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Special Report on Selected Side Events at UNFCCC COP-8
published by the International Institute for Sustainable Development (IISD)
in cooperation with the UN Framework Convention on Climate Change

Online at
http://www.iisd.ca/linkages/climate/cop8/enbots/

UNFCCC

Volume 11, Issue #7 | UNFCCC COP-8 | 23 October - 1 November 2002 | New Delhi, India | Thursday, 31 October 2002

## Events convened on Wednesday, 30 October 2002

# Climate change and the financial services industry

Presented by Insurance Initiative in collaboration with UNEP

Andrew Dlugolecki, Andlug Consulting, outlines the threats and opportunities faced by the financial sector regarding climate change and the climate change-related activities.

**More information:**
http://www.cru.uea.ac.uk
http://unepfi.net
http://www.swissre.com

**Contact:**
Paul Clements-Hunt <pch@unep.ch>
Thomas Loster <tloster@munichre.com>
Andrew Dlugolecki <andlug@hotmail.com>
Nigel Antony Baker
<nigelantony_baker@swissre.com>

Paul Clements-Hunt, UNEP Finance Initiatives (UNEPFI), introduced a study on climate change and the financial services industry, which brings together UNEP and private sector policy discussions for new mechanisms to encourage public and private sectors to work together in mitigating climate change.

Thomas Loster, Munich Re, gave a statistical analysis of the impacts and future trends of climate change and the work engaged by reinsurance companies to assess and cover the risks involved. He underscored the difficulties of attributing extreme weather events specifically to climate change.

Andrew Dlugolecki, Andlug Consulting, summarized the political dimension of climate change and the financial services industry, highlighting the threat of climate change to economic stability, the insufficiency of the Kyoto Protocol's targets to stabilize climate change, the value of the flexible mechanisms, and the potential of the market to mitigate climate change. He outlined the threats, opportunities, and activities faced by the financial sector in this area, and highlighted the scepticism, data and modeling, and political and procedural barriers to addressing climate change. He recommended initiatives based on: long-term GHG targets for precaution and equity; policies and measures to create carbon value; awareness raising; support for least developed countries; and public/private collaboration.

Nigel Baker, Swiss Re, discussed opportunities for the financial sector in addressing climate change, stressing the need for the development of public frameworks to ensure that markets grow in these areas. He underscored the growing pressure from corporate shareholders and investors in the US and Europe for corporate responsibility regarding climate change mitigation, and the opportunities for the financial sector in the implementation of the Kyoto Protocol's flexible mechanisms.

Discussion: Participants discussed, *inter alia*: the use of IPCC projections to assess risk; the assessment of long-term effects of climate change; capital flight to non-Parties to the Protocol; insurance activities in developing countries; whether non-Parties will be able to avoid facing climate change risk; the effects of low carbon prices; the involvement of local insurers; the convening of insurance workshops on climate change; the need to integrate climate change considerations in private sector decision making; and the applicability of the polluter pays principle.

The Earth Negotiations Bulletin (ENB) *on the side* is a special publication of the International Institute for Sustainable Development (IISD) in cooperation with the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat. This issue has been written by Fiona Koza <fiona@iisd.org>, Charlotte Salpin <charlotte@iisd.org>, and Hugh Wilkins <hugh@iisd.org>. The Digital Editor is David Fernau <david@iisd.org>, the photographers are David Fernau and Leila Mead <leila@iisd.org>, the online assistant is Diego Noguera <diego@iisd.org>. Funding for publication of ENB *on the side* at UNFCCC COP-8 is provided by the UNFCCC Secretariat. The opinions expressed in ENB *on the side* are those of the authors and do not necessarily reflect the views of IISD and funders. Excerpts from ENB *on the side* may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this material in commercial publications, contact the Managing Editor at <kimo@iisd.org>. Electronic versions of issues of ENB *on the side* from UNFCCC COP-8 can be found on the Linkages website at http://www.iisd.ca/linkages/climate/cop8/enbots/.

