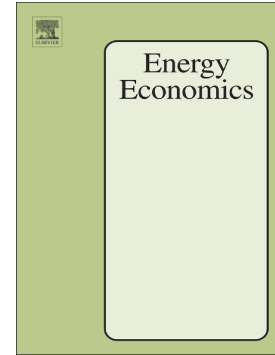


Accepted Manuscript

Effect of the clean development mechanism on the deployment of renewable energy: Less developed vs. well-developed financial markets

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PII: S0140-9883(18)30287-1
DOI: [doi:10.1016/j.eneco.2018.07.034](https://doi.org/10.1016/j.eneco.2018.07.034)
Reference: ENEECO 4113
To appear in: *Energy Economics*
Received date: 22 May 2017
Revised date: 31 May 2018
Accepted date: 30 July 2018

Please cite this article as: Jeayoon Kim, Kwangwoo Park , Effect of the clean development mechanism on the deployment of renewable energy: Less developed vs. well-developed financial markets. *Eneeco* (2018), doi:[10.1016/j.eneco.2018.07.034](https://doi.org/10.1016/j.eneco.2018.07.034)

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Manuscript reference #: ENEECO 4113

Effect of the Clean Development Mechanism on the Deployment of Renewable Energy: Less Developed vs. Well-Developed Financial Markets

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Abstract

Using a panel dataset of 64 Clean Development Mechanism (CDM) host countries for the 2001-2014 period, we examine the effect of the CDM on deploying renewable energy at varying levels of domestic financial development. We find that the positive effect of the CDM on the deployment of renewable energy is pronounced in countries with less developed domestic financial markets. Given that renewable sectors in less developed financial markets experience shortages of debt and equity financing, the CDM plays an active role in improving access to financing for these sectors. Our results suggest that investing in CDM projects to deploy renewable energy is particularly valuable for developing countries with less developed financial markets.

Keywords: Clean Development Mechanism, financial development, deployment of renewable energy technologies

JEL classification: G15, O16, Q43

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This research has been supported by the Korean Ministry of Science and ICT through the Graduate School of Green Growth at KAIST College of Business in 2018. We appreciate valuable comments by seminar participants at KAIST.

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