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Events convened on Tuesday, 11 June

The role of companies in the Kyoto mechanisms

Presented by the International Chamber of Commerce (ICC)

Brian Flannery, ExxonMobil, presented an ICC discussion paper on the role of companies in the Kyoto mechanisms. He outlined key issues regarding how companies will be able to acquire credits through national allocation procedures, investments in projects or purchases in markets; exchange credits internally or through markets; and utilize credits to satisfy domestic emissions obligations. He said consideration of the potential value of credits will be part of investment decisions for companies investing in Joint Implementation (JI) or Clean Development Mechanism (CDM) projects; realization of credits with time will become part of a project's opportunity and risk for companies operating JI or CDM projects; and JI and CDM procedures will subject projects to additional time and costs for analyses and information, as well as risks from approval delays. He emphasized that national laws and regulations govern a company's obligations and opportunities, and noted that companies' eligibility to utilize the Kyoto mechanisms will depend on national circumstances, which should apply equally to all companies in a given sector regardless of the company owner's nationality. He stressed that both national companies and affiliates of multinational corporations doing business in non-Annex I countries should be equally eligible to develop CDM projects under national procedures.

Left to right: Jonathan Pershing, International Energy Agency; Brian Flannery, ExxonMobil; and Kok Kee Chow, Malaysia.

Flannery explained that the ICC believes that: countries should recognize all valid greenhouse gas (GHG) emissions credits and allowances without imposing selective criteria based on the national source or final owner of credits; nations should not impose import or export controls on exchanges of GHG emissions credits; internal transfers of credits between affiliated companies of multinational corporations should not be restricted; transparent procedures should be established for national allocations of credits and for project approval so that companies can undertake transactions confidently based on readily available information; and nations should not establish eligibility, compliance or liability procedures that retroactively affect transfers undertaken in good faith by companies.

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Climate change activities in the US

Presented by the Pew Center on Global Climate Change

This event provided an overview of climate change activities by Congress, companies and states in the US.

Elliot Diringer, Pew Center on Global Climate Change, stressed the importance of looking beyond the Bush Administration's climate change strategy, as the degree of interest, activity and momentum for action to address climate change is rising in the US. He observed that the Bush strategy, which aims to reduce carbon intensity by 18% by 2012 through voluntary measures, is essentially a "business as usual" strategy. He noted that Bush's support for investment in science and technology, improvement of the existing carbon reduction registry, and a programme for trading emissions reduction credits could provide additional incentives for voluntary reductions, but stressed that these are only initial steps toward what is required to significantly reduce US emissions.

Matthew Brown, National Conference of State Legislatures, outlined activities in US states to address GHG emissions. He highlighted: New Jersey's voluntary programme to reduce its GHG emissions by 3.5% from 1990 levels by 2005; "four-pollutant" bills that cap GHG emissions from power plants in New Hampshire and Massachusetts; Oregon's requirement that new natural gas-fired power plants be at least 17% more efficient than the nation's best facility; pending legislation to reduce carbon dioxide (CO_2) emissions from passenger vehicles in California; and renewable energy portfolio standards and incentive programmes for energy efficiency in several states.

Nikki Roy, Pew Center on Global Climate Change, discussed climate change activities in the US Congress. He noted that after President Bush announced opposition to the Kyoto Protocol and to limits on CO_2 from power plants, climate change became a much larger political issue in Congress, with the introduction of more than 50 climate change bills and the enactment of a law promoting carbon sequestration research. He explained that the Senate-passed Energy Policy Act contains provisions to establish a national climate change policy office, institute a national climate change strategy with the goal of stabilizing atmospheric GHG concentrations, and propose interim mitigation measures.

Lisa Jacobson, Sustainable Strategies, stated that despite the Bush Administration's position on climate change, many US companies are voluntarily reducing emissions and implementing emissions management strategies. She said the US' rejection of the Kyoto Protocol means that although US companies need not comply with its emissions reduction requirements, they may benefit from sales of climate-friendly products and services, but their ability to influence policy will be limited and their compliance costs higher in the event of future US ratification. She emphasized that voluntary programmes are not enough, and that Bush's climate change plan may be a disincentive for emissions reductions, although US companies are seeking to take advantage of market-based mechanisms.

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Matthew Brown, National Conference of State Legislatures, explains that US states have broad powers to be laboratories of climate change policy experiments, often develop solutions more appropriate to their individual circumstances than a single national solution, and are achieving significant measurable emissions reductions.

Nikki Roy, Pew Center on Global Climate Change, highlights the US Congress' passage of an agricultural commodities law that provides US$400 million for renewable energy and conservation on farmland, and the recent announcement that a national GHG cap and trade bill will be introduced this summer.

Clean Development Mechanism: British Petroleum's solar project in Brazil

Presented by the World Business Council for Sustainable Development (WBCSD)

Kjell Ören, WBCSD, introduced this event, which discussed a British Petroleum (BP) project on solar energy production in Brazil. He noted that the WBCSD is conducting a project with the United Nations Foundation, UNDP, UNCTAD and UNIDO to identify ways to engage the private sector in CDM projects, part of which considers the practical implications for businesses to implement such projects. He suggested that lessons learned from the BP project may be relevant to other businesses.

