

ENB on the side

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Thursday 19 July 2001

Events convened on Wednesday 18 July 2001

The financial sector and climate change

Presented by the Insurance Initiative in association with UNEP

At this event, financial companies belonging to UNEP's Finance Initiatives' Climate Change Working Group delivered presentations highlighting their achievements, explaining their position on climate change, and providing case studies.

Thomas Loster, Munich Re, addressed threats and opportunities for the financial sector as a result of climate change. He noted a drastic increase in the magnitude and frequency of major economic losses due to natural disasters during the past decade, and emphasized that climate change impacts are likely to exacerbate the problem. He stated that if current trends continue, annual losses could approach US\$150 billion over the next decade, and as a result, the insurance industry will have to raise rates and impose restrictions, such as significant deductibles and low liability limits. He suggested that the additional cost burden would be shared between individuals and governments.

Andrew Dlugolecki, CGNU, explained that the Climate Change Working Group is currently updating its position statement, which is driven by the precautionary principle and reflects the significant risks of climate change on human health, the economy, and the environment. Dlugolecki underscored the financial industry's willingness to support the shift to energy efficiency and renewables, and stated that governments can facilitate this shift by establishing long-term frameworks to reduce emissions.

Ivo Knoepfel, Sustainable Asset Management, described the first global stock market index that screens corporations' greenhouse gas (GHG) emissions and contributions to protecting the climate. He highlighted exponential growth in both renewable energy investments and socially responsible investments, but emphasized the need for greater transparency about use and application of screens. He noted good performance of stock prices for alternative energy companies, and envisioned energy as the next big theme in capital markets.

Pablo Cardinale Pizani, Corporation Andino de Fomento (CAF), presented a case study of the Latin American Carbon Programme. To initiate a carbon market in Latin America, CAF uses its profits as venture capital for carbon mitigation projects, such as the construction of a subway system and a natural gas fueled generating plant.



Andrew Dlugolecki, CGNU, explains that the Climate Change Working Group's updated position statement will be driven by the precautionary principle.

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Jan-Willem Martens, ECN, urges small projects to be promoted by the CDM.



James Plastow, IT Power, emphasizes that small-scale projects are essential to achieve Kyoto objectives, and the CDM must be designed around "real" projects.

More information:

http://www.unepfi.nethttp://www.ecn.nl/unit_bs/kyoto/mechanism/cdmshs.html
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Small projects under the CDM: Opportunities and barriers

Presented by the Energy Research Centre of the Netherlands (ECN) in collaboration with IT Power

This event explored opportunities for small renewable energy and energy efficiency projects under the Clean Development Mechanism (CDM).

Jan-Willem Martens, ECN, discussed streamlined CDM procedures for off-grid solar home systems (SHSs) in developing countries. He said the CDM should promote small projects, as they have a higher development impact, are more likely to reach poor households, and achieve real reductions and long-term climate benefits. However, significant barriers exist, including high transaction costs, complex procedures, and distance to target groups. Martens emphasized that the role of UNFCCC Parties in this regard is to assist projects in developing CDM procedures; raise awareness among relevant industries; stimulate proactive CDM policy focused on off-grid renewables and small-scale energy efficiency in developing countries; and mobilize dedicated funding for small projects.

James Plastow, IT Power, spoke on enabling small-scale CDM projects in least developed countries. He underscored that the purpose of the CDM is to assist non-Annex I Parties to achieve sustainable development. To reduce transaction costs, small-scale projects can be bundled together and procedures simplified.

Mark van Wees, ECN, addressed the chances for end-use energy efficiency projects under the CDM. He emphasized that most energy efficiency market transformation programmes fulfill environmental and development criteria and are satisfactory for the CDM. However, the competitive position of these programmes in the CDM is weak compared to supply-side projects, given the greater interest by many potential investors in energy supply and conversion projects. He said improvement is possible through streamlined fast-track procedures and greater involvement by the energy efficiency industry. He outlined three steps for such projects to achieve competitive success in the CDM: developing all aspects of the project; generating certified emissions reductions (CERs), including a baseline and monitoring; and selling CERs.

Discussion: Participants discussed the viability and economic feasibility of SHS projects for the CDM, and whether there should be up-front crediting for these projects. The importance of standardizing baselines was emphasized.



From left to right: Robert Watson, John Robinson, Terry Barker, Bert Metz, Ogunlade Davidson, José Roberto Moreira and Jayant Sathaye.

Special presentation on the IPCC Third Assessment Report Climate Change 2001 - Mitigation

Presented by the Intergovernmental
Panel on Climate Change (IPCC)

This special presentation provided an overview of the contribution of IPCC Working Group III (WGIII) to the IPCC Third Assessment Report (TAR).

Ogunlade Davidson, Co-Chair of IPCC WGIII, summarized the main messages of the WGIII TAR, including the strong link between sustainable development policies and climate change mitigation, and the ability of modern technologies to limit the increase of global GHG emissions.

John Robinson, University of British Columbia, outlined a framework for integrating sustainable development and climate change mitigation. Preliminary findings show that placing climate change mitigation in a sustainable development context will improve prospects for achieving both climate change mitigation and sustainable development goals. He noted that although sustainable development policies may affect GHG emissions and mitigative capacity, mitigation directly affects sustainable development prospects, such as employment, welfare, and intergenerational issues. He indicated that a slower rate of mitigation can reduce shock effects and reduce costs, but that a faster rate can spur technological growth.

