



This newsletter is published as part of the project JIKO – Development phase 2002-2004 at the Wuppertal Institute for Climate, Environment, Energy – Energy, Transport and Climate Policy Research Group

Dear Reader,

The year 2005 is an important year in international climate policy. On February 16, the Kyoto Protocol will finally enter into force. Eight years after the historic conference at Kyoto, the Protocol will become legally binding for the 137 states that have ratified it so far.

This landmark also raises questions about the future of the climate regime beyond the first commitment period. As the controversial debate on this issue at COP 10 showed, the negotiations will be everything but easy – even the decision to start talking about future commitments was subject to a lengthy debate. Read on for news on this and other topical issues. Thank you for your interest.

The Editor

JIKO News

COP 10 Completes CDM but Yields Little Policy Action

More than 6,000 participants attended the 10th Conference of the Parties to the UN Framework Convention on Climate Change (COP 10) from 6 to 17 December 2005 in Buenos Aires. The highlight of the conference was its Buenos Aires Programme of Work on Adaptation and Response Measures. Dealing with future commitments after the year 2012 was channeled into a high-level seminar to be held later this year. COP 10 also completed the last missing element of the CDM by approving simplified modalities for small-scale afforestation and reforestation projects.

The CDM was hotly debated in Buenos Aires. India launched fierce attacks against the Executive Board of the CDM (CDM EB) for its work on ensuring that projects are truly “additional”, i.e. reduce emissions below those that would have happened in the absence of the project activity. These complaints were echoing those of business representatives who have been criticising the complexity of the process since it was adopted. In the end, the work of the CDM EB was for the most part reaffirmed. However, the additionality tool developed by the CDM EB will be reviewed until the first Conference of the Parties serving as Meeting of the Parties to the Kyoto Protocol (COP/MOP 1).

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Successful Close to KfW Carbon Fund's First Call for Tenders

The KfW Carbon Fund's first call for tenders closed in late November 2004, with some 30 proposals being submitted for climate protection projects. This first call for tenders involved Clean Development Mechanism projects. A total of 26 projects with an overall potential of almost 7 million tonnes of CO₂ equivalent were shortlisted.

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COP 10 Completes CDM but Yields Little Policy Action

