

A systematic approach to studying low-carbon investment decisions in Brazil and India

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Research Question

**HOW DO FIRMS UNDERSTAND AND
RESPOND TO POLICY WHEN MAKING
INVESTMENT DECISIONS?**

Firm response to carbon markets

INTERNATIONAL CARBON MARKETS

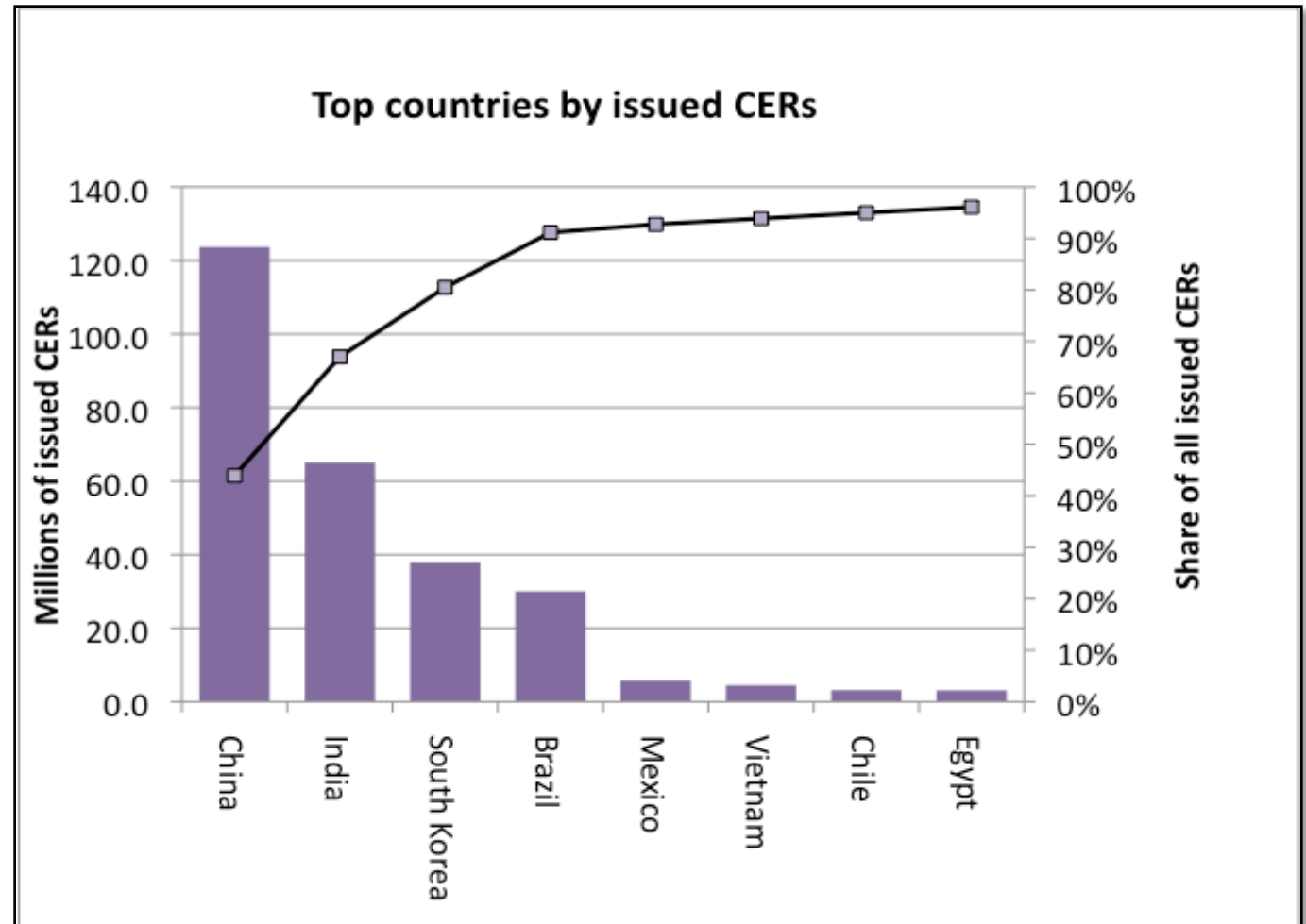
Investigating the CDM

- **Guiding principle**
 - Ask the firm managers how carbon market policies affected their decisions
- **Comparative case study approach**
