



# CDM Projects in India: Do they truly promote sustainable development?

*A mapping and analysis of select CDM projects in India*  
*An Executive Summary*

Prepared by:



In association with:



## FOREWORD

Climate change is the greatest global challenge facing us today which through a multitude of impacts poses a risk to our ecology, economy and society. Several responses have been designed to counter the crisis; the Clean Development Mechanism (CDM) being one of them. Principally, this mechanism did provide an opportunity for developing countries to embrace sustainable development while also allowing developed countries meet their Kyoto commitments. What certainly has been unclear is the contribution of CDM projects to the nature of sustainable development achieved in the host countries. "Money for Nothing" (2008), a grassroots study on CDM in India under taken by 'Laya Resource Centre' was an important beginning towards understanding the perceptions of grassroots communities on whose backyard these CDM projects operated. The reality check was utterly disturbing!

The current study builds on the previous study and analyses 25 projects comprehensively across 10 states and 8 sectors. This study was facilitated by Laya-INECC and undertaken by Vasudha Foundation. The study focuses on sustainable development goals and assesses the manner in which sustainable development has been approached in its articulation in the Project Design Document (PDD) as well as in operational terms. The study also assesses the role and intent of the private sector companies, to support overall socio-economic and environmental development in the areas they operate. The uniqueness of the project lies in being one of the very few studies that have collected primary data from the field and examined the sustainability commitments of CDM project holders.

The study while presenting a critical view on each of the projects calls for urgent overhauling of the 'institutional framework of CDM both globally and from a domestic perspective' in its current form, if it is to stay, or alternatively feed into the emerging frameworks like NMM (New Market Mechanisms) being deliberated for a post 2015 regime. It argues for the need for effective peoples' participation in validation of CDM projects, meaningful stakeholders' consultation and demands accountability of project proponents in cases where projects have militated against the interest of the marginalized communities. It suggests that CDM projects should be designed in a way that meets emission reduction objectives whilst also building resilience and adaptation among communities in the process, if it is to contribute to Sustainable Development.

We hope that the priorities identified by the study will lead to sound implementation of strategies at the level of the UN and the Indian government, that will help to address the challenge of climate change in a way that encourages meaningful development of communities and fosters an inclusive, low carbon sustainable development pathway

Ajita Tiwari Padhi  
National Facilitator,  
INECC

Nafisa Goga D'Souza  
Executive Director,  
Laya Resource Centre

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Ajita Tiwari Padhi,  
National Facilitator,  
INECC

## EXECUTIVE SUMMARY

The Fifth Assessment Report of the Inter-Governmental Panel on Climate Change, released its final synthesis report in early November 2014, making it amply clear that the impacts of climate change, if left unchecked will increase the likelihood of severe, pervasive and irreversible impacts for people and ecosystems. It presents stark and sharp warnings especially for developing countries like ours where impacts of Climate Change would derail the objective of sustainable development which has been an overarching national priority. The Fifth Assessment report also comes at a time, when countries are gearing up their negotiations for a comprehensive, legal and an equitable global framework to address climate change, to be agreed in the Meeting of the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC), at Paris, in December 2015. The new global regime being negotiated is expected to incorporate lessons and experiences gained from various instruments which played a role in reducing emissions and transitioning to a low carbon future.

The Kyoto Protocol, had created and institutionalized an international market based regime for reducing greenhouse gas emissions, called the “Clean Development Mechanism (CDM)”. The carbon market route was primarily conceived as a mechanism by which industrialized countries can offset a part of their emission reduction obligations by investing in low carbon projects in developing countries, while at the same time, through these low carbon projects, create pathways for sustainable development in developing countries where such projects come up.

Against this backdrop, Laya with the Indian Network on Ethics and Climate Change (INECC) and in partnership with Vasudha Foundation undertook a detailed analysis of a basket sample of CDM projects in India. The objective of this was to examine the nature and extent of sustainable development being fostered by registered CDM projects in while also specifically analyzing if these projects have benefitted communities from a socio-economic and environmental perspective as promised by the promoter companies in their project submission to the United Nations Executive Board (UNEB). The study also attempted to critically examine the Gol indicators on Sustainable development for CDM projects. India, being the home to the second largest number of CDM projects world wide, with a total of 2857 approved projects spread across 28 states of India, the study presented a sector wise perspective of CDM projects and identified specific policy and process gaps impeding achievement of Sustainable development.

The basic premise behind the study was to use the analysis from India, to feed into the global negotiations towards the Paris Climate Outcome, while at the same time, trying to influence,

India's formulation of Indented nationally determined contributions (INDC), as one route towards funding INDC, could also be through the carbon markets.

