

# ENB on the side

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## How ecosystem management approaches can help communities to adapt to climate change

Presented by the World Conservation Union (IUCN)

Brett Orlando, IUCN Biodiversity Programme, explained that IUCN is committed to the conservation of biodiversity and natural resources and is interested in climate change mitigation and adaptation. He said IUCN welcomes the creation of the three Kyoto Protocol funds and urged delegates to iron out the details of these funds so that they can be adopted by the high-level segment this week.

Brahim Haddane, IUCN Moroccan National Committee, highlighted that Morocco has been suffering from the effects of climate change for the past few decades. He emphasized that the emission of greenhouse gases, largely from industrialized countries, has resulted in high temperatures, drought and desertification in North Africa.

Jamie Skinner, IUCN Centre for Mediterranean Cooperation, described climate change adaptation in the water sector. He noted that as a result of climate change, rainfall distribution patterns will change across the globe, higher temperatures will lead to greater evaporative losses from dams and crops, and an increase in extreme weather events will have implications for run-off. He stressed that these impacts will result in a reduction of water resources available for human use. He also highlighted the importance of ecosystem functions and services provided by rivers, floodplains, wetlands and lakes, and noted that if some of these functions and services are lost as a result of climate change, the replacement costs would be extremely high.

Skinner described different approaches for managing water resources. A "hardware approach" involves infrastructure developments including dams, channels and embankments, whereas a "software approach" includes measures such as demand-side management, alteration of cropping patterns, and diversification of livelihoods. He underscored that there is no quick technological fix and thus a mixture of hardware and software approaches are required. He concluded that the Kyoto Protocol Adaptation Fund should: explicitly review the role that ecosystem services and functions can play in an adaptation strategy; develop rules for water allocation that explicitly recognize ecosystem needs; evaluate all alternatives through a wide societal debate; and avoid taking a strictly hardware approach.

Parvaiz Naim, IUCN Asia Regional Environment Assessment Program, outlined IUCN's efforts to strengthen national capacity to address climate change in Bangladesh. He explained that the Program aims to: review national and international initiatives and opportunities for climate change adaptation; develop a climate change database; enhance the Government of Bangladesh's expertise in climate change negotiations; improve the skills of various sectoral agencies in incorporating climate change issues into their plans; strengthen Bangladesh's ability to undertake climate change projects; raise stakeholder awareness; and increase coordination among stakeholders.



Parvaiz Naim, IUCN Asia Regional Environment Assessment Program, says that IUCN aims to enhance and sustain the capacity of the Government of Bangladesh and national stakeholders to deal with climate change.



Brahim Haddane, IUCN Moroccan National Committee, urges countries to ratify the Kyoto Protocol so that concrete action will be taken to prevent climate change.

### More information:

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# Small is feasible: Designing small-scale CDM projects

Presented by the Swiss delegation in collaboration with Energy Research Centre of the Netherlands and UNDP

Ambassador Beat Nobs, Switzerland, introduced this event, which reviewed Swiss studies on small-scale CDM projects.

Jürg Grütter, Grütter Consulting, described possibilities for simplifying small-scale CDM projects with the goal of reducing the high transaction costs of such projects. He highlighted areas for simplification, including project acceptance criteria, baselines, and issuance of certified emissions reductions (CERs). He stated that crediting time should be limited to between three and five years to preserve the environmental integrity of projects.

Christoph Sutter, Factor Consulting + Management Ltd., highlighted obstacles and opportunities related to small-scale CDM projects. He noted that although small-scale projects tend to result in tremendous social benefits and moderate environmental benefits, few are economically attractive for commercial investors. He underscored that bundling similar projects will reduce transaction costs. He recommended that development agencies build the capacity of local stakeholders to undertake unilateral CDM projects, and that the CDM Executive Board allow unilateral projects and project bundling within the CDM.

Jan-Willem Martens, Energy Research Centre of the Netherlands (ECN), outlined streamlined CDM procedures for solar home systems. He explained that it is important to standardize baselines for solar home systems to reduce transaction costs, reduce investor uncertainty, and improve transparency. He recommended that the CDM Executive Board and Parties allow: the use of standardized emissions reductions factors based on a global value; the use of existing administrative procedures for monitoring and verification; and automatic eligibility for solar home system projects.