 - Two countries: Brazil and India
 - Two sectors: Sugar and cement
 - One policy: Clean Development Mechanism (C mkt)
 - Time Period: 2004-2009
- **Method**
 - Interviews
 - Firm managers
 - » 45-min questionnaire; part quantitative, part qualitative
 - » Piloted in person, many via telephone
 - Key participants
 - » open-ended interviews with standard questions
 - Archival and database research

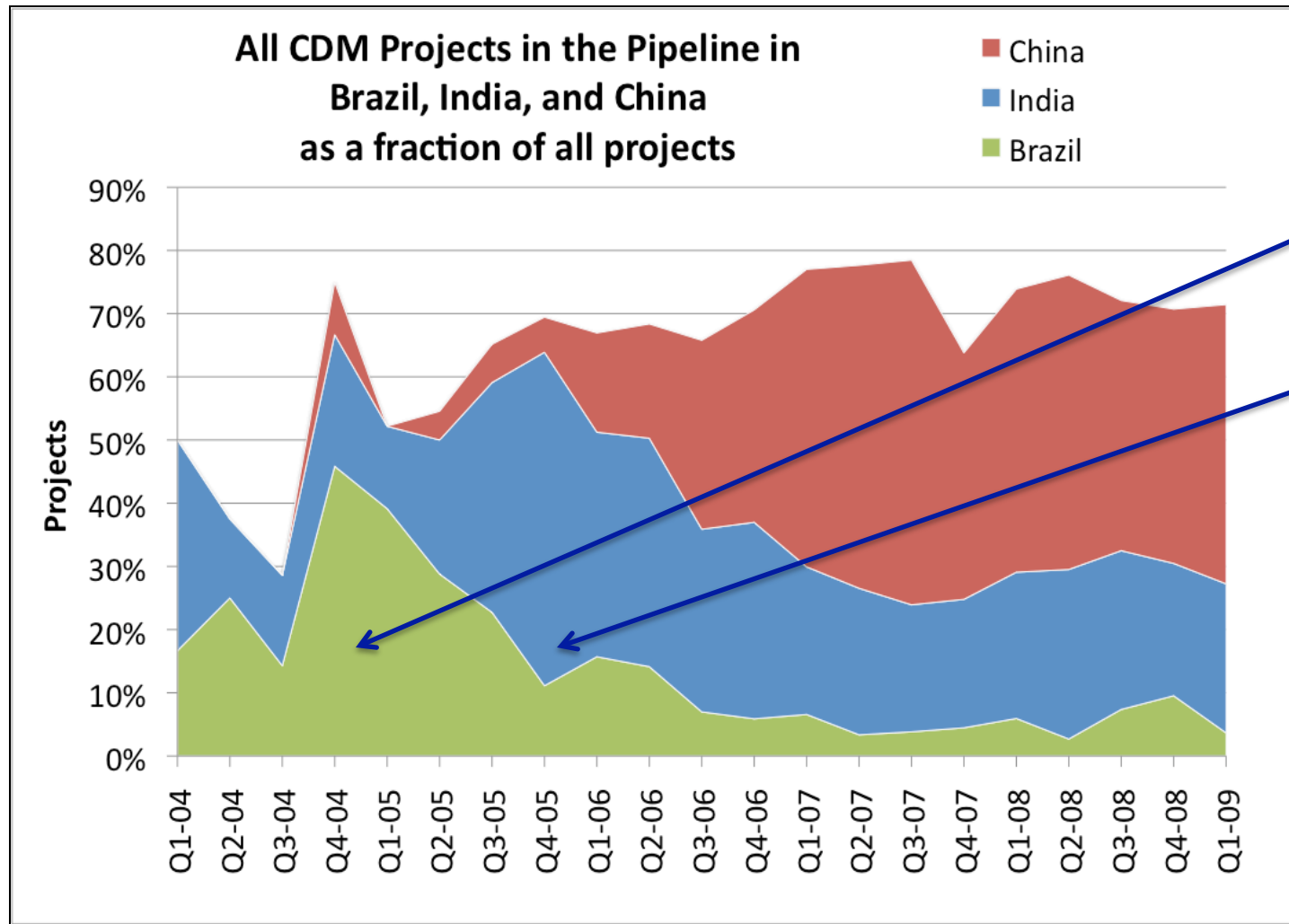
Top eight CDM countries by historical CER issuance

