakeholders is required after the DNA has been established to determine how the CDM can be

integrated into current programmes and plans and to determine the real potential for use of the CDM to further reduce associated gas flaring;

- A project identification and development programme is required once the DNA is set up to raise awareness of the CDM and identify private and public sector organisations who may have potential CDM projects in the pipeline;
- Given the significant forestry coverage, and the equally significant rate of deforestation in the country, forestry is an area which holds significant potential for carbon reductions, but there is currently no know-how or competent experts in Angola to promote and effectively utilize the CDM in any national projects;
- Approved PoAs may be relevant for investment plans in Angola and support to project developers and relevant public institutions, and training would be required in developing the relevant projects.

3.3.2 Recommendations

The following concrete recommendations are made for interventions from Norway to promote CDM in Angola, in order of priority:

1. Norway should make a commitment to provide the relevant funds and know-how once the Angolan DNA is established, and communicate this commitment to the relevant authorities (National Focal Point and the Cabinet of External Exchange at the Ministry of Environment) as an incentive to fast track the process of establishing the agency. Norway could, in addition, support this incentive by establishing a dialogue with the relevant agencies in Angola through a local expert.

Once the DNA is established:

- 2. Provide operational support and training of the agency's staff, including for determination of the grid emission factor in Angola;
- 3. Undertake a project identification and development programme open to all sectors of the economy;
- 4. Possibly as part of item 3 above, initiate a dialogue with the relevant stakeholders in the oil and gas sector to determine how the CDM can be integrated into current programmes and plans and to determine the real potential for use of the CDM to further reduce associated gas flaring;
- 5. Possibly as part of item 3 above, provide technical assistance to the energy sector on integration of CDM into development strategy;
- 6. Deliver a capacity building programme for the forestry sector, aimed at both relevant government staff (from the Forestry Development Institute) and relevant private sector companies;
- 7. Undertake a project identification and development programme targeted at potential PoA projects.

3.4 Reputational risks

There is possible concern over the "reputational risks" that Norway may be vulnerable to through its potential support of any CDM capacity building programme. These risks are associated to the type of CDM projects which are supported. All project types can potentially carry a reputational risk for project stakeholders and supporters, but with respect to the sectors of most relevance for CDM which have been identified in the three countries under review, three types of projects are considered worth highlighting.

Hydropower projects

With respect to potential reputational risks associated with facilitating the development of hydropower projects, this is not considered significant providing the projects developed are mainly small scale hydro or rehabilitation of existing plants. Reputational risks may be more significant if new large scale hydropower projects are developed, which may require construction of reservoir capacity with associated significant environmental impacts and potential displacement of population, and these should be assessed individually if proposed. However, the review has highlighted that potential hydropower projects for CDM in the three countries remains with development of small scale plants.

Oil and gas

Reputational risks for Norway may arise if CDM is used for projects where flaring is banned by national law. However, in this situation the project could not be considered to be additional, and would therefore not be expected to be registered. Only if:

- 1. dispensation from the law is given to specific fields, or
- 2. it can be shown that the law is not enforced;

can a project be considered to be additional and a candidate for CDM. Norway may, however, run a reputational risk if it is seen to support a project which falls under the second scenario, as it is contentious issue as to whether these projects should be considered additional.

Forestry projects

Related to afforestation and reforestation projects there is a risk for reputational damage due to the fact that control and use of large pieces of land has a potential to be controversial. The following factors should be assessed before a forestry project is initiated:

- Existing land use practices in the area (crops, livestock, right of way, water collection points), and how these are taken into consideration when the project is implemented **high risk;**
- Existence of settlements within the project area, disputes of demarcation of borders, or potential for encroachment from surrounding villages: Removal of illegal settlements within a project area can cause severe reputational damage. Such situations need to be resolved before initiating a project high risk
- Impact of the forestry project on bio-diversity and ground water table (before and after project implementation) **medium risk**

- Legality of ownership/title/lease and how the land came into the project developers control/possession **medium risk**
- Existence of a national policy of developing forestry projects low risk
- Local support/resistance to the project low risk