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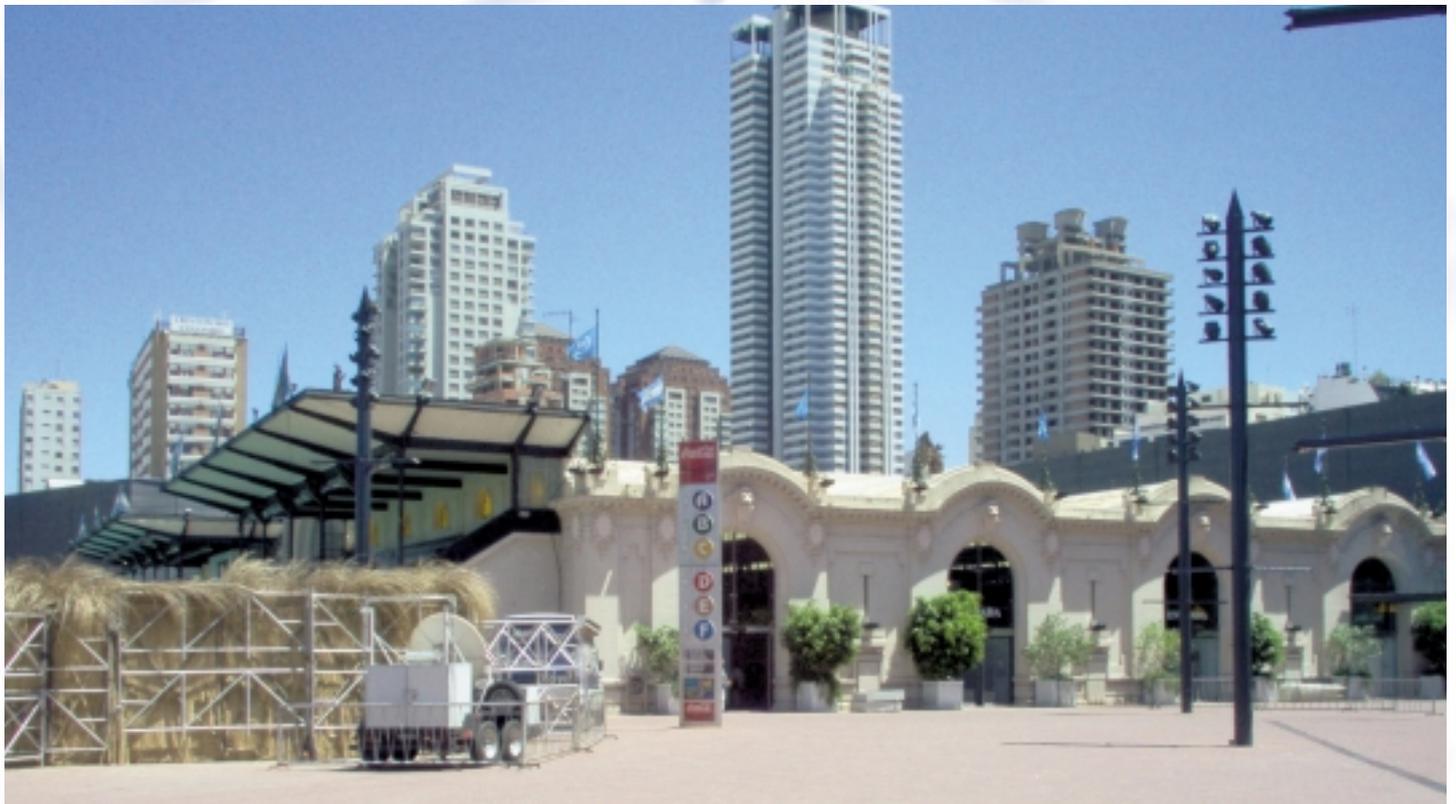
Conflicts with Other Goals and Conventions

Delegates from developing countries and some non-governmental organisations were voicing concerns that many of the projects that are pending approval aim at reducing emissions of methane and hydro-fluorocarbons. These are potent greenhouse gases and mitigation activities are thus able to generate a great amount of cheap emissions

objectives of other environmental treaties, with a view to taking a decision at COP/MOP 1. This debate was prompted by HFC-23 decomposition projects that lead to an increased production of HFC-22, a gas governed by the Montreal Protocol on Substances that deplete the ozone layer.

CDM Completed

On a more consensual note, the COP finalised the special simplified modalities for small-scale afforestation and reforestation projects. The last missing element of the CDM has thus been put in place. The threshold for these projects was set at 8000 t CO₂ estimated sequestration per annum. Negotiators agreed to reduce costs by excluding these projects from the adaptation levy and reducing administrative



The Conference Venue "La rural" Exhibition Centre / Source: Wuppertal Institute

reduction certificates. Yet, as it was claimed, these projects contribute little to the goal of the CDM to assist host countries in achieving sustainable development. Delegations therefore demanded that projects in the energy and transport sectors be better promoted. In addition, small developing countries demanded that some remedial action to ensure a geographically balanced distribution of projects be taken.

The Subsidiary Body for Scientific and Technological Advice (SBSTA) will be discussing how to deal with projects which might be in conflict with the

fees (although the exact amounts have not been decided). One and the same operational entity will be allowed to carry out validation, verification and certification. The COP requested the CDM EB to develop default factors for assessing the existing carbon stocks and for simplified baseline methodologies as well as simplified monitoring methodologies. No decision was taken on whether or not to allow unilateral CDM projects, i.e. projects which are developed without participation from an industrialised country.

