



Events convened on Monday, 5 November 2001

Forestry projects: How to credit and monitor

Presented by the Organisation for Economic Cooperation and Development (OECD)

Cyril Loisel, Office National des Forêts, presented the issue of permanence in the Clean Development Mechanism (CDM). He explained that the risk associated with sinks projects cannot be eliminated but can be reduced through adequate project design. He stated that the Colombian proposal, which introduces the concept of temporary credits, is a possible way forward, and explained that temporary credits can be used to help meet commitments, and that once used for compliance, they must be replaced. He concluded that an important improvement to the Colombian proposal would be to limit credits' validity period to five years to increase the security of the crediting system and to increase transparency.

Jane Ellis, OECD, reviewed credit accounting regimes that issue permanent emissions credits, temporary emissions credits, and credits that reflect the environmental benefit of temporary sequestration. She stated that the ideal crediting regime would: ensure that credits reflect real, measurable, long-term benefits; not be based on arbitrary decisions; and provide reasonable economic incentives and crediting certainty for investors. She concluded that "temporary, renewable crediting" satisfies these criteria.

Gareth Phillips, Societ e G n rale de Surveillance (SGS), provided an overview of SGS' risk and uncertainty assessments in sinks projects. SGS' assessments define quantitative risks and uncertainty in terms of a percentage discount to predicted emission reductions or sequestration. Phillips underscored that risk assessments should be repeated over time as uncertainty decreases so that more credits can be made available.

John Kadyszewski, Winrock International, introduced Winrock International's work on measuring and monitoring LULUCF projects. He said field experience suggests that the initial cost of monitoring can be less than US\$0.25 per ton of carbon, and that risk should be managed with insurance methods. He noted that the risk of carbon loss can be incorporated into the carbon-crediting process, and that new imagery tools allow enhanced monitoring of natural and human-induced disturbances.

Discussion: One participant noted that most LULUCF projects do not measure soil carbon because the levels of soil carbon do not increase. Another participant highlighted that contradicting evidence also exists.



John Kadyszewski, Winrock International (WI), highlights that the impact of disturbance on carbon pools varies significantly.



Gareth Phillips, SGS, underscores the need to manage risk and uncertainty.

More information:

<http://www.onf.fr>
<http://www.oecd.org/env/climatechange>
<http://www.winrock.org>
<http://www.sgs.nl/climatechange>

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National registries for a future greenhouse gas emissions trading scheme: The approaches of France and the UK

Presented by the International Emissions Trading Association

Heneage Legge-Bourke, La Caisse des Dépôts et Consignations, described a model for a French national registry for greenhouse gas (GHG) emissions trading. He noted that allowances and their transfer can be treated in the same way as public and private financial instruments on existing electronic securities registers. He stressed the need for European registries to be compatible with Kyoto Protocol requirements. He explained that the functionalities of the registry include: issuance and allocation of quotas; management of accounts; transfer of allowances; validation; and ability to assess compliance.

Kedin Kilgore, Natsource, stated that registries should be broad, uniform, accessible, public, dynamic, and mandatory. He noted that registries facilitate but are not necessary for trading. He described the allowance tracking system of the US Environmental Protection Agency's Acid Rain Division, which uses serial numbers to allow the tracking of each allowance's trading history, and records and posts all transfers on the internet. He also outlined the UK registry, which will use unique serial numbers comprised of year of issue, commitment period, information of origin, and identification number, and will exist as an electronic database.

Arthur Pelchen, PriceWaterhouseCoopers, explained that registries are necessary to ensure that: allowances are trackable at all times; no allowances are transferred that do not exist; no allowances are transferred twice; no allowances are transferred by non-eligible Parties; transparency is maintained; and compliance can be established. He explained that Party accounts, retirement accounts, and cancellation accounts are important components of a national registry. He said integrity can be maintained with a transaction log that checks for units previously retired or cancelled, duplicated, improperly issued, or not carried over from previous commitment periods, as well as infringements and the eligibility of Parties and legal entities.



Kedin Kilgore, Natsource, notes that NGOs can get cancellation accounts to remove GHG emissions allowances from the system.

More information:

<http://www.ieta.org>
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How to kick-start the CDM process

Presented by Helio International



Mike Bess, ESD, states that the market price for credits is important in attracting investment in CDM projects.

Artur Runge-Metzger, European Commission (EC), outlined the EC's work to get the CDM "off the ground," including creating effective demand for certified emissions reductions (CERs) in the EU. He concluded that a successful CDM will require Parties to be proactive and to set up an effective institutional framework.

