



Special Report on Selected Side Events at UNFCCC SB-20
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Events convened on Wednesday, 23 June 2004

Capacity Building for the CDM

Presented by UN Environment Programme (UNEP)-Risoecenter on Energy, Climate and Sustainable Development (URC)



Myung Kyoon-Lee, URC, emphasizes the need for capacity building as CDM investors want clearly defined approval procedures and institutional setups.

John Christensen, URC, introduced the side event on the results and analytical outputs of the programme on Capacity Development for the Clean Development Mechanism (CDM), called CD4CDM.

Myung-Kyoon Lee, URC, presented some of the issues examined and tasks undertaken by the CD4CDM, such as: establishing an institutional framework; making Designated Operational Entities operational and sustainable; developing an implementation strategy that focuses on three-way collaboration between URC; regional centers and country centers; and developing background materials. Kyoon Lee showcased the outputs achieved in Asia, Latin America, and Africa. He said the CD4CDM project recommends viewing climate change as an opportunity rather than a risk, and taking into consideration both market and customer-oriented approaches. He also stressed the importance of political stability and permanency of professional staff in host countries.

Peter Ebsen, Baker and McKenzie, briefed the audience on a booklet titled "Legal issues guidebook to the CDM." He said that the booklet examines CDM issues from a developer's perspective, including: the role of CDM entities; legal steps in developing CDM projects; the eligibility criteria for CDM projects; pricing and legal ownership of CDM projects; structuring and financing of CDM projects; and managing CDM risks.

Anne Olhoff, URC, presented a guidebook on the sustainable development impacts of CDM projects for policy makers. She noted that the book presents case studies and examines issues such as selecting sustainable criteria for CDM projects, selecting sustainable development criteria and indicators, and developing decision-making tools for sustainable development evaluation of CDM projects.

Maria Cigarán, Peru's National Council for the Environment, presented the Institutional Strategy to promote CDM in Peru. She said markets in CDM are still emerging, and stressed the importance of a fast and simple process for operationalizing CDM projects.

Discussion: In the ensuing discussion, Cigarán noted that Peru is using the CDM Executive Board Project Development Document for project development and national laws for environmental impact assessments in CDM projects. She added that the early involvement of the private sector in the CDM has been difficult as there is too much risk and uncertainty and they have still been unable to get the key players on board. With regard to a question on one of UNEP's recommendations that indicates that a top-down approach is best in the initial decision making process, Kyoon-Lee highlighted that if there is a high level of political commitment in developing countries, the CDM process becomes much easier. Christensen highlighted that the UNEP-RISO guidebooks were a review of previous guidebooks, and were unique as they are specifically aimed at host countries.

More information:

<http://www.cd4cdm.org>

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Keep Kyoto on track

Presented by the International Union of Railways (UIC)



Gunther Ellwanger, UIC, stresses that motorized transport is artificially cheap because its true cost is not reflected in its price.

More information:

<http://www.railway-mobility.org>

<http://www.t-e.ne>

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Harald Diaz-Bone, UNFCCC, noted that the transportation sector had the highest growth rate of greenhouse gas emissions in comparison to other sectors in developed countries and highlighted that the more frequent use of cars than trains is partly due to the availability of inexpensive car fuel. Presenting the status of key policies and measures in the transport sector, he noted that very few resulted in substantial emission reductions. Diaz-Bone mentioned policy options, including energy efficiency regulations and transport demand management, and showcased the success of an integrated transportation strategy in Finland. He emphasized that emission reductions achieved through technical measures would be offset to some extent by an increase in transportation activities. He also observed the shift from regulatory instruments toward economic and fiscal ones.

Heinrich Stroessenreuther, Deutsch Bahn, discussed the initiatives of Germany's railroad system in reducing its impact on climate change. He outlined concrete measures for improving energy efficiency in the railway sector, such as creating timetable buffers and influencing the behaviour of train conductors.

Gunther Ellwanger, UIC, presented a study that showed that the total external costs of the transport sector, not including congestion, amounted to 7% of Western Europe's Gross Domestic Product in 2000. He said that these external costs, including accidents, air pollution, climate change, and noise, are mostly caused by motorized transport. Noting that the polluter-pays principle can be applied to the transport sector, he concluded that external costs for all transport modes should be internalized simultaneously and as soon as possible.