José Roberto Moreira, Brazilian Biomass Users Network, discussed technological and biological mitigation potentials and opportunities. He noted a decoupling between economic growth and per capita CO₂ emissions in some countries, but said this was insufficient to slow growth in global CO₂ emissions. Moreira outlined examples of mitigation options in energy efficiency, decarbonization of energy sources, CO₂ removal and storage, biological carbon sequestration, and reduction of other GHGs from industry, agriculture and waste management. He stressed that significant reductions of GHG emissions can be technologically and economically achieved in all sectors in the near term. Technologies are currently available to mitigate climate change in the long term, but it is necessary to overcome political, economic, social and behavioral barriers to implementing mitigation options.

Terry Barker, Cambridge University, presented on the costs and benefits of climate change mitigation. He addressed ancillary benefits and the direct benefit of avoided damages from climate change, but noted that a comprehensive assessment was not yet feasible. Barker noted wide variations in mitigation costs between countries and sectors, and stressed the importance of baselines in stabilization scenarios. He concluded that, despite widely varying costs across regions and sectors, many options exist to effectively reduce GHG emissions with minimal effect on GDP growth, provided that they are well planned and enacted early.

Jayant Sathaye, Lawrence Berkeley National Laboratory, discussed ways and means for achieving climate change mitigation. He reiterated that there is significant potential to reduce CO₂ emissions, but stressed that realizing this potential requires overcoming market, institutional, social and cultural barriers. He noted that identifying barriers can aid in the development of sharper and more targeted policies, measures and instruments, and that removing barriers during capital stock turnovers and periods of rapid social change can minimize disruption and mitigation costs. He emphasized that the cost of barrier removal increases estimated bottom-up costs, and explicit consideration of barriers can reduce top-down cost estimates.



John Robinson, University of British Columbia, illustrates the "profound linkage between sustainable development policy and climate change mitigation."

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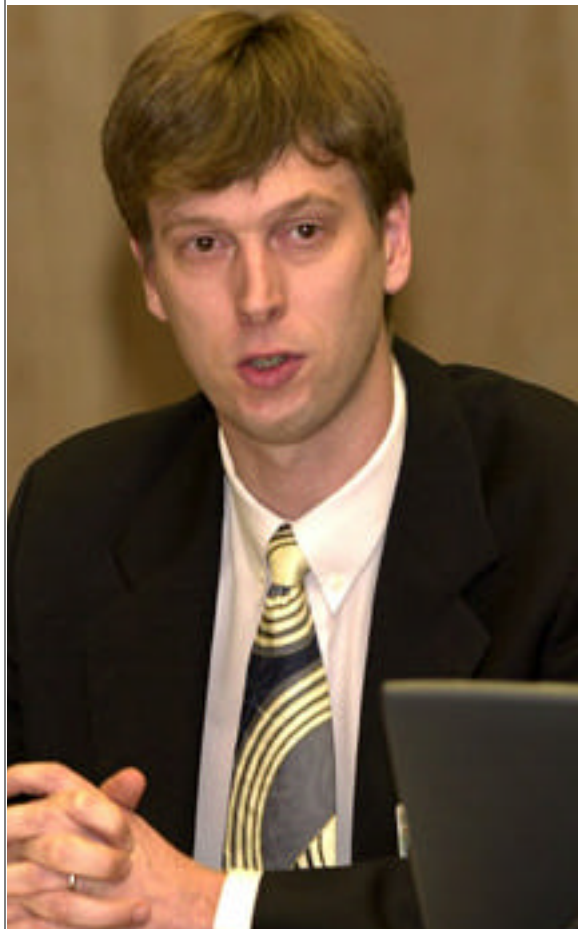
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Forestry issues arising from COP-6

Presented by the International Emissions Trading Association (IETA)



Edwin Aalders, SGS, states that his experience with project verification and certification shows that sinks are a viable option for carbon trading.

More information:

<http://www.ieta.org>

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Robert Dorneau, IETA, introduced this event, which addressed the credibility and environmental integrity of forests and carbon trading following COP-6.

Edwin Aalders, Soci t  G n ral de Surveillance (SGS), presented a paper on "Forestry Issues Outstanding from COP-6," which provides an analysis of the "issues" set out in COP-6 President Jan Pronk's proposals related to implementation of afforestation and reforestation projects under the CDM. Aalders tackled key areas, including: non-permanence and accounting modalities; social and environmental effects; leakage; additionality; uncertainty; and scale. In addressing Pronk's "issues," he provided potential technical solutions and emphasized that SGS has considerable experience in the validation and certification of potential CDM projects in the land use, land-use change and forestry sector. On that basis, he noted that SGS strongly supports the inclusion of afforestation and reforestation under the Kyoto Protocol.

Igino Emmer, Forests Absorbing Carbon Dioxide Emission (Face) Foundation, addressed the issue of forest sinks and the potential for a Dutch voluntary carbon market. He illustrated that project sustainability specifically relies on: project design; socioeconomic sustainability, including long-term commitments of stakeholders; and contract length. Deliberating on project experience, he stressed that project design and partnerships are key to the permanence of sinks. He also noted that socioeconomic sustainability should consider local community needs. On certification and verification, he noted that Face's project criteria relied on Forest Stewardship Council standards for sustainable forest management and social impact assessment, and added that Face's projects have been assessed under SGS' GHG Project Verification & Certification criteria and fulfill Kyoto Protocol compliance criteria. He stated that benefits of verification and certification include improvements in project management as well as increased transparency and certainty of CO₂ credits. Due to developments in the climate treaty and the current "non-value" of credits, he noted a new approach to voluntary markets aiming at current incentives, such as CO₂-neutral manufacturing and transport.