Controversy over Future Climate Policy

Generally, the conference was overshadowed by the persistence of the US delegation to discount the threat of climate change accompanied by Saudi Arabia's efforts to tune down any climate action. The EU delegation was ready to discuss future climate commitments but could only secure a decision to hold a seminar later this year where information on existing policies and measures will be exchanged and future policy options may be developed. However, this seminar is not intended to provide guidance to the UNFCCC process.

The question of how to help developing countries adapt to the adverse impacts of climate change has been gaining in prominence over the past years and was intended to be at the forefront of this COP, which was unofficially dubbed the "Adaptation COP". This concern was not only confirmed by eye-witness accounts of representatives of indigenous communities, but also by in-depth, long-term scientific reports such as the Arctic Climate Impact Assessment, which attested to the fact that climate change impacts are already being felt across the world today.

Compromise in the Early Morning

Supported by the United States, Saudi Arabia insisted on maintaining the link between adaptation to climate change and the impacts that measures to reduce emissions ("adverse effects of response measures") have on oil-exporting countries. In practice, this means that any decision to support countries that are affected by climate change is to be blocked unless rich OPEC countries also receive funding. Eventually, the "Buenos Aires programme of work on adaptation and response measures" was adopted in the early morning hours of the weekend. It acknowledges the needs of both country groups although the demands of the oil-exporting countries were somewhat stunted.

You can find a more detailed report "It Takes Two to Tango" and other relevant information on the Wuppertal Institute's COP 10 web page under www.wupperinst.org/COP10.

BWi /WSI

Further Information:

All CDM-related decisions of the COP can be downloaded from UNFCCC's CDM-Website at <http://cdm.unfccc.int> (-> "Latest Documents")

Many organizers of side events have posted their presentations or more information on the UNFCCC web site. These can be found at <http://regserver.unfccc.int/SEORS/finalreport/index.html>

The Carbon Finance division of the World Bank sponsored two full day workshops for CDM Project Developers. The presentations of this workshop "CDM Methodologies and Project Design" as well as the workshop "Power Grids and CDM Methodologies" were conducted by UNFCCC secretariat staff, CDM EB members, project developers and others. The slides can be found at <http://carbonfinance.org/Router.cfm?Page=DocLib&Dtype=50&ActionType=ListItems>

The developing country NGO "SouthSouthNorth" presented their interactive CDM practitioners' toolkit at the conference. It is free to use under www.cdmguide.com

The International Emissions Trading Association distributed its report "Three years after Marrakech: Lessons Learned from CDM". The publication is available on their website www.ietea.org/ietea/www/pages/download.php?docID=690

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Successful Close to KfW Carbon Fund's First Call for Tenders

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The vast majority of proposals (12) were submitted for projects in India. Two each were received for Chile, Egypt and Morocco, and one each for Brazil, Bulgaria, China, Cuba, Hungary, Rwanda, Romania and the Ukraine. The proposals covered the following technologies:

Combined Heat and Power (CHP)	6
Methane Emission Reduction	6
Energy Efficiency	5
Fuel Switching	4
Renewable Energy Sources	4
Other (N ₂ O)	1
Agriculture, Sinks and Forestry	0
Transport	0
Total	26

In total the 26 projects propose an estimated 6,961,140 t CO₂ equivalent in emission reductions. This represents an average 267,736 t CO₂ equivalent per proposal. It is encour-

raging to see a high number of energy efficiency projects among the proposals that were submitted. The CHP projects largely involve exploiting exhaust heat for power generation in industrial plants. Proposals involving renewable energy sources are clearly on the low side. This gap calls for special mobilisation strategies such as the bilateral establishment of a project pipeline between Germany and the respective host country.

The second call for tenders for CDM projects is currently under way and will close on 31 March 2005. Proposals may also be submitted for Joint Implementation projects, primarily for countries in Central and Eastern Europe.

The KfW Carbon Fund targets businesses in the emissions trading sector that use CDM and JI credits to fulfil their reduction commitments. The Fund takes the form of a public-private partnership. The German government is providing up to EUR 8 million, which will be largely spent on promoting projects in the renewables sector, as well as on stimulating the use of the project based mechanisms in Germany. The KfW Carbon Fund aims to sell certificates with a total value of EUR 50 million.

