



Special Report on Selected Side Events at UNFCCC SB-16
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Events convened on Thursday, 13 June

Global Environment Facility briefing on National Adaptation Programmes of Action and national focal point support for least developed countries

Presented by the Global Environment Facility (GEF)

Avani Vaish, GEF, stated that the objective of National Adaptation Programmes of Action (NAPAs) is to provide simplified and direct channels of communication for information relating to the urgent and immediate adaptation needs of least developed countries (LDCs). He explained that the GEF will provide assistance for the preparation of NAPAs through its implementing agencies, and said that combining flexibility in the GEF's operational guidelines with simplicity of access to GEF funds constituted a challenge in designing the guidelines. He noted that the operational guidelines provide for the request of up to US\$200,000 for assistance in the preparation of NAPAs, an average project period of 12-18 months, and a requirement of project approval by the GEF and UNFCCC focal points.



Left to right: Avani Vaish, GEF; Mama Konaté, Mali; and Bubu Jallow, Gambia.

Bubu Jallow, Gambia, explained that the LDC Expert Group, which was established in February 2002, contains 12 members, nine from LDCs and three from developed countries. At its first meeting, the Expert Group established a programme of work outlining activities to be undertaken during its one-year mandate, including completing the annotation of the NAPA and GEF guidelines and conducting two case studies simulating the compilation of NAPAs in Bangladesh and Zambia.

Richard Hosier, UNDP, emphasized that countries should submit NAPA proposals through the implementing agency that provided assistance with its climate change enabling activities in order to minimize delay and inefficiency. In cases in which UNDP is the appropriate agency, the steps to be taken include: expression of intent from the UNFCCC focal point; compilation of a proposal in consultation with the UNDP regional coordinator; a letter of endorsement from the GEF and UNFCCC focal points; revision of comments received from UNDP headquarters; and submission of a final proposal to the GEF.

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More information:

<http://www.undp.org/gef>
<http://www.undp.org/cc/napa.htm>
<http://www.unitar.org/g46>

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How to address scale, leakage and permanence in land use, land-use change and forestry (LULUCF) projects

Presented by The Nature Conservancy (TNC)

Tia Nelson, TNC, introduced this event, which presented analytical studies commissioned by TNC to address technical challenges that arise when demonstrating the net greenhouse gas (GHG) benefit of LULUCF projects, namely scale, leakage and permanence.

John Niles, University of California Berkeley, presented a study examining the scale of LULUCF in developing countries on the carbon market. The study concluded that: LULUCF from developing countries will modestly influence the market; the degree of influence depends on US participation, the types of projects, and the investment and political climate; without the US, the impact of LULUCF on the market will most likely be a political decision due to hot air and Annex Z allowances; combined demand, proportional mitigation and LULUCF would lower costs by 40%; and the impact of LULUCF will be highly dependent on actual project implementation success rates. He emphasized that LULUCF from developing countries will not swamp the carbon market, but will meet approximately 15% of the carbon offsets demanded.

Reimund Schwarze, Technical University of Berlin, presented the findings of a study on understanding and managing leakage in forest-based GHG mitigation projects. He explained that project management options can be more effective than policy responses in preventing leakage, beyond simply extending the system boundary. He outlined decision-tree frameworks to calculate market leakage and total leakage, which combine project design approaches, monitoring of key indicators, and discounting. Schwarze highlighted the need for more research to assess the relative magnitude of leakage, specifically from a bottom-up developing country perspective. He noted the study's conclusions that: leakage is currently most effectively addressed by project design; aggregate baselines are undesirable for technical and political reasons; integrated projects or policies have better leakage profiles than isolated ones; and simple and transparent approaches should be given preference.

Louise Aukland, EcoSecurities, presented a study on carbon accounting and the temporary nature of carbon storage. She explained that the reversibility of emissions reductions requires special carbon accounting, and liabilities must be allocated and risk addressed. She outlined the results of three carbon accounting methods: stock change; average storage; and ton year. She highlighted the study's conclusion that stock change is the most environmentally conservative method, as it: does not account for temporary storage; assumes 100% liability for re-emissions; provides the most flexibility to project developers; allows the discontinuation of the project at any time, subject to the replacement of credits -- although the longer the storage period, the lower the present value of credit replacement; and time value provides an incentive for permanence. She stressed the need to define whether the replacement of credits should be on an ongoing basis or only

at the end of a planned cycle; and whether replacement should be with certified emissions reductions (CERs) from emission reduction projects, other forestry projects, or a renovation of the existing contract.

More information:

<http://nature.org>
<http://www.ecosecurities.com>

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Louise Aukland, EcoSecurities, explains that, given its political acceptance, environmental conservatism and flexibility, the stock change with liability carbon accounting approach is perhaps the most appropriate method to be adopted at this stage.



John Niles, University of California Berkeley, explains that the concern that forestry will swamp the carbon market and leave no room for fossil fuel mitigation is largely unwarranted.

The Kyoto Protocol and EU competitiveness: How much will EU industries suffer?

Presented by the National Institute of Public Health and the Environment (RIVM)

Andre de Moor, RIVM, introduced this event, which discussed RIVM's study on the sector implications of the Kyoto Protocol for EU industries.

Johannes Bollen, RIVM, outlined the findings of the study. He explained that the model employed in the study revealed that the impacts of the Kyoto Protocol on the output of energy-intensive sectors are modest at the EU aggregate level, with a decrease of 0.4% in 2010 with emissions trading, and a decrease of 0.6% without emissions trading. He noted that replacing current energy taxes with a carbon tax would lessen the Protocol's impacts on the output of the EU's energy-intensive sectors. Bollen explained that the Protocol would affect the competitiveness of energy-intensive sectors among EU member States, with Spain and the Netherlands suffering the largest decrease in output due to their higher energy intensity. He noted that leakage would amount to 17%, but could rise to 21% if emissions trading fails, or fall to 13% with tax reform.