Lubinda Aongola, Zambia, addressed the institutional framework needed to support the CDM. He outlined the terms of reference for CDM sub-committees and technical secretariats. He underscored the need to formalize the CDM sub-committees into designated national authorities for the CDM.

Youba Sokona, Environment and Development Action in the Third World (ENDA-TM), explained that one objective of CDM-Susac, a project which aims to introduce mechanisms to ensure that Africa, Caribbean and Pacific (ACP) countries are not left behind in the CDM, is to explore conditions under which CDM projects will be implemented in participating countries. He underscored the need for substantial efforts to start CDM projects in ACP countries, and the importance of capacity building in technology and methodology.

Emilio La Rovere, Brazil, introduced the SouthSouthNorth (SSN) project, whose mission is to design, develop and implement CDM projects. He explained that SSN's work involves developing project eligibility criteria and sustainability indicators. Eligible projects include energy activities qualifying for the CDM, and sustainability indicators include the project's contribution to local sustainability and technological self-reliance.

Mike Bess, Energy for Sustainable Development Ltd. (ESD), outlined the costs and risks involved in investing in CDM projects, and presented the scope for CDM projects in ACP countries. He explained that prerequisites for attracting investors include environmental additionality and government support.

More information:

<http://www.cdmsusac.energyprojects.net>
<http://www.southsouthnorth.org>
<http://www.esd.co.uk>

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Compliance, monitoring and verification requirements for a credible and environmentally effective Kyoto emissions trading system

Presented by the World Wildlife Fund (WWF) and the International Emissions Trading Association (IETA)

Andrei Marcu, IETA, stressed the need for a robust emissions trading system that both promotes environmental integrity and benefits businesses.

Jennifer Morgan, WWF, noted that the agenda items currently being negotiated could have a major impact on the environmental effectiveness of the Kyoto Protocol. She stressed the need for: legally-binding consequences for non-compliance; transparent and effective methodologies, reporting and review; and eligibility criteria for mechanisms.

Mark Weintraub, Shell International B.V., stated that Shell is interested and committed to having market mechanisms play an important role in the Protocol, as they lower costs and offer a critical source of capital for investments in new technology. He stressed the need for emissions trading systems to have environmental credibility and integrity, high liquidity, low transaction costs, entity-to-entity trading, and fungibility, and for national registries to be clear, workable, transparent, and consistent across countries.

Molly Anderson, Verification Research, Training and Information Centre (VERTIC), explained VERTIC's experience with implementing verification systems for a range of international treaties. She highlighted the importance of current negotiations on Articles 5 (methodological issues), 7 (communication of information), and 8 (review of information), which will be critical for determining whether the Protocol is working properly.

Mark Kenber, WWF, explained that most NGOs favor emissions trading, provided that it delivers environmental effectiveness in terms of reducing emissions. He noted that decisions taken at COP-7 will go a long way toward determining the credibility of emissions trading, and stressed the need for: an enforceable and binding compliance regime that does not set an artificially low price cap; real-time access to information contained in registries, including the source of credits and project information; stakeholder consultation mechanisms; and guarantees that allowances represent real and verifiable emissions reductions.

Gareth Phillips, SGS, stated that if banking of Removal Units is allowed, it could challenge the environmental integrity of the Kyoto Protocol, whereas if such banking is restricted, it could create an undesirable trade barrier.



Molly Anderson, VERTIC, stresses the importance of resolving outstanding issues related to Article 7.4 of the Protocol at COP7.

More information:

<http://www.ieta.org>
<http://www.worldwildlife.org>
<http://www.shell.com>
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The equity agenda

Presented by Friends of the Earth International



Douglas Korsah-Brown, FOE Ghana, urges negotiators to recall that the goal of the climate change process is not only emissions reductions but also sustainable development.

More information:

<http://www.foei.org>
<http://www.chooseclimate.org/jcm>
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Ben Matthews, Choose Climate, demonstrated a series of interactive climate modeling graphs which enable users to compare different CO₂ stabilization and policy scenarios, investigate the adequacy of different countries' commitments, and explore equity and distribution issues.