Gylvan Meira, Brazil, highlighted the CDM as an important mechanism for addressing climate change, as it effectively engages developing countries in solutions. He said striking a balance between ensuring realistic emission reduction targets and maintaining low transaction costs poses a present challenge. As a member of the CDM Executive Board, Meira expressed confidence that a workable system for CDM project management will be in place when the Kyoto Protocol enters into force. He underscored the importance of private sector involvement in the CDM, and noted that Brazil will ratify the Kyoto Protocol in the near future.

Giles Mackey, BP, explained that BP's solar project in Brazil is part of the Brazilian Government's Programme of Energy Development for States and Municipalities (PRODEEM). The objectives of BP's project include bringing a CDM project to life, driving the rule-making process for CDM projects, and building the capacity of governments and businesses. He explained that the project focuses on enhancing education in rural communities by delivering solar energy for lighting, television, computers and refrigeration to over 1,800 schools. The project benefits rural schools by allowing teaching in the evenings and providing access to television educational programmes, news and entertainment, and will avoid 2,000 tonnes of annual GHG emissions.

Kristian Rajakaltio, PriceWaterhouseCoopers, explained that the project's aim is to use the funds from carbon credit sales to pay for the replacement of solar-powered batteries, thus making the project self-reliant. He emphasized the importance of adopting a bottom-up approach when addressing sustainability issues, and of closely involving local stakeholders before and during project implementation. He also noted the advantage of running CDM processes parallel to other projects in saving time and resources.

Giles Mackey, BP, explains that 25 million people in rural Brazil lack access to electricity.

Kristian Rajakaltio, PriceWaterhouseCoopers, explains that local community members and grassroots businesses were consulted during the project's stakeholder engagement process.

Discussion: Participants discussed ways of defining CDM project sustainability, with one participant recalling that this is to be determined by countries hosting the project. Participants emphasized the importance of being able to quantify a project's contribution to sustainable development.

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Dealing with adaptation to climate change in the context of national sustainable development

Presented by the Bangladesh Centre for Advanced Sciences

Atiq Rahman, Bangladesh Centre for Advanced Studies, underscores the need to identify cost-effective ways of adapting to climate change.

Benito Müller, Oxford Institute for Energy Studies, notes that in 2001, US$314 million were donated for natural disaster relief, and US$1.5 billion for man-made disasters, including wars.

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Saleemul Huq, International Institute for Environment and Development (IIED), introduced this event, noting that IIED is working on a project to examine adaptation measures for developing countries, with case studies focusing on Bangladesh and Mali. He noted a shift of emphasis from mitigation measures to adaptation strategies, and highlighted initiatives relating to adaptation, including least developed countries' National Adaptation Plans of Action (NAPAs), the Adaptation Policy Framework supported by UNDP, and UNEP's support for developing country scientists' research.

Atiq Rahman, Bangladesh Centre for Advanced Studies, noted Bangladesh's need to develop and implement adaptation measures due to its vulnerability to climate change through natural disasters. He explained that physical, institutional and social adaptation to climate change must be considered, noting that steps to be taken include undertaking vulnerability analyses, identifying and engaging stakeholders, identifying adaptation options, and incorporating these into plans and strategies. Rahman explained that in Bangladesh, stakeholders are engaged in identifying, analyzing and prioritizing adaptation needs, and stressed the importance of incorporating adaptation measures into national policies.

Benito Müller, Oxford Institute for Energy Studies, said that the UNFCCC addresses climate change mitigation in greater detail than adaptation, and that there are more provisions on disaster impact reduction than on response. He emphasized the need to give more consideration to adaptation, as climate change impacts are inevitable. He also observed that weather-related disasters have increased in magnitude in terms of people harmed as well as in frequency, and noted the EU's donations for weather-related disaster relief. Müller highlighted problems in providing disaster relief, including: a piecemeal approach to funding; lack of coordination between governments and aid agencies; NGOs' tendency to provide relief in areas receiving media coverage; and insufficient relief preparedness. As a solution, Müller proposed the establishment of a UNFCCC disaster relief fund, which would be replenished through binding annual contributions from Annex I countries. He suggested that such a fund would break the tie between funding and media coverage, enable relief preparedness on the scale required to deal with large disasters, and engage actors involved in disaster management in the UNFCCC regime.

Discussion: Participants highlighted the importance of increasing the resilience of human systems to disasters, and discussed the feasibility of establishing a disaster relief fund under the UNFCCC, noting that establishing it outside of the UNFCCC regime would de-politicize its management.

The role of companies in the Kyoto mechanisms

(Continued from page 1)

Jonathan Pershing, International Energy Agency, highlighted the implications of decisions regarding the allocation of national emissions reduction targets for competitiveness across sectors. He underscored that the global community, including the US, must be engaged in the Kyoto mechanisms, noting that non-Parties are implementing programmes and engaging in trading to hedge against long-term commitments.

Kok Kee Chow, Malaysia, discussed the importance of reducing the transaction costs of CDM projects for domestic companies, as well as addressing pending questions regarding taxation of certified emissions reductions (CERs) in developing countries. He agreed that there should be no discrimination in eligibility to develop CDM projects in non-Annex I countries, and underscored the importance of active private sector involvement in the CDM and JI.