Ad Dankers, UNDP, provided an assessment of the CDM potential of selected UNDP projects and discussed UNDP's potential role in small-scale CDM projects. He concluded that: only methane projects meet the international CDM cost-effectiveness criteria; small-scale, off-grid projects are expensive; there is a significant lack of capacity throughout the CDM project development cycle; there is a focus on bringing down CER generation costs through bundling, standardizing baselines, and streamlining validation procedures; and the public and private sectors are often willing to invest in relatively expensive CERs to gain on-the-job learning and boost public relations.



Jan-Willem Martens, ECN, notes that off-grid solar home systems result in greater CO<sub>2</sub> emissions reductions than grid-connected systems.

#### More information:

<http://www.factorag.ch>  
[http://www.ecn.nl/unit\\_bs/kyoto/main.html](http://www.ecn.nl/unit_bs/kyoto/main.html)  
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Klaus Töpfer, UNEP, expresses hope that the Kyoto Protocol will enter into force in time for the World Summit on Sustainable Development in September 2002.

#### More information:

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## Cost-effective adaptation

Presented by UNEP

At this event, speakers discussed vulnerability indices and the use of LULUCF projects in climate change adaptation activities.

Klaus Töpfer, UNEP, emphasized that developing countries are particularly vulnerable to the impacts of climate change, although their greenhouse gas emissions levels are substantially lower than those of developed countries. He underscored the importance of taking into account the concerns and expectations of developing countries when identifying adaptation strategies, and noted that UNEP has been developing methodological tools for adaptation.

Saleemul Huq, International Institute for Environment and Development, explained why information on vulnerability and adaptation is needed. He highlighted problems with developing vulnerability indices, including the cross-sectoral nature of vulnerability and a lack of information. Huq outlined methodological tools used to identify a country's vulnerability. One such methodology involves identifying the vulnerability and capability of a country to adapt to climate change, focusing on its human and organizational resources and its attitude toward adaptation. He stressed the need to: obtain a clear understanding of the application of vulnerability indices; link regional, local, national and global vulnerability indices; and improve the quality and quantity of relevant data.

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# Financial accounting for carbon: Protecting profits, managing risks

Presented by the International Emissions Trading Association (IETA)



Fiona Gadd, Arthur Andersen, highlights the challenges and risks of financial accounting for GHG emissions.

This event addressed challenges and opportunities arising from the lack of guidance for financial accounting and disclosure of greenhouse gas (GHG) emissions permits.

Fiona Gadd and Jenny Harrison, Arthur Andersen, reviewed carbon assets management in financial accounting for GHG emissions. They explained that the lack of definitive guidance for financial accounting and disclosure of GHG emissions permits, corporate emissions exposures or emissions transactions generates financial accounting risks. In the absence of such guidance, GHG emissions exposure and trading activities will not be captured in financial accounts and analysis, and the accounting reports of participants and traders will be inconsistent. Arthur Andersen aims to improve the quality of GHG reporting based on the application of existing financial accounting policies and guidelines to GHG emissions, by extending and standardizing accounting for and disclosing of GHG assets and liabilities. Key accounting issues include accounting for permits, emitted gases, financial incentives, and emissions-related expenditures. The speakers identified next steps in financial accounting for GHG emissions, including accounting for transactions of project-based credits, and accounting for forward sales of allowances.

Garth Edward, Shell Trading, underscored the need for businesses to operationalize the GHG emissions trading policies enacted by decision makers. Businesses should do so by gathering relevant environmental data, developing standardized emissions trading contracts and insurance policies, and defining appropriate accounting systems and tax procedures.

Doug Russell, Global Change Strategies International, introduced the Pew Center on Global Climate Change's study on corporate GHG emissions reduction targets, which revealed that: companies set targets to manage regulatory risk and reduce costs; the choice of target type is a strategic business decision; and those responsible for reducing emissions must be involved in determining the target level. The study demonstrated that many businesses are already meeting or surpassing their targets.