Tuuli Lehtinen and Jenni Kauppila, Friends of the Earth (FOE) Finland, introduced a report entitled "The Whole Climate: Climate Equity and its Implications for the North." The report examines three proposals that attempt to factor equity into emissions allocations: the Brazilian proposal, which takes historic emissions into account and sets a 30 percent reduction target of 1990 levels by 2020 for Annex I countries; the Pew Center on Global Climate Change's proposal, which uses standard of living, responsibility and opportunity criteria to divide countries into three groups -- "must act now," "should act now, but differently," and "could act now;" and the Global Commons Institute's contraction and convergence model, which requires that emissions be reduced gradually, eventually reaching 60 percent of current emissions, and that countries reach equal per capita emissions levels by 2045.

Douglas Korsah-Brown, FOE Ghana, noted that, because the UNFCCC lacks a definite emissions cap, countries will continue to consume and will leave no environmental space for countries that are still developing. He stressed the need for an emissions cap to allow these countries to increase their emissions, and for capacity building and technology transfer to enable developing countries to raise their consumption and living standards to basic levels.

Paul Baer, Eco Equity, explained that Eco Equity was founded to educate American citizens about the equity issues surrounding the global climate debate and the ethical and human rights imperatives for allocating emissions on a per capita basis.

The CDM and emissions reductions in Brazil

Presented by the Brazilian delegation

Paulo Henrique Cardoso, Brazilian Business Council for Sustainable Development, described Brazil's main industries and highlighted the abundant opportunities for foreign direct investment in Brazil. He outlined Brazil's new development programme "Advance Brazil."

Rui Fonseca, Petrobras, described Petrobras' strategy for incorporating sustainable development strategies into its business. He highlighted environmental and social responsibility programmes undertaken by Petrobras, including forest preservation, education, and emissions reduction projects.

Laura Tetti, JZL Consultoria, explained that Brazil produces 300 million tonnes of sugar each year, more than half of which is used to produce ethanol. She explained that an increase of 500 million liters of ethanol per year would fuel 100,000 vehicles and generate 20,000 direct jobs and 60,000 indirect jobs. She highlighted that: sugar cane bagasse can also be used for electricity production; the sugar cane sector is fully self-sufficient in terms of electric power; and by 2004, an additional 3,000 megawatts of power will be produced from sugar cane bagasse.

Cícero Antonio Lima, Companhia Vale do Rio Doce, described a project that involves the substitution of fast-growing, cloned trees for coal in the production of foundry pig iron. He highlighted the resulting GHG emissions reductions and job creation benefits.

Luiz Gylvan Meira Filho, Brazilian Ministry of Science and Technology, described the Interministerial Commission on Climate Change, which helps to formulate Brazil's negotiating position at the climate change negotiations. It is responsible for granting approval to CDM projects based on a set of national sustainability criteria.



Cícero Antonio Lima, Companhia Vale do Rio Doce, describes an emissions reduction project in the pig iron industry.

More information:

<http://www.cebds.com>

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Shuzo Nishioka, NIES, states that the Asia Pacific Environmental Innovation Strategy's objective is to attain economic growth and environmental integrity by establishing cooperative, innovative strategies in the Asian region.

More information:

<http://www.iges.or.jp>

<http://www.nies.go.jp>

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Climate policy dialogue in Asia

Presented by the Institute for Global Environmental Strategies (IGES)

Naoki Matsuo, IGES, summarized the outcomes of a series of IGES-sponsored climate policy workshops held throughout Asia, where consensus emerged that CDM projects should consist of collaborations that maximize opportunities for both the host country and investors.

Shuzo Nishioka, National Institute for Environmental Studies (NIES), presented the "Asia Pacific Environmental Innovation Strategy." He underscored the need to overcome the perceived conflict between environmental conservation and economic growth, and explained that the strategy does so by directing efforts toward technological innovation, new industrial organization and creation of new markets, and new integration of innovations.

Sung Hwan Son, Republic of Korea, discussed barriers to participation of least developed countries (LDCs) in the global climate dialogue. He noted that the US' recent rejection of the Kyoto Protocol, a perceived lack of priority on climate issues by other Northern governments, and low emphasis on technology transfer are disincentives for LDCs to dedicate scarce resources to climate change issues. He stressed the need for capacity building and technology transfer to ensure LDC support, and for the issue of equity to be fully explored in future climate discussions.

Michael Grubb, Imperial College Environmental Policy and Management Group, stated that from a European perspective, the degree of international cooperation in Asia is encouraging and comforting. He said it now appears that the Kyoto Protocol will be ratified, and that it was imperative for Annex I countries to quickly gain experience in the Protocol's implementation. He flagged access to sustainable energy as an issue that could bring climate change to the table at the World Summit on Sustainable Development. He underscored the need for both technological and policy innovation within countries and at multilateral climate change negotiations.