



A Special Report on Selected Side Events at the Second Conference of the Parties serving as the Meeting of Parties to the Kyoto Protocol (COP/MOP 2) and Twelfth Conference of the Parties (COP 12) to the UN Framework Convention on Climate Change (UNFCCC)

Published by the International Institute for Sustainable Development (IISD)

Online at <http://www.iisd.ca/climate/cop12/enbots/>

Volume 12, Issue #7 | UNFCCC COP 12/MOP 2 | 6-17 November 2006 | Nairobi, Kenya | Tuesday, 14 November 2006

Events convened on Monday, 13 November 2006

## Climate Insurance

Presented by Munich Climate Insurance Initiative



Christoph Bals, Germanwatch, underscored that climate insurance should not be seen to replace adaptation measures but that political problems could arise if insurance coverage is conditional on adaptation

### More information:

<http://www.munichre.com>  
<http://www.worldbank.org/rural>  
<http://www.germanwatch.org>  
<http://mudsprings.com>  
<http://www.wbcsd.org>

### Contacts:

Peter Höppe <[phoeppe@munichre.com](mailto:phoeppe@munichre.com)>  
 Ian Noble <[inoble@worldbank.org](mailto:inoble@worldbank.org)>  
 Christoph Bals <[bals@germanwatch.org](mailto:bals@germanwatch.org)>  
 John Corbett  
 <[JohnCorbett@MudSprings.com](mailto:JohnCorbett@MudSprings.com)>  
 Armin Sandhövel  
 <[armin.sandhoevel@desdner-bank.com](mailto:armin.sandhoevel@desdner-bank.com)>  
 Adam Kirkman <[kirkman@wbcsd.org](mailto:kirkman@wbcsd.org)>

Peter Höppe, Munich Re Group, pointed to scientific evidence linking global warming to increased weather-related disasters worldwide. He stated that without appropriate insurance mechanisms, poor countries will see increasing ratios of development funding absorbed by disaster relief.

Ian Noble, World Bank, said the nature of the insurance industry is not such that it will "pick up" extra losses due to climate change. He highlighted the Bank's interest in weather-indexed insurance, providing an example of a layered risk management approach in Mongolia. He emphasized that accurate and secure local data are required to develop an appropriate index such that trigger mechanisms match on-ground needs.

Christoph Bals, Germanwatch, suggested that only public-private insurance schemes can address climate insurance challenges and discussed necessary contributions from each sector. He highlighted options to generate co-funding under the Kyoto Protocol, namely adaptation fees from CDM, JI and international emissions trading, aviation climate fees and combining efforts with other donor organizations and international financial institutions.

Drawing on experience from micro-insurance programmes in Africa, John Corbett, Mud Springs Geographers, explained that crop insurance is "notoriously difficult" to implement due to the extensive and spatially and temporally dynamic nature of the information required. Corbett described the potential for Geographic Information Systems to provide needed information.

Emily Ojoo-Massawa, Kenya National Focal Point to the UNFCCC, stated that risk can be assessed and quantified but that action to mitigate climate change is insufficient.

Armin Sandhövel, Dresdner Bank, highlighted four "playing fields" for financial service products: flood and storm; weather-related insurance solutions; the carbon market; and renewable energy insurance.

Adam Kirkman, World Business Council for Sustainable Development, suggested the private industry may help determine what risks are most worth insuring.