The methodology adopted in the study was two pronged: The first phase was the desk study which involved mapping of approximately 2100 registered CDM projects, following which a sample of strategically selected projects reflecting a fine balance between sectors and geographical spread were analysed. Projects covering 8 sectors from 10 key states were shortlisted for detailed field visit and analysis. The shortlisted projects from the 8 sectors included, wind farms, bio-mass projects covering both bio-mass and bio-mass co-generation based projects, solar farms and solar decentralized units, run of the river hydro projects, super-critical thermal power projects, energy efficiency projects covering lighting, industrial efficiency, alternative fuel and cogeneration, afforestation and reforestation projects and municipal solid waste projects. The states covered in the study included Andhra Pradesh, Maharashtra, Gujarat, Rajasthan, Karnataka, Himachal Pradesh, Orissa, Chhattisgarh, Jharkhand, Assam and Arunachal Pradesh.

Further, in order to analyze the CDM projects from a sustainable development perspective, a few broad parameters were identified to benchmark and assess the nature of contribution to sustainable development pathways, as mandated in the Kyoto Protocol. The parameters identified were primarily drawn from the Project Design Documents (PDDs) which were also reflected in various literatures available globally on sustainable development practices and also as agreed by various UN bodies from time to time.

#### **Broad findings :**

- The largest concentration of CDM projects is in the states of Tamil Nadu (368), Maharashtra (370), Gujarat (361), Karnataka (254) and Andhra Pradesh (210). The CDM projects in these states constitute about 55% of the total CDM projects approved in India.
- The large concentration of industries in these states, along with a fairly high GDP is also perhaps the reason for these states to attract CDM projects. Since, accessing the CDM market requires technical and resource capacities, which these states do have, is also yet another reason for a large concentration of CDM projects.
- In terms of sectoral break up of CDM projects, renewable energy and energy efficiency projects have the maximum share.
- In general, the benefits of availing the Carbon Markets, if any, have largely been restricted to the company or the project promoter per se, with very little actually being passed on to the communities.

- In most cases, the sustainable development benefits as outlined in the various Project Documents (PDDs) are loosely defined by the companies, and the impact of most CDM projects on indicators such as poverty and employment was found to be insignificant.
- Companies are implementing the social, economic, and environmental benefits through their Corporate Social Responsibility (CSR) divisions, and that too very irregularly and nothing that actually promotes sustainable development. In many cases, we found that there could be an overlap of activities done through CSR and part of their indicated actions as stated in the CDM Project Development Reports. However, clear lines of distinctions have not been drawn between the two.
- Most companies have held stakeholder consultations with the local stakeholders and informed them about the project activity and its sustainable benefits. However, there seems to be a mis-match between people's expectations and the actual delivery. It has been difficult for us to judge, if the expectations of people were more than what was promised, but, nevertheless, there is a fair amount of resentment by communities on what they have got from the companies.
- Some of the CDM projects that were visited had not been validated yet, or were still under construction. Therefore, the gap between their sustainable development claims and the ground reality could not be determined.
- There is no monitoring and evaluation system in place at any stage of the CDM process to determine the progress on sustainable development resulting from the project activity.

***Specific Observations/Findings:***

- Most sustainable development claims (especially for employment) are ambiguous and open ended. For example, the PDDs claim that the project activity will generate employment in the area and lead to social upliftment of the communities, however most employment generated is of a contractual or seasonal nature.
- Employment offered at most of the project sites to communities are, usually menial jobs such as "Guards", "helpers" and so on. Even jobs, that require some basic competencies like "drivers" have not been offered to local communities.
- There have been some indirect employment benefits in the case of some projects, particularly, co-gen based projects, which have helped sugar-cane farmers to benefit from locally available market for their sugar cane. However, there are very conflicting views on the actual price of sugar cane paid to farmers. While companies claim that they have a minimum support price for sugar cane, which is based on the prevailing market prices, local farmers have claimed that, it is far less than the market price.
- As part of the project activity, some companies have helped local communities by renovating primary schools and associated infrastructure, conducting health check-up

camps, and carrying out plantation drives. However, the benefits of these activities are difficult to measure and seem extremely sporadic.