# Wind power and its contribution to tackling climate change

Presented by Greenpeace International in collaboration with the European Wind Energy Association (EWEA)

Corin Millais, EWEA, calls for the establishment of legally-binding renewable energy targets.

Corin Millais, EWEA, introduced the EWEA/Greenpeace report "Wind Force 12", which assesses the potential of wind power to provide 12% of global electricity demand by 2020, and related technical, economic and resource implications. He highlighted that: the wind industry has grown an average of 40% per year over the past five years; global wind energy potential is more than four times greater than global energy demand; the cost of wind energy is similar to that of conventional energy sources; and wind power provides electricity for more than 35 million people worldwide. He said Germany is a world leader in wind energy with over 8,700 megawatts (MW) of installed capacity in 2001. He called for, *inter alia*: ratification of the Kyoto Protocol; the reform of export credit agencies, multilateral development banks and international finance institutions; electricity market reform, including the removal of market distortions and the internalization of the social and environmental costs of fossil fuel pollution; and defined and stable returns for investors.

Steve Sawyer, Greenpeace International, noted disappointing results on renewable energy at the World Summit on Sustainable Development (WSSD). He highlighted that by 2008-2012, the global wind industry can deliver average annual carbon dioxide savings equivalent to the EU's Kyoto Protocol target. He stated that the global wind industry will be able to provide 12% of the world's future electricity needs by 2020, which would result in cumulative savings of 11,768 million tonnes of carbon dioxide.

S.D.Singh, Vestas RRB India, highlighted that with an installed capacity of over 1,500 MW, India is the world's fifth largest wind power producer after Germany, the US, Spain and Denmark. He said India is a manufacturer and exporter of wind turbines and related technical services, and estimated that India's wind power potential could be as high as 45,000 MW. He noted the establishment of a country-wide network of wind-speed measurement stations to pinpoint the best wind resources in India, and said financial incentives have encouraged industry to invest in wind power.

**More information:**
http://www.ewea.org
http://www.greenpeace.org

**Contact:**
Corin Millais <corin.millais@ewea.org>
Steve Sawyer
<ssawyer@diala.greenpeace.org>
S.D. Sing <vrrb@gnmds.global.net.in>

# Regional climate change scenarios for developing countries

Presented by the Hadley Centre for Climate Prediction and Research in collaboration with the Indian Institute of Tropical Meteorology (IITM)

Michael Meacher, UK Minister of State, Department for Environment, Food and Rural Affairs, stressed the UK's commitment to tackling climate change impacts, highlighting a 20% domestic target for carbon dioxide emissions reductions. He stressed the need for climate change models and capacity building for developing countries to assess impacts.

Geoff Jenkins, Hadley Centre for Climate Prediction and Research, presented the Centre's scenario model "Providing Regional Climates for Impacts Studies" (PRECIS). He said climate change scenarios are necessary for assessing countries' vulnerability to climate change, planning adaptation programmes, and raising awareness. Highlighting the shortcomings of global models, he noted the need for regional and national climate models, which, he said, provide greater detail, address extremes, generate ownership, and benefit from local expertise. He noted that regional models, including PRECIS, have a closer resolution and cover smaller areas. Noting uncertainties in predictions resulting from uncertainties in future emissions and response systems, and from natural variability, he said improvements to the model are necessary.

Krishna Kumar, IITM, presented climate change scenarios for rainfall and temperature in India, based on the PRECIS model. He said the joint Indo-UK research programme on climate change impacts in India aims to evaluate climate change impacts, develop scenarios for prediction, and build capacity.

*(Continued on page 3)*

Goeff Jenkins, Hadley Centre, explains that the PRECIS model is freely provided to developing countries.

**More information:**
http://www.metoffice.com/research/hadleycentre/pubs/brochures/B2002/precis.pdf
http://www.tropmet.res.in/
http://www.ukcip.org.uk

**Contact:**
Geoff Jenkins
<geoff.jenkins@metoffice.com>
Krishna Kumar <krishna@tropmet.res.in>
Li Yue <yueli@ns.ami.ac.cn>
Chris West <chris.west@ukcip.org.uk>
Richard Jones
<richard.jones@metoffice.com>

# Regional climate change scenarios for developing countries

*(continued from page 2)*

He highlighted the realistic assessments provided by the PRECIS scenarios, and the successful development of capacity.

