



Special Report on Selected Side Events at UNFCCC SB-20
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Events convened on Tuesday, 22 June 2004

India's initial national communication to the UNFCCC

Presented by the delegation of India



Subodh Sharma, India's Ministry of Environment and Forests, outlines the limitations that were encountered in preparing India's initial national communication, including insufficient capacity, expertise, resources, funds, data and inter-sectoral integration.

Prodipto Ghosh, India's Ministry of Environment and Forests, explained that it took three years and more than 350 Indian scientists to prepare India's initial national communication. He then presented the national communication to Joke Waller-Hunter, UNFCCC Executive Secretary.

Congratulating India for demonstrating leadership in the climate change process, Executive Secretary Waller-Hunter underscored that India's initial national communication would provide an important foundation for the Convention process.

Rajendra Pachauri, Chair of the Intergovernmental Panel on Climate Change (IPCC), emphasized that important dimensions of the climate change problem are covered in India's initial national communication. He lauded the Government of India for enhancing capacity through the process of preparing the communication.

Subodh Sharma, India's Ministry of Environment and Forests, described the process of preparing India's initial national communication, outlining institutional arrangements, mechanisms and limitations.

Amit Garg, India's Ministry of Environment and Forests, discussed India's national greenhouse gas inventory estimations for the energy and industrial processes sectors. Noting that India is a vast country with regional and sectoral variability, he drew attention to the uncertainties involved in inventory estimates, noting that India had to develop its own emission coefficients. Summarizing lessons learned, he said the sample size should be enlarged in order to capture regional diversity in emission coefficients.

Sumana Bhattacharya, Winrock International India, presented India's national greenhouse gas inventory estimations for the agriculture and waste sectors. Noting that the agriculture sector is responsible for 78% of India's total methane emissions in 1994, she said the largest sources were enteric fermentation and rice cultivation. Sumana emphasized that reporting and data collection need to be strengthened to improve reliability.

N.H. Ravindranath, Indian Institute of Science, discussed India's emissions inventory for the Land Use, Land-Use Change and Forestry sector. He addressed changes in forests and other woody biomass stock, grassland conversion, biomass burning, uptake from the abandonment of managed lands, and emissions and removals from soils.

Ravindranath also presented on vulnerability assessment and adaptation, noting that the assessments addressed water, agriculture, forests, natural ecosystems, coastal zones, industry, energy, infrastructure and health. He said the number of rainy days is expected to decline, and some regions will be vulnerable to acute water scarcity conditions. He also drew attention to anticipated reductions in yields of rice, wheat and several dry-land crops, as well as revenue for farmers.

Discussion: In the ensuing discussion, participants addressed India's policies and measures for mitigation, industry's perception of climate change in India, capacity building challenges and lessons learned, and India's large portfolio of Clean Development Mechanism (CDM) projects.

More information:

<http://www.natcomindia.org>

Contact:

Amit Garg <amit@winrockindia.org>

Sumana Bhattacharya <sumana@winrockindia.org>

N.H. Ravindranath <ravi@ces.iisc.ernet.in>

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Cost-effective greenhouse gas emission reduction strategies: The European Climate Change Programme

Presented by the European Commission (EC)



Georgios Amanatidis, EC, notes that the ENSEMBLES project will commence in September 2004, and will provide its first modeling results in 2006.

More information:

<http://www.cordis.lu>

<http://www.europa.eu.int/comm/research/nfp.html>

<http://www.europa.eu.int/comm/research/nfp/networks-ip.html>

Contact:

Artur Runge-Metzger <artur.runge-metzger@cec.eu.int>

Sandra Stevens <sandra.stevens@cec.eu.int>

Zoltán Rakonczay

<zoltan.rakonczay@cec.eu.int>

Georgios Amanatidis

<georgios.amanatidis@cec.eu.int>

Introducing the various strategies of the European Climate Change Programme (ECCP), Artur Runge-Metzger, EC, explained that the ECCP will facilitate the EU in achieving its Kyoto Protocol targets, noting that the ECCP approach is cost-effective and cross-sectoral. He said that while the first phase of ECCP is nearing completion, there is a need to take into account the challenge of an enlarged EU.