The *Earth Negotiations Bulletin on the Side* (ENBOTS) © <[enb@iisd.org](mailto:enb@iisd.org)> is a special publication of the International Institute for Sustainable Development (IISD). This issue has been written by Karen Alvarenga, Ph.D., Asmita Bhardwaj and Alexandra Conliffe. The Digital Editor is Diego Noguera. The Editor is Lisa Schipper, Ph.D. <[lisa@iisd.org](mailto:lisa@iisd.org)> and the Director of IISD Reporting Services is Langston James "Kimo" Goree VI <[kimo@iisd.org](mailto:kimo@iisd.org)>. Funding for ENBOTS at this meeting has been provided by the donors who support the *Earth Negotiations Bulletin*. The Sustaining Donors of the *Bulletin* are the Government of the United States of America (through the Department of State Bureau of Oceans and International Environmental and Scientific Affairs), the Government of Canada (through CIDA), the United Kingdom (through the Department for International Development - DFID), the Danish Ministry of Foreign Affairs, the Government of Germany (through the German Federal Ministry of Environment - BMU, and the German Federal Ministry of Development Cooperation - BMZ), the Netherlands Ministry of Foreign Affairs, the European Commission (DG-ENV) and the Italian Ministry for the Environment and Territory General Directorate for Nature Protection. General Support for the *Bulletin* during 2006 is provided by the United Nations Environment Programme (UNEP), the Swiss Agency for Environment, Forests and Landscape (SAEFL), the Government of Australia, the Austrian Federal Ministry for the Environment, the New Zealand Ministry of Foreign Affairs and Trade, SWAN International, the Japanese Ministry of Environment (through the Institute for Global Environmental Strategies - IGES) and the Japanese Ministry of Economy, Trade and Industry (through the Global Industrial and Social Progress Research Institute - GISPRI). The opinions expressed in ENBOTS are those of the authors and do not necessarily reflect the views of IISD and other donors. Excerpts from ENBOTS may be used in non-commercial publications with appropriate academic citation. Electronic versions of issues of ENBOTS from the UN Climate Change Conference - Nairobi 2006 can be found on the Linkages website at <http://www.iisd.ca/climate/cop12/enbots/>. For information on the *Bulletin*, including requests to provide reporting services, contact the Director of IISD Reporting Services at <[kimo@iisd.org](mailto:kimo@iisd.org)>, +1-646-536-7556 or 212 East 47th St. #21F, New York, NY 10017, USA. The ENBOTS Team at the UN Climate Change Conference - Nairobi 2006 can be contacted by e-mail at <[karen@iisd.org](mailto:karen@iisd.org)>.

## US re-engagement

Presented by USCAN

Gary Cook, US Climate Action Network (USCAN), highlighted the implications of US mid-term elections on US climate change approach.

Jeremy Symons, National Wildlife Federation, noted a power shift in the US due to changes in the Congress, which adds momentum to climate action at the national level. He emphasized that, despite Bush's administration's climate policy, States and local communities are implementing activities and policies to mitigate GHG emissions and adverse climate change effects. Symons highlighted increased public awareness regarding global warming and its consequences. He said the mid-term elections' result will not change US policy at the international level before 2009, stressing that focus will be on implementing national policies.

Annie Petsonk, Environmental Defense, noted that her organization co-sponsored California's legislation establishing a target of 80% GHG emission reductions by 2050, compared to 1990 levels. She expressed hope that California's action will be followed by other States, and that these will be linked to other countries' efforts to combat climate change.

Lisa Jacobson, Business Council for Sustainable Energy, underscored that, in spite of election results, there has been a movement within the business arena to deal with national climate change issues.

Michael Goo, Committee on Environment and Public Works, US Senate, said US mid-term elections reflect that the Bush administration's climate change policy "has run its course." He forecasted future US climate policy will include: taking early action now for reducing costs to avoid adverse effects; continuing to work with the UNFCCC; and enabling the US to "take its right place in the system of a fully developed mandatory limit."



Referring to the possibility of a forthcoming carbon market in the US, Annie Petsonk, Environmental Defense, noted that "the Americans never met a market that they did not like"

### More information:

<http://www.usclimatenetwork.org>  
<http://www.nwf.org>  
<http://www.environmentaldefense.org>  
<http://www.bsce.org>

### Contacts:

Gary Cook <[gcook@usclimatenetwork.org](mailto:gcook@usclimatenetwork.org)>  
 Jeremy Symons <[symons@nwf.org](mailto:symons@nwf.org)>  
 Annie Petsonk  
 <[apetsonk@environmentaldefense.org](mailto:apetsonk@environmentaldefense.org)>  
 Lisa Jacobson <[ljacobson@bsce.org](mailto:ljacobson@bsce.org)>  
 Michael Goo <[michael\\_goo@epw.senate.gov](mailto:michael_goo@epw.senate.gov)>

## Climate policy and development in emerging economies

Presented by WHRC

John Holdren, Woods Hole Research Center (WHRC) and Harvard University, outlined a WHRC study, whose objective was to promote existing and prospective "win-win" approaches for reducing "climate-altering" emissions while advancing other climate goals in Brazil, China and India.

Daniel Nepstad, WHRC, noted that the Brazilian sub-component of the study focused on developing approaches to the reducing large-scale emissions in the Brazilian Amazon and highlighted the efforts of the federal government to protect it.

Paulo Mountinho, Amazon Institute for Environmental Research and WHRC, said that civil society in Brazil is prepared to discuss proposals for tropical deforestation mitigation in international negotiations, highlighting President Lula's recent announcement reflecting positively on the "compensated reduction proposal."

Ji Zou, Renmin University of China, explained that the China sub-component focused on reducing energy intensity in the Chinese automotive and other vehicle sectors. He noted that the study will also assess some economic and environmental options for deployment of advanced coal technologies.