Markus Liechti, European Federation for Transport and Environment, discussed ways to achieve sustainable transport systems. Noting the increased use of cars in the EU, he underscored the importance of addressing transport demand as well as technology, and described the negative consequences of increased transport usage, including air pollution, noise, human health, accidents and climate change. Liechti outlined ways to make transportation more sustainable, including reducing energy consumption and shifting toward less-polluting transportation modes. He underscored the importance of giving the right incentives, such as applying the polluter-pays principle and emissions trading in the transportation sector. He concluded by stressing the need for political commitment and a package of concrete measures.

A viable long-term global framework: Ensuring Kyoto commitments and the potential beyond

Presented by Friends of the Earth (FOE) International

Yuri Onodera, FOE Japan, discussed a conference held in February 2004 in Tokyo, Japan on the long-term prospects for international climate policy.

Highlighting that action on climate change is a political priority for the EU, Matthias Duwe, Climate Action Network (CAN) Europe, said the EU Climate Change Program contains a comprehensive approach for achieving its Kyoto Protocol obligations. He called on the EU to take stronger measures to tackle emissions from the transportation sector.

Jeff Fiedler, Natural Resources Defense Council, discussed US climate change policies, stressing that the country's current policies, including voluntary industry commitments and emissions intensity targets, are inadequate. He also drew attention to positive initiatives in the US, such as mandatory emission limits in some States, as well as Congressional action, such as the McCain-Lieberman Bill for a mandatory national limit involving a cap-and-trade system. Fiedler emphasized that State action is important because it prepares businesses, spurs technology development and demonstrates bipartisan political support. He also discussed possible pathways for re-engaging the US in the Kyoto Protocol process.

M.J. Mace, Foundation for International Environmental Law and Development, stressed that the delay in providing technical and financial support for adaptation increases the burden on vulnerable communities, and therefore an equitable framework for addressing adaptation is essential. She underscored that vulnerable countries and communities are often unable to participate effectively in the negotiation process.



Matthias Duwe, CAN Europe, emphasizes that many new technologies would benefit from a carbon-constrained framework by improving their economic competitiveness.

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A viable long-term global framework

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Drawing attention to the UNFCCC's objective to prevent dangerous anthropogenic interference with the climate system in a time frame sufficient to allow ecosystems to adapt naturally, Jennifer Morgan, World Wide Fund for Nature, stressed the need to prevent global temperatures from rising above 2°C. She emphasized that this would require the stabilization of atmospheric greenhouse gas concentrations at a level below 450 parts per million (ppm). Morgan outlined CAN's proposal for an equitable three-track framework for a future climate regime, comprising: the "Kyoto Track", with legally-binding emission reduction targets for developed and a few developing countries; the "Decarbonization Track," involving the rapid introduction of sustainable energy technologies in the majority of developing countries; and the "Adaptation Track," to meet the needs of the most vulnerable regions and countries.

Nasimul Haque, CAN South Asia, stressed the need for the international community to urgently recognize that climate change impacts are already occurring and will increase in both intensity and frequency in the future. He said negotiators tend to forget the principles laid out in the Convention, and emphasized that developing countries should not be expected to take on emission reduction commitments until developed countries fulfil their obligations to support developing countries in adaptation.

More information:

<http://www.climnet.org>
http://www.foejapan.org/en/climate_evt_2e.html
<http://www.can-sa.net>
<http://www.field.org.uk>
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FAIR 2 all

Presented by the Netherlands' National Institute for Public Health and the Environment (RIVM)

M.M. Berk, RIVM, presented the Framework to Assess International Regimes (FAIR) for differentiation of commitments, a policy decision-support tool which assesses the environmental and economic implications of international climate regimes for the differentiation of mitigation commitments. He outlined key features of the model, including its scientific basis, its ability to integrate "differentiation of commitments", and proposed regime options. Berk described dimensions of the model's architecture including the stringency of mitigation, the incorporation of different equity principles, and various forms and types of commitments. He said there were several versions of the model tailored to specific target groups, including the general public, research institutes and policy advisors. He also stressed that the model should not be used for commercial purposes.

Michel den Elzen, RIVM, elaborated on the new version of the model FAIR 2.0. He said that novel aspects of the model include: incorporation of more regions; extension of regime approaches; and the inclusion of data sets and more baseline scenarios. He explained that FAIR 2.0 consists of an integration of three sub-models: the first evaluates the climate impacts of global emission profiles; the second evaluates the emission allowances for different regimes; and the third can calculate regional mitigation costs.

Den Elzen then explained how the models interact and cited examples of climate assessment models, future commitment approaches, and emission allowances that can feed into the model. Using several emission profiles, convergence years and baselines, he demonstrated how the model produces graphs on, *inter alia*, *per capita* carbon dioxide emission allowances. He concluded that the model can be downloaded from the RIVM website.

