



Special Report on Selected Side Events at UNFCCC SB-18
published by the International Institute for Sustainable Development (IISD)
in cooperation with the UNFCCC Secretariat



Online at
<http://www.iisd.ca/climate/sb18/enbots/>

Volume 12, Issue #3 | SB-18: 04 - 13 June 2003 | Bonn, Germany | Saturday, 7 June 2003

Events convened on Friday, 6 June 2003

North-South dialogue on sinks

Presented by the Hamburg Institute of International Economics



Jenny Wong, Forest Research Institute Malaysia, discusses technical and practical aspects of insuring carbon credits from A&R.

Jenny Wong, Forest Research Institute Malaysia, explained that: greenhouse gas removals by afforestation and reforestation (A&R) activities are vulnerable to a variety of risks and uncertainties; there are no provisions to account for emissions from A&R projects under existing CDM modalities and procedures; and specific modalities need to be developed. She raised a number of concerns regarding Canada's "insurance approach" for dealing with non-permanence, including that: it involves a transfer of risk, rather than a complete removal of risk; insuring certified emission reductions (CERs) throughout the crediting period and for a subsequent 10 years does not sufficiently fulfill the environmental integrity of the sequestration project; insurance may shorten project lifetimes; and it is unclear for how long premiums will be paid or who will bear liability.

Michale Dutschke, Hamburg Institute of International Economics, discussed practical issues concerning temporary carbon credits in the CDM. Noting problems with the total stock, average stock, and delayed stock approaches outlined in the Secretariat's options paper, he proposed a hybrid option for implementing temporary CER (tCER) accounting, based on average stocks and up-front tCER issuance. He drew attention to additionality and baseline problems for forest restoration projects, and discussed how to mitigate baseline risk. He concluded that permanent project emissions need to be accounted for on every tCER renewal, tCERs can be useful as a compliance reserve, and tCER values are determined by price expectations and discount rates and therefore crediting periods should be over 50 years.

Annette Freibauer, Max Planck-Institute for Biogeochemistry, presented a report on scientific and technical issues in the CDM. She supported applying the forest definition in Articles 3.3 and 3.4 to CDM sink projects because it is transparent, feasible, consistent with domestic sink activities and allows the inclusion of agroforestry projects. She also supported retaining 31 December 1989 as the base date because there is enough available land for projects and it avoids perverse late rewards for recent deforestation. She agreed with the OECD definitions of additionality and baselines because they take into account environmental and socioeconomic integrity. Freibauer noted that the environmental integrity of CDM projects is not necessarily ensured if additionality, leakage and monitoring requirements are limited to carbon stock exchanges only, and explained that leakage by shifting activities can be monitored by remote sensing.

Rebecca Carr, Edinburgh Centre for Carbon Management, discussed evaluation tools for LULUCF-CDM projects. She said evaluation should, *inter alia*, assess whether project design maximizes permanence, is consistent with additionality, and minimizes leakage and uncertainties.

More information:

<http://www.hwwa.de/climate.htm>
<http://www.bgc-jena.mpg.de/public/carboeur>

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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>, Karen Alvarenga de Oliveira <karen@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> and the online assistant is Diego Noguera <diego@iisd.org>. The Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. Funding for publication of ENB *on the side* at UNFCCC SB-18 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 Director of IISD Reporting Services at <kimo@iisd.org>. Electronic versions of issues of ENB *on the side* from SB-18 can be found on the Linkages website at <http://www.iisd.ca/climate/sb18/enbots/>.

Transport and the CDM: Key issues

Presented by the International Institute for Sustainable Development (IISD)



Agus Sari, Pelangi, outlines the barriers encountered by private entities wishing to engage in transportation-related CDM projects.

Agus Sari, Pelangi, discussed opportunities in developing countries for transportation-related CDM projects, focusing on a public transportation project undertaken in Yogyakarta, Indonesia. He said this small-scale CDM project is expected to provide an environmentally friendly urban transport system by replacing existing diesel bus engines with liquefied petroleum gas engines. He noted that the project will likely result in only small emission reductions and stressed that similar projects should be part of larger initiatives to reduce local air pollution, improve local health, and/or increase efficiency of local transport systems.

Eduardo Sanhueza, Climate Change and Development Consultants, outlined efforts to build capacity in the Chilean transport sector through CDM projects. He said the objectives of the project are to: prepare pre-feasibility studies on technology and travel demand reduction; attract foreign investment for sustainable development; and establish precedents for replication. Sanhueza outlined studies focusing on a new interurban passenger rail line, land-use planning around new metro stations, school location planning, bicycle-use promotion opportunities, and clean public transportation options in Santiago.

