

CDM, FDI and Climate Change: Where Foreign Direct Investment Flows and Where They Should Flow

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CDM can play a key role in the attainment of the Kyoto target by many countries. If properly used, it can be very helpful in achieving many targets: mitigating greenhouse gas emissions, lowering abatement costs, exporting technology and energy efficiency to developing countries. At the moment, such targets are potential ones and there is no certainty that they will be met. Since CDM is nothing but a form of FDI (Foreign Direct Investment), the research starts from data concerning FDI and tries to understand whether the current structure of FDI is coherent with the potential targets of CDM. In particular, the research investigates towards which countries and sectors international FDI flows, and whether such destinations are relevant to the mitigation of GHGs and the improvement of energy efficiency. Focusing mainly on European Union FDI, and considering about 100 countries, the research shows that the present FDI trend is quite far from an environmental protection target and that a substantial readjustment of FDI would be necessary.

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