Sandra Stevens, EC, noted the importance of synergies between transport and energy policies and climate change targets. She discussed transportation measures, including railway liberalization, and concluded that the transportation sector will remain a major challenge in the future.

Zoltán Rakonczay, EC, gave an overview of policies and measures in the forestry and agriculture sectors and highlighted the work of three ECCP working groups on forest-related sinks, agricultural soils and agriculture. He explained that the working groups assessed the potential contribution that forestry and agricultural policies and measures could make toward the Kyoto Protocol target, and stressed the need for cost-effective measures. He noted that the working groups discovered similar limitations, such as the non-permanence of sinks, and concluded that the potential climate benefits of bio-energy and material substitution seem to be considerably larger than the potential of sinks.

Highlighting that the EC supports research on a broad range of climate change topics, Georgios Amanatidis, EC, discussed ENSEMBLES, an integrated project that aims to construct future regional and global climate change scenarios using simulations of Earth-system models. He said that ENSEMBLES is expected to address climate modeling uncertainties. Amanatidis concluded that the project will drive policy action at the EU level and make a contribution to future IPCC reports.

Practical issues arising from the implementation of the EU Emissions Trading Scheme

Presented by the European Community

Peter Ebsen, Banknet, presented a legal overview of the EU Emissions Trading Scheme (ETS). He discussed allocation issues, such as National Allocation Plans (NAP), allocation decisions and insurance. On compliance, he discussed emissions monitoring and reporting and penalties. He also mentioned trade issues, such as contracts, the transfer of EU Greenhouse Allowances and dispute settlement.

Dane Ratliff, Permanent Court of Arbitration (PCA), discussed dispute resolution in flexible mechanism contracts. He underscored that investors will be encouraged to invest in projects where they are certain that their rights will be protected through arbitration. Ratliff concluded that the involvement of the public and private sectors in flexible mechanism contracts will bring together diverse legal systems, and noted that the PCA could mitigate risk and act as a bridge between diverse legal systems and cultures.

Chi Muhn Woo, KPMG Global Sustainability Services, discussed financial accounting for carbon, including approaches developed by the International Accounting Standards Board and their implications. He stressed that the EU ETS participants need to account for emission related costs and benefits in their financial balance. Muhn noted that the material risks associated with these costs and benefits will need to be managed properly.

Kristian Tangen, Point Carbon, discussed the allocation carbon plans from new EU members and their market implications. Noting that new members represent 17% of total European carbon emissions and that all new Member States are on track to meet their Kyoto Protocol commitments, he said there will be a massive surplus EU allowances in the new Member States.



Peter Ebsen, Banknet, says that a variety of legal issues need to be considered when implementing the EU ETS, such as allocation, compliance, and contract and tax laws.

More information:

<http://www.pca-cpa.org>

<http://www.pointcarbon.com>

<http://www.ieta.org>

Contact:

Peter Ebsen <peter.ebsen@banknet.com>

Dane Ratliff <dratliff@pca-cpa.org>

Chi Muhn Woo <chi.mun.woo@kpmg.co.uk>

Kristian Tangen <kt@pointcarbon.com>

Greening investment flows

Presented by the Center for Clean Air Policy

Jake Schmidt, Center for Clean Air Policy (CCAP), gave a presentation on structural options for greening investments from Annex-I countries. Focusing on export credit agencies (ECA) and multinational corporations (MNC), he said the flow of capital from North to South amounted to US\$200 billion in 1990, three-quarters of which was foreign direct investment (FDI) from the private sector. Schmidt proposed two options for targeting energy-intensive investments from ECAs, namely, a cap on carbon emissions from MNCs operating in non Annex-I countries, and a pool of concessional funding for co-financing projects to eliminate the cost disparity and financial set-asides for climate-friendly portions of ECA investments.

Sergio Jauregui, Bolivia's National CDM Office, noted that the Kyoto Protocol cannot cope with the mobility of capital, and called for a new legal framework that would recognize MNCs as meaningful actors alongside governments.