Ambuj Sagar, Harvard University, noted that the Indian sub-component was based on already-existing mitigation studies and focused on various aspects of biomass and coal resource use.

Participants discussed, *inter alia*: why funding is needed for protecting forests in the Amazon; the high amount of deaths resulting from indoor air pollution; the need for promoting environmental education; the need for small-scale research on adaptation; improvement in rural energy services; and the need for making technology solutions work at the grassroots level.



John Holdren, WHRC and Harvard University, noted that there is a "political tipping point" where energy, environment and development come together for policymakers to take action

### More information:

<http://www.whrc.org>  
<http://bcsia.ksg.harvard.edu>

### Contacts:

Daniel Nepstad <[denpstad@whrc.org](mailto:denpstad@whrc.org)>  
 Paulo Mountinho <[pmountinho@whrc.org](mailto:pmountinho@whrc.org)>  
 Ji Zou <[zouji@ruc.edu.cn](mailto:zouji@ruc.edu.cn)>  
 Ambuj Sagar <[asagar@deas.harvard.edu](mailto:asagar@deas.harvard.edu)>

## OECD net energy exporters: reflecting on roles and profiles in a post-2012 climate regime

Presented by IISD

John Drexhage, International Institute for Sustainable Development (IISD), suggested that most UNFCCC discussion regarding oil exports focus on OPEC countries, leaving out non-OPEC countries with large oil exports. He outlined an IISD study on Canada's concerns in the post-2012 world.

Leroy Johnson, Government of Alberta, Canada, highlighted the role of technology in addressing the needs of oil exporting countries, and discussed: the links between the energy sector and climate change; the challenges of dealing with increasing climate risks; and a technology solution relevant for Canada. He noted that management of GHGs from oil sands poses one of the biggest challenges currently faced by Alberta and Canada.

Stig Sverningsen, Ministry of Petroleum and Energy, Norway, argued that continuing oil exports and meeting climate goals simultaneously is a challenge for Norway, and noted ongoing work on a full-scale carbon capture and storage (CCS) facility.

Frede Cappelen, Statoil, focused on ways to address the role of emerging exporters in future climate negotiations, and highlighted that national circumstance must be taken into account for future commitments.

Matthew Bramley, Pembina Institute, emphasized that a disproportionate increase in oil exports is leading to high emissions. He noted that energy exporting countries are concerned that future commitment targets may require financial transfers through emission trading systems.

Participants discussed the relevance of CCS technology, the certainty of CCS coming into operation and the possibilities of CCS inclusion into CDM.



Leroy Johnson, Government of Alberta, Canada, noted that fossil fuel energy-producing jurisdictions face a challenge due to increased energy exports and that a government framework is needed to stimulate investment in clean energy technology

### More information:

<http://www.iisd.org/climate>

<http://www.pembina.org/climatechange>

### Contacts:

John Drexhage <[jdrexhage@iisd.ca](mailto:jdrexhage@iisd.ca)>

Leroy Johnson

<[wetaskiwin.camrose@assembly.ab.ca](mailto:wetaskiwin.camrose@assembly.ab.ca)>

Stig Sverningsen <[sos@oed.dep.no](mailto:sos@oed.dep.no)>

Frede Cappelen <[fca@statoil.com](mailto:fca@statoil.com)>

Matthew Bramley <[matthewb@pembina.org](mailto:matthewb@pembina.org)>

## Adaptation, mechanisms and technology: recent work from the Annex I Expert Group

Presented by OECD

Dennis Tirpak, OECD, overviewed an OECD paper outlining that weak, immature and poorly implemented policy frameworks contribute to countries' vulnerability to climate change in the water sector.

Rick Bradley, OECD, discussed barriers to the technical diffusion of compact fluorescent lamps, noting that barriers differ depending on the host country.

Richard Baron, OECD, highlighted that policies to support solar thermal energy are lagging behind policies supporting other forms of renewable energy sources, despite its high use relative to many renewables.

Katia Karousakis, OECD, discussed policies and incentives to reduce GHG emissions from deforestation. She argued for the need to estimate the "total value of forests" and outlined various options to capture forest and carbon values.

Baron then presented four sectoral approaches to reduce GHG emissions, emphasizing that sectoral approaches could engage developing countries without requiring country-wide commitments.

Jane Ellis, OECD, outlined potential linkages between different emissions trading and "offset" schemes. Noting that few linkages currently exist, she discussed the technical, policy and distributional issues likely to influence the potential for, and extent of, post-2012 linkages.

On Joint Implementation (JI), Karousakis argued that the creation of the Joint Information Systems Committee, under the guidance and authority of the COP/MOP, has eliminated some uncertainty surrounding JI and highlighted some current and emerging issues relating to JI.