Issued CERs

- Top four account for 91%
- India = 23%
- Brazil = 11%



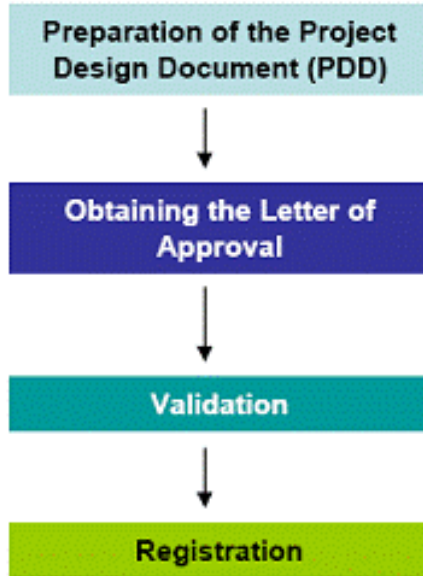
Relative share of emissions trading policy platforms over time



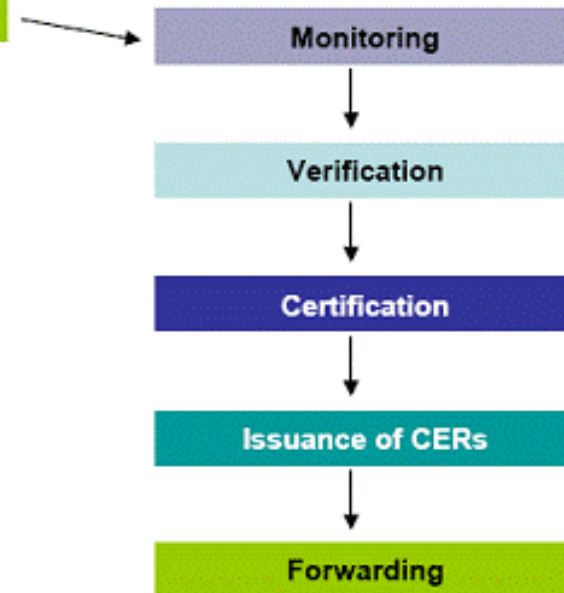
- Brazil = 46% of projects in late 2004
- India = 53% of projects in late 2005
- China then grows to dominate

CDM: Actors and Stages

PROJECT DEVELOPMENT PHASE



PROJECT IMPLEMENTATION PHASE



CDM: Actors and Stages

PROJECT DEVELOPMENT PHASE

Preparation of the Project Design Document (PDD)

Obtaining the Letter of Approval

Validation

Registration

PROJECT IMPLEMENTATION PHASE

Monitoring

Verification

Certification

Issuance of CERs

Forwarding

Consultant

Auditor 1

Auditor 2

DNA

Executive Board

Example: Bagasse cogeneration



Data collection

- June 2008 – Nov 2010
- Firm Manager Interviews
 - Full sample is approximately 30 CDM firms and 30 non-CDM firms (N=60) for each of four country/sector pairs (N=240)
 - **This paper is based on approximately 83 firm interviews and 40 expert interviews**
- Archival and database research
- Experts
 - industry trade association representatives
 - carbon market consultants, project developers, verifiers (auditors)
 - academic experts
 - government agency representatives
 - NGOs



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