Patrick Graichen, Germany's Federal Ministry of the Environment, Nature Conservation and Nuclear Safety, emphasized that a future climate regime could entail MNC commitments. He recommended that countries engage with the World Economic Forum's future climate mitigation activities.

Toshiyuki Sakamoto, Japan's Ministry of Economy, Trade and Industry (METI), stressed the need to address emissions from domestic companies as well as MNCs.

Eduardo Sanhueza, Climate Action Network, expressed happiness that CCAP's analysis pinpointed the difficulties faced by developing countries when asked to be proactive in climate change mitigation. He emphasized the need to pay attention to CCAP's proposal in the context of the Convention.



Providing the example of government intervention in the Chinese steel industry, Toshiyuki Sakamoto, METI, emphasizes the need for an innovative mechanism for technology transfer in developing countries.

More information:

<http://www.ccap.org>

Contact:

Jake Schmidt <jschmidt@ccap.org>

Sergio Jauregui <odl@mds.gov.bo>

Patrick Graichen

<patrick.graichen@bmu.bund.de>

Toshiyuki Sakamoto <sakamoto-toshiyuki@meti.go.jp>

Eduardo Sanhueza <j.sanhueza@mi.cl>

Options for a post-2012 climate policy architecture

Presented by Fridtjof Nanjen Institute (FNI)

Jonathan Pershing, World Resources Institute, introduced the side event on scenarios for the post-2012 climate change framework, highlighting the urgency to take action.

Taishi Sugiyama, Central Research Institute for Electric Power Industry (CRIEPI), outlined the four scenarios presented in the first phase of the FNI's project on climate change scenarios for 2012: graduation and deepening of targets; a converging market scenario; an orchestra of treaties; and a human development scenario. Speaking about the second phase of the project, he elaborated that regional cooperation is an option for climate technology treaties such as a wind energy treaty for the EU and a carbon capture treaty for the US and Australia.

Kristian Tangen, FNI, emphasized the need to move the Kyoto Protocol negotiations forward. He outlined crucial elements for future action, including reengagement with the US, commitments for developing countries, and improved organization of negotiations.

Axel Michaelowa, Hamburg Institute of International Economics, presented a case study on wind technology development in Germany, outlining some useful lessons that could apply to the development of climate technologies.

John Drexhage, International Institute for Sustainable Development, highlighted the role of development assistance in building a sustainable global climate regime.

Discussion: In the ensuing discussion, Drexhage said that it is crucial to take a long-term perspective while developing climate change policy. Michaelowa added that in the end, change can only be achieved through political will, financial commitment and stakeholders agreeing to a common viewpoint.



Taishi Sugiyama, CRIEPI, says that it is unproductive to discuss caps as this simply divides countries.

More information:

<http://www.fni.no/post2012.html>

<http://www.hwwa.de/climate.htm>

<http://www.iisd.org>

Contact:

Jonathan Pershing <jpershing@wri.org>

Taishi Sugiyama

<sugiyama@criepi.denken.or.jp>

Kristian Tangen <kt@pointcarbon.com>

Axel Michaelowa <climate@hwwa.de>

John Drexhage <jdrexhage@iisd.ca>

The role of sustainable forest management in the UNFCCC and other Rio conventions

Presented by the delegation of New Zealand



Judy Lawrence, New Zealand's Ministry of the Environment, highlights her country's distinctive forest management characteristics including its clear distinction between protected indigenous forests and production forests.

More information:

<http://www.mfe.govt.nz>
<http://www.nrdc.org>
<http://www.climatechange.govt.nz>

Contact:

Judy Lawrence
 <judy.lawrence@mfe.govt.nz>
 Dieter Schoene <dieter.schoene@fao.org>
 James Griffiths <griffiths@wbcsd.org>
 Jeff Fielder <jfielder@nrdc.org>
 Tony Smale <tony@marlboroughnz.org>

Judy Lawrence, New Zealand's Ministry of the Environment, showcased a video on New Zealand's forest regime. The video specified that plantations constitute 7% of the country's forests, 40% of which are certified by the Forest Stewardship Council. She introduced a panel discussion on the contribution of sustainable forest management to the outcomes sought in the UNFCCC, UN Convention on Biological Diversity (CBD) and UN Convention to Combat Desertification (CCD) (Rio Conventions). The panelists were asked to discuss their views on synergies among the Rio Conventions and New Zealand's forest management case study.