Naoyuki Hasegawa, Japan's Ministry of Land, Infrastructure and Transport, summarized the discussions at a workshop on CDM/Joint Implementation in the transport sector, held in Tokyo in March 2003. Noting that there are few transportation-related CDM projects in place, he said the goal of the workshop was to exchange experiences and discuss ways to overcome difficulties. He stated that discussions focused on fuel switching, inspection and maintenance, and comprehensive transport management projects. Hasegawa said the workshop recommended, *inter alia*, that the CDM Executive Board set up a panel to: identify data requirements for transportation-related CDM projects; assess how the CDM can address the need for transportation and land-use planning; examine the appropriateness of CDM projects to remove barriers to implementation of existing policies and to change social behavior; and consider streamlining, including standardizing methodologies for CDM transportation projects.

Discussion: Participants raised questions regarding the challenges of baseline development, the barriers to private entity engagement in transportation-related CDM projects, and issues related to leakage and financial additionality.

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Biocarbon Finance at the World Bank

Presented by the World Bank

Ken Newcombe, World Bank, said a handful of developing countries receive 80% of carbon financing and that smaller and poorer countries are excluded, since they often only offer small projects with high risks and costs. He stressed that rural communities may solely benefit from carbon financing through sequestration projects and therefore must tackle the difficulties and high entry barriers inherent to such projects.

Ian Noble, World Bank, outlined the BioCarbon Fund's objectives of achieving atmospheric benefits, improving the environment, and bettering the livelihoods of people in local communities. He said the Fund will act as a catalyst for changing land-use practices and will seek synergies among conventions. Noble stressed that BioCarbon Fund projects will include restoration plantings, community forestry, agroforestry, biofuel, and, to a limited degree, commercial plantations.

Newcombe emphasized that the Fund will be a learning-by-doing exercise and that it can act as a testing ground for standards on additionality, measurement and permanence.

Discussion: Participants discussed the need for independent assessments of the Fund's activities, the high costs of the projects supported by the Fund, the low capacities of many States for verification and monitoring, risk spreading and permanence issues.



Ken Newcombe, World Bank, says sinks in the CDM provide the only significant opportunities for many of the world's poorest people to derive a stake in the climate change process.

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More information:

<http://prototypecarbonfund.org>

<http://www.carbonfinance.org>

Development and transfer of technologies

Presented by the UNFCCC

William Kojo-Agyemang-Bonsu, Expert Group on Technology Transfer (EGTT), drew attention to the UNFCCC Workshop on enabling environments held in Ghent, Belgium, in April 2003, the Handbook on Methodologies for Technology Needs Assessments, and the UNFCCC technology information system.

Wanna Tanunчайwatana, UNFCCC, outlined UNFCCC activities and workshops relating to technology transfer and enabling environments for such activities.

Daniele Violetti, UNFCCC, presented the UNFCCC technical paper "Enabling Environments for Technology Transfer." He highlighted that the technical paper reviews: north-south perspectives; adaptation and information in national communications; barriers to and opportunities for creating enabling environments in multilateral fora; the importance of stakeholder participation; the relationship between enabling environments and different sectors; and possible next steps.

Richard Bradley, EGTT, summarized the conclusions of the Ghent workshop and the technical paper including that: opportunities for improving institutional environments are present at local, regional, national and international levels; technical, economic, political, cultural and social barriers to technology transfer exist at each stage of the process; removal of barriers to promoting technology transfer can have positive and negative consequences; barriers exist in both transferring countries and host countries; stakeholders' involvement and international partnerships are important for successful technology transfer; and fostering enabling environments is necessary to encourage transfer of adaptation technologies.

Bo Lim, UNDP-GEF, presented the UNDP-GEF Handbook on Methodologies for Technology Needs Assessments. She highlighted that the Handbook indicates how to design financing plans to fulfill countries' technology needs.

Florin Vladu, UNFCCC, stressed the importance of the UNFCCC clearinghouse system, TT:CLEAR, which provides information on technology transfer, acts as a gateway for information, and includes data on types of technology, projects and case studies.



Florin Vladu, UNFCCC, highlights that the information from the TT:CLEAR clearinghouse is available on CD-Rom.

