



## A Special Report on Selected Side Events at the Bonn Climate Change Talks - June 2009

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Events convened on Tuesday, 9 June 2009

# Reforming the CDM for the Future Climate Regime

Presented by the Institute for Global Environmental Strategies (IGES)



Taka Hiraishi, IGES, commended Cambodia for submitting concrete proposals for reform to the CDM Executive Board, noting such reforms would make things easier for all LDCs.

This event discussed proposals for CDM reform based on IGES work on capacity building in Asia and analysis of its own CDM project database. Taka Hiraishi, IGES, noted that the original purpose of the CDM was to promote sustainable development and emphasized Japan's proposals to prioritize CDM projects that produce co-benefits and remove the additionality test under current CDM procedures.

Toshiro Kojima, IGES, spoke on IGES' efforts to promote CDM-related capacity building in Asia, stressing that it relies on collaboration with local project developers and experts. Emphasizing the importance of streamlining CDM rules and procedures, he said IGES is eager to share lessons learned and propose ideas for CDM reform.

Keisuke Iyadomi, IGES, recommended CDM reforms. He said the average project size is becoming smaller and noted that small-scale projects have high transaction costs that reduce the incentives for participation in CDM. Iyadomi also noted, *inter alia*: time-consuming CDM procedures; heavy workload for validation and registration; delays in project registration and implementation; lack of understanding of local regulations; and burdensome documentation requirements to demonstrate additionality. He stressed the need to reduce transaction costs and simplify procedures, and recommended: exemption from demonstrating additionality for specific projects in Least Developed Countries (LDCs); and automatic calculation of emission reductions to reduce transaction costs.

Thy Sum, Cambodia, noted barriers to CDM projects in LDCs, including: limited and unreliable baseline data; absence of skilled personnel; financial barriers; and CDM rules that are more adapted to developing countries with advanced economies. Sum described proposals for CDM reform submitted by Cambodia, including to: reduce the registration fee for LDC projects by 50%; shorten registration procedures; and provide an exemption for proving additionality for some projects.

Yuji Mizuno, IGES, said current climate change negotiations and proposals on sectoral crediting mechanisms and credits for NAMAs obviate issues related to the CDM, including the need to expand eligibility for Land Use, Land-Use Change and Forestry projects and to improve access by Parties. He questioned whether sectoral crediting mechanisms would improve CDM processes and promote sustainable development. Mizuno outlined Japan's proposals to give preferential treatment to CDM projects that have co-benefits and remove the currently required additionality test.

Toshiro Kojima closed the session, emphasizing the need to change the geographical distribution of CDM projects and practical reforms that facilitate project development and implementation.

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# MRV, Multiple Benefits and Governance: Key Issues for REDD Implementation

Presented by the UN Chief Executives Board

This event was introduced by Charles McNeill, UN Development Programme (UNDP), who explained that UN-REDD is a collaborative initiative of the UN Food and Agriculture Organization (FAO), UN Environment Programme (UNEP) and UNDP that assists forested developing countries and the international community gain experience with REDD. McNeill said the programme aims to maximize the carbon mitigation and broader sustainable development benefits that REDD could deliver in a post-2012 climate regime.

Peter Holmgren, FAO, stressed that although techniques exist to measure forest carbon stocks, data are often inadequate. Holmgren said UN-REDD hopes to conduct a systematic review of evidence to determine the effectiveness of systems that estimate carbon stocks and stock changes for large geographic areas. Holmgren argued that remote sensing will be an essential tool for data supply but that data must be free, useful and collected frequently from available satellite systems. He stressed the need to monitor not just for carbon but also for the multiple benefits of REDD. Holmgren emphasized the need to build long-term institutional capacity and ensure stakeholder engagement in monitoring.

Barney Dickson, UNEP-World Conservation Monitoring Centre, noted that although REDD is a mechanism to mitigate climate change, it will also impact social, economic and institutional contexts. He said the impacts of REDD will depend on how it is designed in the UNFCCC negotiations and subsequently implemented by countries. Underscoring that implementation could lead to benefits and create risks, he said UN-REDD is helping countries to understand the full range of effects that different policy options might incur.

Laura Furones, Global Witness, UK, described international forest monitoring (IFM), a method used to monitor logging and law enforcement based on ground-truthing through field investigations. She said monitoring is conducted at the invitation of a host country and requires access to information, access to the field and freedom of publication.