## More information:

<http://www.arthurandersen.com>  
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Jenny Harrison, Arthur Andersen.



Garth Edward, Shell Trading.

## Cost-effective adaptation

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Nijavalli Ravindranath, India.

Pierre Giroux, Canada, reviewed draft UNFCCC decisions on adaptation to climate change. He explained that the draft decisions: emphasize the need to develop adaptation methodologies that are consistent with developing countries' needs and take into account the type of data available; recognize the importance of implementing adaptation projects; and address the need for data generation. A recently finalized decision addresses integration of the results of the IPCC's Third Assessment Report into discussions on adaptation. Giroux concluded by underscoring the need for policy makers to implement these decisions.

Nijavalli Ravindranath, India, explained that LULUCF activities can be used to mitigate climate change. He outlined interlinkages between climate change, forestry, biodiversity, food supply, and land degradation. He noted that the adaptive capacity of agroforestry systems is greater than that of modern agricultural systems, and outlined adaptation benefits of agroforestry, including soil stabilization, increased soil productivity, improved soil water retention, and reduction of the socioeconomic vulnerability of small-holder farmers. He underscored the importance of developing and adopting guidelines on mitigation and adaptation activities, involving local communities, making use of traditional knowledge, and developing and applying vulnerability indices.

**Discussion:** Participants debated whether vulnerability indices should be used as tools for prioritizing adaptation investment, and agreed that this is not desirable.

# Finding new money and building local capacity: Challenges for the CDM and the UNFCCC

Presented by Environment and Development Action in the Third World (ENDA-TM)

At this event, representatives from the Consortium for North-South Dialogue and Partnership on Climate Change addressed the need for capacity building to enable developing countries to meet the challenges of the CDM and the UNFCCC.

Kilaparti Ramakrishna, Woods Hole Research Center, highlighted the need to build capacity in developing countries if technology transfer is to succeed. He stated that developing country implementation of UNFCCC commitments is dependent on industrialized countries fulfilling their capacity-building commitments.

Ogunlade Davidson, Energy and Development Research Centre (EDRC), stressed the need to build on institutional structures already in place, rather than creating new institutions to address issues related to climate change. He described EDRC's high-level science and technology training programmes.

Luiz Pinguelli Rosa, Federal University of Rio de Janeiro, outlined linkages and joint programmes on capacity building being undertaken by government agencies, universities and research institutes, industry and NGOs in Brazil. He highlighted the Brazilian Center for Sustainable Development, which facilitates cooperation between state companies, Petrobras and the private sector on emissions abatement projects, and the Brazilian Forum on Climate Change, which seeks to strengthen linkages between NGOs, government and scientific research institutions, and generates projects and public debate on climate change.

Thomas Black-Arbelaez, Andean Center for Economics and the Environment, discussed the importance of building capacity to maximize the value of the CDM for developing countries. He stressed the need to build the capacity of project owners in developing countries to understand the rules of the CDM and to enable them to extract the CERs from projects and retain the gains from trading.

Amber Leonard, Pacific Institute for Studies in Development, Environment and Security, emphasized that host country governments and the private sector share a common interest in job creation and capacity building in developing countries. She stated that focusing efforts on strengthening existing capacity can help to attract private investment. She highlighted the need for coordination of existing bilateral and multilateral capacity-building efforts, identification of specific capacity-building needs, and South-South collaboration.

Irving Mintzer, Pacific Institute for Studies in Development, Environment and Security, emphasized that the success of project-based activities is predicated on strengthening existing institutions rather than constructing new organizations. He stressed the importance of creating an attractive environment for investment for developing countries that want to participate in the CDM. He noted that capacity-building efforts will have ancillary benefits in fostering other aspects of development.



Thomas Black-Arbelaez, Andean Center for Economics and the Environment, stresses the need for capacity building for project owners in developing countries to ensure that the value of the CDM is not extracted by Annex I investors.



Luiz Pinguelli Rosa, Federal University of Rio de Janeiro, stresses the importance of strengthening local institutions.

#### More information:

<http://www.whrc.org>  
<http://www.edrc.uct.ac.za>  
<http://www.centroclima.org.br>  
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