Li Yue, Chinese Academy of Agricultural Sciences, presented scenarios of climate change impacts on Chinese agriculture generated by the PRECIS model. She noted that regions were selected for model simulation and analysis of observations, and concluded that the results provided useful inputs for impact assessment work.

Chris West, UK Climate Impact Programme (UKCIP), explained that the UKCIP works to evaluate climate change impacts and to help develop domestic adaptation strategies. He briefly introduced upcoming regional and thematic studies, and a UKCIP report on climate change impacts in the UK.

Richard Jones, Hadley Centre, ran a demonstration of the PRECIS model.

# The CDM juggernaut: Immovable or unstoppable

Presented by the Pembina Institute for Appropriate Development in collaboration with the International Institute for Sustainable Development (IISD), the Global Change Institute, Tsinghua University, and the Tata Energy Research Institute (TERI)

Rajendra Pachauri, TERI, said early expectations for the Clean Development Mechanism (CDM) were large, but the modest size of the market and high transaction costs may hinder its success. He emphasized that there may be a contradiction between the CDM's objectives of sustainable development and greenhouse gas (GHG) emission reductions since projects with low GHG savings may provide important local benefits.

Roger Peters, Pembina Institute, focused on the changing views of Canadian investors regarding CDM opportunities and their change in preference from upfront CDM investments to the use of certified emission reductions (CER) purchase agreements. He stressed the need for capacity building in host countries to facilitate the initiation of CDM projects.

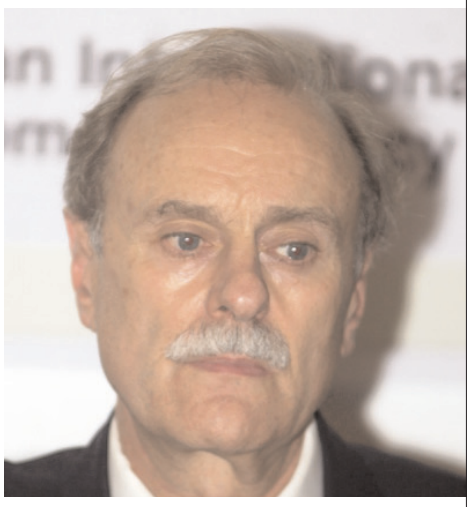
Chandra Sinha, World Bank, discussed the work of the Prototype Carbon Fund, explaining that the Fund is a significant buyer in the carbon market. He outlined the number and regional distribution of projects and stressed the need to reduce costs through simplified methodologies and procedures.

Mina Guli, World Bank, outlined the aims and functions of the Community Development Carbon Fund (CDCF) to facilitate CDM projects in small countries and poor rural areas. She reviewed: the CDCF's benefits to participants and host countries; project types; Fund portfolio criteria; the Fund's technology distribution aims; and the use of parallel funding. She said the Fund's emphasis was to provide stakeholders, host governments, industry, and others with better knowledge of ways to undertake small projects in an effective and efficient manner.

Sujata Gupta, Asian Development Bank, outlined the limits to small-scale CDM projects due to high transaction costs, and recommended the development of simplified procedures to address these constraints.

Frank Joshua, Natsource Tullett, outlined the growth of markets for verified emission reductions and the changing levels of carbon market prices. He emphasized that: "learning by doing" is the best means for capacity building; structuring transactions is difficult and takes time to complete; and the weak carbon market will lead to high-risk transactions due to the frequently poor credit ratings of sellers in weak markets.

Ogunlade Davidson, Energy Development and Research Centre (EDRC), underscored the need for adequate institutional frameworks for CDM projects, noting that some developing countries do not have the required institutional infrastructures to properly implement the CDM project cycle. He presented three options for establishing national authorities in host countries for addressing these issues.