Furones highlighted that IFM can enhance transparency and generate revenues. She noted, for example, that IFM costs US\$500,000 annually in Cameroon and generates US\$7.5 million for the government through fines, taxes and other funding. She described how IFM, in collaboration with national partners, has led the local forest authority in Nicaragua to establish a monitoring unit and to develop forest audits, demonstrating the growing importance governments are placing on monitoring.

Rosalind Reeve, Global Witness, UK, stressed that illegal logging demonstrates governance failures. She noted that an estimated US\$11 billion in revenues is lost annually in REDD candidate countries due to illegal timber exports. She emphasized that in addition to monitoring carbon, legislation policies and reforms, law enforcement, and the management and disbursement of REDD funds and benefits must also be monitored.

Participants discussed, *inter alia*: the need to combine remote sensing and on-the-ground MRV methods; the importance of including indigenous peoples and civil society in all aspects of REDD; and whether monocultures are likely to be included in the definition of REDD and potential impacts of this possibility. McNeill noted that the UN-REDD Policy Board has one position reserved for an indigenous representative and three for indigenous observers.



Charles McNeill, UNDP, said UN-REDD has pilot programmes in nine countries to assist with capacity development, governance and technical needs for effective participation in REDD-related activities.



Rosalind Reeve, Global Witness, UK, stressed that REDD will fail to deliver benefits if MRV actions do not address governance. She emphasized that civil society must be included in all aspects of REDD development and operationalization.

#### More information:

<http://www.un-redd.org>

<http://www.undp.org>

<http://www.fao.org>

<http://www.unep-wcmc.org>

<http://www.globalwitness.org>

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# Targeting Non-CO<sub>2</sub> Climate Forcers for Fast Mitigation to Complement CO<sub>2</sub> Cuts

Presented by the Federated States of Micronesia and Sweden

This event discussed “fast action” strategies for climate change mitigation to complement CO<sub>2</sub> cuts.

Durwood Zaelke, Institute for Governance and Sustainable Development (IGSD), emphasized that recent studies indicate we are currently committed to 2.4°C of warming based on emissions as of 2005, highlighting that this could lead to a possible die off of the Amazon forest resulting in this region becoming a carbon source. He said fast action strategies may help to avert some of these effects.

Cindy Ehmes, Federated States of Micronesia, presented an address from her country’s Minister of the Environment, Andrew Yatilman. She highlighted her country’s proposal for a programme of “fast action” of climate change mitigation strategies to be implemented immediately by developed and developing countries.

Malte Meinshausen, Potsdam Institute for Climate Impact Research, Germany, discussed short-term forcings and their implications for exceeding 2°C. He underscored that attention to short-term forcing mechanisms should complement CO<sub>2</sub> cuts, noting that if effort is diverted from action on long-lived gases, the risk of long-term dangerous climate change effects will increase. He added that not all short-lived forcing agents are the same, highlighting differences in lifetimes, global versus local effects, and coverage under the Kyoto Protocol.

Mack McFarland, DuPont Fluoroproducts, US, presented scenarios for future HFC emissions and discussed the implications of controlling HFCs under different control regimes. He highlighted that the Montreal Protocol has provided 5 to 6 times the climate protection of a “fully implemented Kyoto Protocol.” He underscored that a global agreement on HFCs could result in 3.2 to 12.9 billion tons of CO<sub>2</sub>-equivalent savings annually by 2050.

Husamuddin Ahmadzai, Sweden, stressed the need to “bridge the gap” between the UNFCCC and the Montreal Protocol through inter-regime cooperation. He suggested that finance for GHG emission reductions be provided via climate mechanisms with timely assistance that includes the Montreal Protocol financial mechanism.

Dennis Clare, IGSD, said black carbon is a particulate aerosol whose warming effects are enhanced over bright surfaces. He stated that cook stoves are the greatest black carbon source in developing countries, and diesel vehicles in developed ones. Clare said black carbon could be addressed in a COP 15 decision but if this does not happen, a placeholder to address it at a later date could be used.