Discussion: In the ensuing discussion, the panelists focused on the utility of the FAIR model in terms of policy analysis, capacity building and education, and asked participants for suggestions for improvements on the model. Elaborating on the use of marginal abatement cost curves, Burke noted that the FAIR model had marginal abatement cost curves for 11 sectors and six greenhouse gases and that research was still ongoing to develop further costs curves. He added that it is difficult to capture the implications of technology learning and path dependence in the model and noted that this model is simpler than the Integrated Model to Assess the Greenhouse Effect (IMAGE).



M.M. Berk, National Institute for Public Health and the Environment, stresses that the FAIR model does not promote any particular regime, but allows comparisons between regimes in a consistent and transparent manner.

More information:

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

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Launch of the GHG protocol corporate standard

Presented by the World Business Council for Sustainable Development (WBCSD)



Manuel Estrada, SEMARNAT, notes the strategies involved in creating the Mexican GHG registry program including, identifying and building local partnerships and designing the program to support multiple inventory objectives.

More information:

<http://www.ghgprotocol.org>
<http://www.wbcsd.org>

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Laurent Corbier, WBCSD, said that WBCSD's revised GHG protocol corporate standard allows companies and governments to improve the quality of their work on greenhouse gas emissions.

Simon Schmitz, WBCSD, highlighted key aspects of the revised Protocol including the creation of an additional chapter on verification of greenhouse gas reductions. He noted that companies can now choose between an "equity share" or "control" for reporting purposes.

Mahua Acharya, WBCSD, presented an update on the emerging GHG Protocol Project Quantification Standard, noting that it is consistent with the CDM procedures and can be used under any scheme. Acharya said the next steps for the Standard include integrating and addressing all feedback.

Marina Dragan, Agency for Direct Investments (ADI), noted the importance of greenhouse gas emissions management for Russian companies. She underscored three management approaches, including passive strategy, active strategy and aggressive strategy, and said companies new to greenhouse gas management could use these approaches.

Michael Yulkin, Environmental Investment Center, provided an overview of three different pulp and paper companies in the Russian Federation that utilized greenhouse gas emissions management. Yulkin highlighted that one company calculated direct emissions, emissions related to energy export, carbon dioxide emissions from biomass and indirect emissions, and highlighted that direct emissions went down even while production increased.

Manuel Estrada, Secretariat of Environment and Natural Resources (SEMARNAT), noted that the goal of the Mexican GHG Pilot Program is to develop a voluntary, national, corporate greenhouse gas accounting and reporting programme to assist Mexican businesses to, *inter alia*, identify cost effective reduction opportunities and greenhouse gas mitigation projects.

Hirofumi Kazuno, said that the WBCSD GHG Protocol could be applied in Japan. He highlighted that the policy framework and stakeholder interest will provide incentives for companies to apply the GHG Protocol, and noted the need for consistency while calculating indirect reductions, to avoid double accounting.

Contraction and Convergence

Presented by the Global Commons Institute

Tim Helweg-Larsen, Global Commons Institute, advocated "contraction and convergence" as a simple mechanism for future emissions allocation, entailing a contraction of global carbon emissions, and a convergence of *per capita* emissions allocations so that they eventually become equal. He noted that unlike the Kyoto Protocol's negotiated targets, the contraction and convergence model works backwards from an agreed atmospheric stabilization level, such as 450 ppm, and then divides the total carbon budget into annual slices, which would be distributed among countries. Helweg-Larsen explained that a year of "convergence" would also need to be negotiated, such as 2050 or 2100, when the *per capita* emissions of developing and developed countries would become equivalent, resulting in an equitable situation from the convergence year onwards. Noting that the rate of population growth varies considerably among countries, he stated that this would affect the annual emissions budgets among Parties, unless there is an agreement to freeze the population figure at a certain level.

Helweg-Larsen noted that if a later convergence year is chosen, developed countries receive a greater proportion of emissions allowances, but if an earlier one is chosen then developing countries receive a larger share. Noting that many developing countries would have more emissions permits than they required, whereas developed countries would have "more SUVs than permits," he highlighted that the emissions permits could be sold on the market. He suggested that countries could negotiate for regional emissions budgets, rather than national ones.

Discussion: In the ensuing discussion, participants addressed: ways to categorize developed and developing countries; the need to allow development in developing countries; problems in allocating property rights; and whether *per capita* entitlements are equitable or whether other factors should be taken into account.



Tim Helweg-Larsen, Global Commons Institute, emphasizes that every citizen on the planet should be entitled to equal atmospheric property rights.

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