Roger Peters, Pembina Institute, outlines the preferences of potential Canadian investors among CDM projects.

**More information:**
http://www.teriin.org
http://www.pembina.org
http://www.prototypecarbonfund.org
http://www.worldbank.org
http://www.adb.org
http://www.natsourcetulletteurope.com

**Contact:**
Rajendra Pachauri <chairipcc@teri.res.in>
Roger Peters <rogerp@pembina.org>
C.S. Sinha <csinha@worldbank.org>
Mina Guli <mguli@worldbank.org>
Sujata Gupta <sgupta@adb.org>
Frank Joshua <fjoshua@natsource.com>
Ogunlade Davidson
<ogunlade@energetic.uct.ac.za>

# Roundtable on energy

Presented by the Indian Ministry of Non-Conventional Energy Sources (MNES) in collaboration with UNEP

François Cattier, IEA, underscores high cost as one of the primary barriers to renewable energy.

Kristalina Georgieva, World Bank, highlighted the Bank's contribution to developing renewable enery in India and noted that although the Bank was slow to begin work on renewable energy, it is now engaged in many renewable energy activities.

Klaus Töpfer, UNEP Executive Director, emphasized renewable energy as a development issue. He expressed confidence that developing countries have the potential to develop renewable energy, and noted the need for capacity building, partnerships and venture-oriented capital. He stressed UNEP's commitment to renewable energy through the establishment of the UNEP Collaborating Centre on Energy and Environment (UCCEE), a network created to strengthen institutions and stimulate knowledge and the development of technologies.

François Cattier, International Energy Agency (IEA), noted that by 2030, hydropower and other renewable energy sources will increase by 0-1%. He outlined the Alternative OECD Policy Scenario based on the implementation of additional policies and measures to achieve the Kyoto Protocol's targets. He called for price reductions and government support to promote renewables.

Lex de Jonge, the Netherlands, underscored the Netherlands' measures for implementing the CDM and highlighted the need to balance interests and manage risks associated with the CDM. He noted that governments have to bear project risks, and highlighted the need for additionality, proper financing, and price caps for CERs.

John Garrison, the Business Council for Sustainable Energy, noted that carbon trading is more likely to have a positive impact on sustainable energy when companies understand the mechanisms, and in countries with well-developed energy markets, strong regulatory environments, and the ability to pay. He stressed the need for lower transactions costs, standardized baselines, additionality requirements, the promotion of small-scale projects, government involvement, and regulatory structures. He highlighted the WSSD's goals on renewable energy and poverty reduction.

John Christensen, UCCEE, noted that UCCEE aims to address barriers to renewable energy development, and stimulate the uptake of renewable energy, through financing, entrepreneurial and CDM-related capacity building, and policy guidance. He highlighted some of the Centre's financial service initiatives and programmes on renewable energy, including the Renewable Energy Enterprise Development, which aims to foster CDM activities and assist renewable energy companies that address the needs of the rural poor. He highlighted the work of the Global Network on Energy for Sustainable Development in facilitating policy change, improving knowledge, providing advice, and increasing private sector involvement.

Ajit Gupta, MNES, said India's renewable energy achievements to date do not correspond to its great potential in this regard, but that policies underway, including subsidies for rural energy supply, concessions and tax exemptions, and the draft electricity bill, will advance India's potential. He said India aims to produce 10,000 MW from renewable energy sources, and electrify 18,000 remote villages by 2012. He stressed the need for enabling environments, and highlighted the link between sustainable development and renewable energy.

**More information:**
http://www.worldbank.org
http://www.unep.org
http://www.iea.org
http://www.cdminfo.nl
http://www.bcse.org
http://www.uccee.org

**Contact:**
Kristalina Georgieva <kgeorgieva@worldbank.org>
François Cattier <francois.cattier@iea.org>
Lex de Jonge <lex.dejonge@minvrom.nl>
John Garrison <jgarrison@bcse.org>
John Christensen
<john.christensen@risoe.dk>

Kristalina Georgieva, World Bank, stresses the Bank's support to renewable energy.