More information:

<http://www.undp.org/cc>
<http://ttclear.unfccc.int/ttclear/jsp>

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CDM methodologies: Philosophy and design

Presented by the Delegation of the Netherlands

Einar Telnes, DNV Certification, stressed the importance of merging practical experience with the need for environmental integrity when developing CDM methodologies. He underscored the need for a robust regime that is applicable to "real-life" projects.

Reginald Hernaus, the Netherlands' Ministry of Housing, Spatial Planning and the Environment, discussed the Dutch policy and experiences pertaining to CDM methodologies. He concluded that: there are multiple interpretations of the Marrakesh Accords; the five credibility baseline checks could be considered as barrier tests; and prompt and pragmatic Executive Board rulings are crucial. He cautioned the Executive Board against introducing too much "red tape."

Noting that the Executive Board's Methodology Panel rejected 14 out of 15 submitted methodologies, Gerhard Mulder, Senter International, said the Panel was unable to reach consensus on Senter's "Dispatch Analysis" methodology, despite its many advantages. He called on the Executive Board to provide guidance on how to move the CDM forward.

Johannes Heister, Prototype Carbon Fund, outlined the Fund's approach to addressing additionality and baselines, and stressed the importance of producing highly credible emission reductions. He questioned the appropriateness of strict project additionality tests.



Gerhard Mulder, Senter International, concludes that investment additionality appears to have been the most important criteria for project eligibility.

Progress in the Intergovernmental Panel on Climate Change programme on LULUCF.

Presented by the Intergovernmental Panel on Climate Change (IPCC)



Jim Penman, DEFRA, explains that the IPCC's work on LULUCF Good Practice Guidance was requested at UNFCCC COP-7.

Taka Hiraishi, IPCC, explained that this event presents the results of the IPCC's papers on "Good Practice Guidance on Land Use, Land Use Change and Forestry" (GPG LULUCF) and "Definitions and Methodological Options to Inventory Emissions from Direct Human-Induced Degradation of Forests and Devegetation of other Vegetation Types."

Jim Penman, UK's Department for Environment, Food and Rural Affairs (DEFRA), presented a chapter of the GPG LULUCF on land area representation, which recommends how to make best use of existing information on LULUCF activities.

Gert-Jan Nabuurs, Alterra, presented a chapter of the GPG LULUCF, which provides guidance for UNFCCC reporting on land-use change and forestry activities. He said generic inventory and reporting steps include: estimating land areas and changes; assessing key categories; collecting additional data for improving emission factors; and implementing quality control checks and expert reviews. N.H. Ravindranath, Indian Institute of Science, explained that this chapter provides LULUCF guidelines for, *inter alia*: forest land remaining as such; and land converted into forestland, cropland, and grassland. He also presented the format to be used for reporting tables on national greenhouse gas inventories and stressed the need for further harmonization of decision trees, equations, symbols and units.

Pete Smith, University of Aberdeen, outlined a chapter on information requirements, methods and good practice guidance for the reporting of carbon dioxide and non-carbon dioxide emissions by sources and removals by sinks that are supplementary to those in national greenhouse gas inventories.

Jenny Wong, Forestry Research Institute Malaysia, presented a chapter that provides good practice guidance on estimating, measuring and monitoring anthropogenic changes in carbon stocks and greenhouse gas emissions and removals resulting from LULUCF activities at the project level.

Newton Paciornik, Brazil's Ministry of Science and Technology, presented a chapter addressing cross-cutting issues relating to LULUCF, such as: identification and quantification of uncertainties; identification of key categories under methodological choice; guidance for planning and use of sampling surveys; and application of verification tools for LULUCF activities.

Roman Michalak, Poland's Forestry Research Institute, presented the IPCC's paper on "Definitions and Methodological Options to Inventory Emissions from Direct Human-Induced Degradation of Forests and Devegetation of other Vegetation Types," which states, *inter alia*, the implications of methodological options to accounting under Article 3.4 of the Kyoto Protocol.

More information:

<http://www.ipcc-nggip.iges.or.jp>
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CDM methodologies

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Discussion: In the ensuing discussion, participants stressed, *inter alia*: the need for a quick response by the Executive Board to the Methodology Panel ruling; the risk of diverting investor's funds away from the CDM as a result of the current uncertain situation; and the need for the Methodology Panel to focus on evaluating new methodologies, rather than re-evaluating projects.

More information:

<http://www.dnv.com>
<http://www.cdminfo.nl>
<http://www.carboncredits.nl>
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