Jane Ellis, OECD, suggested that policy and distributional aspects may present greater barriers than technical aspects in harmonizing emissions trading and "offset" schemes

### More information:

<http://www.oecd.org/env/cc/aixg>

### Contacts:

Dennis Tirpak <[dennis.tirpak@oecd.org](mailto:dennis.tirpak@oecd.org)>

Richard Bradley <[richard.bradley@iea.org](mailto:richard.bradley@iea.org)>

Richard Baron <[richard.baron@iea.org](mailto:richard.baron@iea.org)>

Katia Karousakis <[katia.karousakis@oecd.org](mailto:katia.karousakis@oecd.org)>

Jane Ellis <[jane.ellis@oecd.org](mailto:jane.ellis@oecd.org)>

# Supporting successful implementation of CDM projects

Presented by UNEP Risø Centre

John Christensen, UNEP Risø Centre (URC), highlighted the importance of UNEP and URC activities on building capacity for implementing CDM projects.

Ton van der Zon, Ministry of Foreign Affairs, the Netherlands, underscored the need to ensure CDM's capacity to promote sustainable development and strengthen Designated National Authorities' ability to define CDM portfolios at national levels. He said URC faces the challenge of assisting Africa in developing CDM activities.

Sami Kamel, URC, summarized UNEP and URC's in-country and global-level activities on CDM capacity building, highlighting technical assistance projects and successful indicators. He said such activities: contribute to reducing transaction costs; facilitate project financing and access to carbon markets among LDCs; assist host countries in becoming CDM destinations; and improve market efficiency.

Jorgen Fenham, URC, summarized analytical results from the CDM pipeline and database, and highlighted the most important information from all project design documents (PDDs) and methodologies.

Daniele Violetti, UNFCCC Secretariat, informed that the CDM Executive Board (EB) has indicated the establishment of the CDM bazaar as a tool to address the issue of inequitable geographical distribution of CDM projects. He said a preliminary version of the bazaar covering supply of, and demand for, CDM projects will be launched as soon as possible.

Glenn Hodes, URC, noted the large scope for modern bioenergy alternatives for the transport sector and pointed out that priority should be given to consumer biofuels if atmospheric benefits are to be achieved.

Einar Telnes, DNV, underscored pitfalls in monitoring CDM projects, including: lack of logic and consistency in PDDs; insufficiently justified deviations from selected calculation methodologies; insufficiently covered compliance with local legal requirements; and insufficient information on the stakeholder consultation process.

Francisco Ascuí, EcoSecurities, summarized approaches and lessons learned on financing CDM projects and noted that a guidebook on the issue will be available shortly. He highlighted financial challenges faced by CDM projects and sources and types of finance available, such as carbon funds, private sector CDM developers and project hosts.



John Christensen, UNEP Risø Centre (URC), announced forthcoming publications, namely "Guidebook to financing CDM projects" and the "CDM PDD Guidebook: Navigating the pitfalls"

#### More information:

<http://www.uneprisoe.org>  
<http://www.minbuza.nl>  
<http://www.cd4cdm.org>  
<http://cdm.unfccc.int>  
<http://www.dnv.com>  
<http://www.ecosecurities.com>

#### Contacts:

John Christensen <[john.christensen@risoe.dk](mailto:john.christensen@risoe.dk)>  
 Ton van der Zon <[ton-vander.zon@minbuza.nl](mailto:ton-vander.zon@minbuza.nl)>  
 Sami Kamel <[sami.kamel@risoe.dk](mailto:sami.kamel@risoe.dk)>  
 Jorgen Fenham <[jorgen.fenham@risoe.dk](mailto:jorgen.fenham@risoe.dk)>  
 Daniele Violetti <[dvioletti@unfccc.int](mailto:dvioletti@unfccc.int)>  
 Glenn Hodes <[glenn.hodes@risoe.dk](mailto:glenn.hodes@risoe.dk)>  
 Einar Telnes <[Einar.Telnes@dnv.com](mailto:Einar.Telnes@dnv.com)>  
 Francisco Ascuí  
 <[francisco.ascui@ecosecurities.com](mailto:francisco.ascui@ecosecurities.com)>



The panel discussed barriers for implementing CDM projects.

L-R: Francisco Ascuí, EcoSecurities; Jorgen Fenham, URC; John Christensen, UNEP Risø Centre (URC); Ton van der Zon, Ministry of Foreign Affairs, the Netherlands; Sami Kamel, URC; Daniele Violetti, UNFCCC Secretariat; and Glenn Hodes, URC