Scott Bartos, US, noted the high co-benefits of reducing methane from coal mines, the oil and gas industry, landfills and livestock manure, and said the potential to collect methane to generate energy from enteric fermentation and rice cultivation is more complex. Bartos outlined the US Methane to Markets Partnership, which works with 29 governments and over 850 private and financing organizations to derive co-benefits from methane.

Debbie Reed, International Biochar Initiative, stated that biochar is an ancient technology that can be produced using modern methods. She noted that as a soil amendment, biochar creates virtual carbon sinks that can store carbon for 1,000-2,000 years. She highlighted additional environmental benefits, including: enhanced crop productivity; improved soil water retention; and reduced fertilizer needs.



Durwood Zaelke, IGSD, stressed the need to discuss “fast action” mitigation strategies that can be implemented immediately.



Cindy Ehmes, Federated States of Micronesia, emphasized that steep cuts in CO<sub>2</sub> emissions are insufficient, and said reducing emissions from non-CO<sub>2</sub> climate warmers can produce fast cooling within months, years and decades.

#### More information:

<http://www.biochar-international.org>  
<http://www.pik-potsdam.de>  
<http://www.epa.gov>  
<http://www.naturvardsverket.se>  
<http://www.inece.org>  
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## Panel Discussion: Regional Distribution of CDM Project Activities

Presented by the UNFCCC Secretariat

This panel was organized to discuss the reasons for the current unequal regional distribution of CDM project activities and possible solutions.

Samira Elkhamlichi, World Bank, stated that China, India, Brazil and Mexico host 77% of all registered CDM projects. She highlighted a number of factors that influence regional distribution of projects, including: variable potential; capacity constraints; access to finance; and procedural issues. She suggested possible solutions, including to: reduce transaction costs through CDM reform; employ programmatic approaches with clear guidelines; focus capacity building at the sectoral level; and work with countries to link carbon finance with development projects.

Martin Enderlin, Project Developer Forum, said regional distribution “does not look that bad” when evaluated according to certified emission reductions per capita. He highlighted crucial country- and regulatory-specific issues, including: institutional strengths and weakness; consumption and production structures; and problems associated with methodologies and monitoring approaches.

Noting the rapid growth in CDM projects since 2005, Matt Spannagle, UNDP, stressed the need to look at CDM not as a failure due to distributional issues, but rather as a success that has room for improvement in this regard. He noted a number of issues that need to be addressed, and highlighted investor fears associated with uncertainty.

Thomas Kleiser, TÜV SÜD, Germany, underscored that CDM is a success story but that better regional distribution is needed. He stressed the need for, *inter alia*: public awareness of the CDM; increased data availability; involvement of local consultants with local expertise; and stable investment conditions.

John Christensen, UNEP RISØ Centre, highlighted an increase from 50 to 100 projects in the pipeline in Africa over the past two years. He explained that this corresponds to growth rates in other regions, and that most of the money will probably go to two or three African countries. He emphasized that while international organizations can make progress through finance facilitation and capacity building, other issues must be solved politically by Parties. He recommended simpler criteria for additionality and underscored that dedicated funds to develop projects are necessary.

Tosi Mpanu Mpanu, Democratic Republic of Congo, said the CDM rewards polluters, not African countries with relatively low levels of emissions. He emphasized: the importance of conducive investment environments; the huge potential for afforestation projects in Africa to create social benefits; the unsuitability of CDM methodologies to local contexts in Africa; and problems with sub-regional distribution. He said if CDM is to continue it must undergo reforms, suggesting that: credits from least developed countries (LDCs) be sold at a premium; and types of gases as well as levels of countries' development be differentiated.

Participants discussed, *inter alia*: the possibility for a streamlined registration process and for the removal of additionality requirements for LDCs; whether the CDM is the right mechanism to enhance sustainable development in Africa; difficulties in Africa related to finance and capacity; and the potential benefit of a programmatic approach.



Tosi Mpanu Mpanu, Democratic Republic of Congo, said African countries feel they have been “duped” because many of them have not seen the sustainable development benefits that were promised to them when they agreed to the CDM and because carbon finance goes to “cheap projects” with no social benefits.

### More information:

<http://www.unfccc.int>  
<http://www.worldbank.org>  
<http://www.tuev.sued.de/climatechange>  
<http://www.uneprioso.org>  
<http://www.pd-forum.net>  
<http://www.mdgcarbonfacility.org>

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