John Drexhage, International Institute for Sustainable Development (IISD), welcomed the study, as Canada is currently undergoing an intensive national consultation process on Kyoto Protocol implementation. He highlighted the value of expressing the losses incurred from Protocol implementation in absolute dollar terms as well as a percentage of GDP. He highlighted the significant reductions in emissions from the business as usual forecast required for Canada relative to the EU, and the particular difficulties Canada faces related to competitiveness given its proximity and trade relations with the US, and recommended that the study disaggregate Canada from Japan, New Zealand and others in light of this situation. Drexhage noted that there is no interest in buying hot air in Canada, which may have an impact on the overall price of carbon. He also highlighted the utility of examining the specific impacts of the Protocol on the oil, gas and coal sectors.

Jonathan Pershing, International Energy Agency, affirmed the usefulness of the study, stressing that the internal allocation of responsibilities across sectors within countries will have significant implications for their competitiveness. He highlighted the value of models in testing preliminary circumstances and exploring options for moving forward, but cautioned that they make numerous assumptions and simplifications that fail to capture the nuances and effects of particular policy choices. In particular, he flagged the need to consider the implications for EU competitiveness of: non-ratification by the US as well as by Canada; how revenues from hot air sales are invested in Russia; and activities other than ratification undertaken by the US to reduce its emissions.

Marianne Wenning, European Commission, agreed that the model is useful. She noted, however, that it assumes only international trading but no internal EU trading, looks only at carbon dioxide rather than at all GHGs, has a relatively short time horizon, and fails to consider policies not subject to trading, all of which could affect the overall cost of the Protocol to the EU. She also noted that employment benefits likely to emerge in new sectors could outweigh employment losses in energy-intensive sectors.



Johannes Bollen, RIVM, says RIVM's study found that the EU will experience limited impacts from the Kyoto Protocol at the macroeconomic level, although its energy-intensive sectors will experience moderate losses to competitors outside the Protocol and in energy-extensive sectors.

More information:

<http://www.rivm.nl/iweb/iweb>

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Left to right: John Drexhage, IISD; Jonathan Pershing, International Energy Agency; and Marianne Wenning, European Commission.

Standardizing procedures for Joint Implementation and Clean Development Mechanism baselines and accounting

Presented by the Foundation Joint Implementation Network (JIN)

Catrinus Jepma, JIN, introduced the "Procedures for Accounting and Baselines for Projects under Joint Implementation and the Clean Development Mechanism" (PROBASE) project, which aims to: develop operational procedures for Joint Implementation (JI) and the Clean Development Mechanism (CDM) that are compatible with the Marrakesh accords; explore ways of standardizing baselines and procedures; systematically codify existing baseline knowledge and experience; and design an electronic GHG accounting manual for project developers and validators. He emphasized that standardizing baselines and procedures will promote the implementation and integrity of JI and CDM projects and reduce their transaction costs.

Jepma explained that PROBASE examines ways of: increasing consistency between various standardizing procedure manuals; standardizing baseline parameters used by different countries, including time horizons and leakage; and developing methodologies for baseline benchmarks. He noted that information required for identifying standardized baselines includes technical, economic, sector-specific and institutional data; information on comparable projects; and a sensitivity analysis. Jepma underscored the importance of such analyses, observing that they should include the generation of a set of baselines for a particular project to assess the range of uncertainty, and compare this set with benchmarks derived from PROBASE models.

Kazuhito Yamada, JIN, introduced an interim report on technical procedures for planning CDM and JI projects, compiled by the Working Group on Baselines for CDM and JI Projects established by the Japanese Ministry of the Environment. He outlined steps in a project's planning phase, including: establishing a project's impacts; estimating its GHG emissions reduction and enhancement of removal; and designing a monitoring plan. Yamada stated that estimating a project's impacts involves defining direct and indirect impacts, identifying impacts caused

by GHG emissions and enhancement of removal, and determining project boundaries. He explained how several flow-charts can be used to assess a project's impacts and estimate its GHG emissions reduction and enhancement of removal.

More information:

<http://www.northsea.nl/jiq/probase>

<http://www.ap-net.org>

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Catrinus Jepma, Foundation Joint Implementation Network, explains that safeguards for dealing with uncertainty in standardizing baselines include setting conservative baselines, limiting the crediting lifetime, incorporating leakage correction factors, and ensuring data quality control.



Kazuhito Yamada, Foundation Joint Implementation Network, introduces an interim report on technical procedures for the planning stages of CDM and JI projects.

GEF briefing on National Adaptation Programmes of Action

(Continued from page 1)

Annie Roncerel, UNITAR, introduced UNITAR's project to provide information technology equipment and training to LDCs' UNFCCC focal points. She explained that the adoption of Memoranda of Agreement between LDCs and UNITAR are a prerequisite for the provision of US\$13,000 grants, which are invested in local training and equipment procurement. She noted that thus far, 40 Memoranda of Agreement had been signed, 38 grants authorized, and 30 focal points equipped, connected and trained. Roncerel highlighted lessons learned from the project, including the feasibility of participating in global issues by acting locally through UNFCCC focal points, and the importance of time and flexibility.



Richard Hosier, UNDP, draws attention to a UNDP website containing a sample GEF proposal, the GEF guidelines, and an overview of the application process.