Dieter Schoene, UN Food and Agriculture Organisation (FAO), described how FAO assists member states to implement the Rio Conventions, the Forest Resource Assessments and small-scale CDM projects. He underscored FAO's participation in the Collaborative Partnership on Forests at the international level and in the criteria and indicator processes at the regional level. Regarding New Zealand's case study, Schoene noted that the particularities of the country's forest regime, including its largely state-owned tenure and extremely high growth rate of timber, could not be transposed in another country.

James Griffiths, World Business Council for Sustainable Development, described business innovation in forest production and sustainable forest management. He stated that the framework conditions of the CBD and CCD have not impacted business as much as the UNFCCC. Noting the important role of fast-growing species in plantations in alleviating the pressure on natural forests, Griffiths said that many principles of the New Zealand model are transferable elsewhere.

Jeff Fiedler, Natural Resource Defence Council, said it was unclear whether carbon sink incentives are contributing to sustainable forest management. He underscored that biodiversity goals should not be sacrificed for the sake of climate change goals. Lauding New Zealand's forest policy, he underscored the importance of national forest policy in implementing Kyoto Protocol provisions.

Tony Smale, Marlborough Regional Development Trust, discussed Marlborough's shift from a pastoral to a multifunctional regime encompassing vineyards, plantations and carbon sink services.

Building the systems of emissions trading: Progress with registries and the transaction log

Presented by the UNFCCC

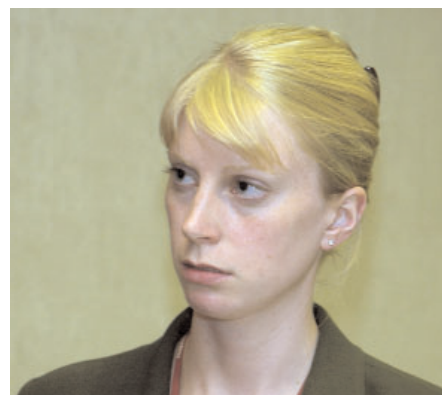
Andrew Howard, UNFCCC, noted that a registry system for emissions trading schemes safeguards the integrity of accounting targets under the Kyoto Protocol and that it interacts with other registries and the independent transaction log (ITL). He discussed aspects of national registry accounts, including issuing Assigned Amount Units and Removal Units and crediting CDM and Joint Implementation projects. He noted that the ITL would check proposed transactions against rules and be implemented in mid-2005.

Martin Hession, UK's Department of Environment, Food, and Rural Affairs, stated that the UK has a functioning green house gas emission trading registry, noting that a timeline is in place to get a national registry with a final UN check by April 2005. He explained that user acceptance testing and functional specification are part of the process of creating registries.

Toshiaki Nagata, UNFCCC, said that the CDM registry is similar in structure and function to national registries, distributes CDM credits to project participants, and will be established by the CDM Executive board. Nagata also noted that the UNFCCC Secretariat is developing the registries' functional requirements and said that implementation is expected by the fourth quarter of 2004.

Howard said that the ITL would ensure the integrity of the emission trading system. He noted that the ITL has automated checks and highlighted some implementation issues, including identification of the ITL operator and establishment of registry connection. Noting that the EU ETS will be in place before the ITL is set up, he said the EU registry will have to adjust to the ITL.

Speaking on the EU ETS registries, Olivia Hartridge, EC, discussed aspects of transaction finalization, account structure, and registry fees. She concluded that 2004 is being dominated by allocation and stressed that the establishment of the registries system needs to be ready by 2005.



Olivia Hartridge, EC, says that the first phase of the EU ETS begins in 2005.

More information:

<http://unfccc.int>

Contact:

Andrew Howard <ahoward@unfccc.int>
 Martin Hession
 <martin.hession@defra.gsi.gov.uk>
 Toshiaki Nagata <tnagata@unfccc.int>
 Olivia Hartridge
 <olivia.hartridge@cec.eu.int>