- However, what clearly emerged is that the amount of money spent on these projects, did not definitely is even close to the amount that companies have promised to invest for community development, as stated in some PDDs, as part of their revenue sharing from CDM proceeds for community development.
- Most project documents have talked of improved infrastructure access, particularly, roads. However, our observation in most of the project sites and the surrounding areas that we visited, the road infrastructure was particularly bad, except for certain approach road to the project office or the actual project site. There seems to be an issue of who is responsible for the road infrastructure. While technically, it is the municipal or district authorities, who should be responsible for the development and upkeep of road infrastructure, we understand from communities, that, due to heavy traffic load for the project purposes, road infrastructure have deteriorated steadily and hence, they believe, it is the onus of the company to help in maintaining good road infrastructure. This claim of communities seem to be right, since, in most cases, companies have specifically stated this in their PDDs.
- In the case of areas, where energy CDM projects, such as solar, wind, hydro etc. are located, one would imagine that surrounding villages are benefitted by the power generation, as generally the evacuation of energy generated are from low voltage lines. However, in the case of most projects, we found that not all surrounding villages/hamlets had access to grid electricity supply.

#### **Other major issues but systemic in nature:**

While it is not possible to directly attribute it directly to the companies or the CDM project proponents, a number of issues have come out during the field visit and interaction with communities, relating to:

- Land acquisition
- Land pricing
- Rehabilitation and re-settlement of displaced communities
- Differential – gender discriminatory wages, etc.

#### **Some of the major issues that were brought to our notice from communities were:**

- a) Not all of the land identified for projects such as wind and solar are or were particularly barren lands, as has been indicated in most of such Project Documents. A number of land were such projects have come up, were, according to communities, quite fertile. A typical example is that of Charanka village, Gujarat, where the largest solar farm has been set up. We were informed that the area was known for its rich cultivation of sesame seeds, which have a good market price.
- b) There seems to be a huge mismatch between the prices that communities got for forgoing their land for projects, as against what price the Government had notified

for land acquisition. In some project cases, we found that while the actual Gazette Notification Price fixed for an acre of land was in lakhs of rupees, farmers actually got only a few thousand rupees. There could be a number of reasons for this, and many of these are systemic in nature. But, it is being flagged, as something that needs to be addressed on a war footing, as cases such as land grabbing are very rampant across the length and breadth of India.

- c) In many cases, land acquired for projects have led to destruction of community water bodies, which had for long been the source of water supply for the communities for meeting bulk of their water requirements.
- d) In many cases, where projects, particularly the Hydro projects, involved rehabilitation of communities, the resettlement and rehabilitation plan has been very poorly implemented and in some cases, communities who have been forced to leave their land, are yet to be completely resettled.
- e) Other issues that have come up, include, land acquisition for waste dumps, in the case of waste to energy projects. These waste dumps do not follow any laid down principles for pollution control by the Pollution Control Board and are the root cause for a number of health related problems faced by communities.
- f) Issues related to mass environmental and forest destruction, particularly for setting up wind farms have been observed.

**Some of the key recommendations that emerged from the findings of the study include:**

- a. Serious revisiting of the GoI indicators of Sustainable development for CDM projects arriving at an accepted definition of “Sustainable Development” that could form a framework for or a guidance document to assess projects both from a CDM perspective as well as from pro-people development objective.
- b. Conceive of creative and ‘transformational’ Carbon emission reduction trajectories/frameworks which promises effective, stable and durable development.
- c. Overhauling institutional and governance reforms of CDM projects including robust mechanism for monitoring and evaluation.

For full details of the recommendations, please do read the relevant sections of the report.



## **This report has been prepared by:**

**Vasudha Foundation**, which is a not-for-profit organisation set up in April 2010 with the belief in the conservation of Vasudha, which in Sanskrit means the Earth, the giver of wealth and with the objective of promoting sustainable consumption of its bounties. With this in mind, the organisation engages in policy advocacy and research initiatives.

## **In association with:**

**Indian Network on Ethics and Climate Change (INECC)**, which is a national network comprising individuals and organization representatives interested in the climate issue from a micro-macro perspective. It connects the issues of climate change to large sustainable development and social justice concerns. In this context INECC, perceives policy changes in favour of communities who are most impacted by the climate crisis.

And,

**Laya**, a CSO based in Visakhapatnam, Andhra Pradesh, India, is the Secretariat of INECC.

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## **Strategic inputs:**

Mrs. Nafisa Goga D'souza, LAYA  
*layarc@gmail.com*

Mrs. Ajita Tiwari Padhi, INECC  
*inecc1996@gmail.com*

## **Database collation and field coordination:**

Mr. Myron Mendes, LAYA  
*myron.mendes@laya.org.in*

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Xapai Designs

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## **Registered office:**

Laya Resource Center  
Plot No. 110, Yendada,  
Near Senora Beach Resorts,  
Visakhapatnam - 530 045