TF

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Researchers Debate Climate Policy Beyond 2012

On 16 November 2004, the Wuppertal Institute held an expert workshop on “International Climate Policy Beyond 2012: Challenges for Policy Consultation and Research”. Held in Wuppertal itself, the aim of the workshop was to review the current, primarily science-focused debate on the future of the climate regime beyond the first Kyoto commitment period (2008-2012) and to identify future research needs.

With regard to future directions in climate policy, the majority of the more than forty participating representatives from government, research and civil society agreed that

global warming must not be allowed to exceed an average 2° C compared with pre-industrial levels. Agreements containing a 2° C target would not only require industrial nations to achieve reductions exceeding those laid down by the Kyoto Protocol. Such a target would also call for greater integration of countries in transition and developing nations into a regime of firm emissions reduction obligations. The workshop thus focused on the question of how the climate regime might be structured given these challenges.

On behalf of the Federal Environment Ministry, Martin Weiß (Federal Environmental Agency) presented the German government's view. He emphasised its willingness to aim for a 40 per cent reduction in Germany's greenhouse gas emissions by 2020 if the EU matches it with a 30 per cent reduction target. In order to achieve the 2-degree-target, there is still a need to build on the existing Kyoto architecture to assess the potential for integrating key developing nations (and the US) into the process. A multiphase approach, with differing degrees of commitment for the various country groups, is currently a matter of considerable debate although the German government has yet to announce its final position.

Regine Günther (WWF) emphasised the importance of the European Union's pioneer role in future negotiations which, among other things, would have to be underpinned with demanding mid-term targets. Ms. Günther presented the three-stage Climate Action Network approach, which enables integration of developing countries by means of decarbonisation and adaptation tracks. To ensure constructive progress, any future negotiations on this issue should take place as part of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 1).

Under the leadership of the Wuppertal Institute, a further proposal containing a multiphase approach has been developed by a team of 14 researchers from various regions of the world. The proposal, “Towards an Adequate and Equitable Global Climate Agreement”, was presented by Bernd Brouns (Wuppertal Institute). It provides an analytical basis for grouping developing countries according to their ability to engage in climate protection activities given their emission reduction potential, their historical emissions and their (financial) capacity. These criteria will be used to allocate minimum obligations to four

groups of developing countries. The obligations will be directly linked to funding from industrialised countries.

Margareta Kulesa (University of Applied Sciences, Mainz) presented “Global Environmental Change”, a proposal from the German Advisory Council on Global Change which proposes emission limits for all countries. These would be based on the respective populations and lead to global alignment of per capita emissions rights in industrial and developing countries by 2050 (contraction and convergence).

Each of the presenters emphasised that apart from emission reduction, the issue of adapting to climate change would play a greater role in future negotiations. Even a 2° C target will require many regions to adapt to changing climatic conditions. Many developing countries will thus view negotiations on adaptation activities as a precondition for them entering into talks on reduction commitments among their ranks.

The final debate got underway with contributions from Martin Weiß (Federal Environmental Agency) and Niklas Höhne (Ecofys). Both gave an overview of the post-2012 research environment and the type of research needed. One of the issues covered was the possibility of expanding the CDM to allow greater integration of developing countries. Also discussed were bottom-up approaches to climate protection activities designed around country-specific development needs and potential.

An evaluation of the debate will be published in a JIKO Policy Paper shortly. The workshop presentations are available online at <http://www.wupperinst.org/Projekte/fg2/1078e.html> (in German).

BBr

JIKO News in Brief

German CDM/JI Legislation in Preparation

Following initial informal talks at departmental level in November/December 2004, the Federal Environment Ministry is currently preparing the first formal draft of the CDM/JI legislation. The draft is expected to be presented to other departments in early February.

NEFCO Extends Call for Projects

The Nordic Environment Finance Corporation (NEFCO) renewed and extended its Call for Projects in late January (www.nefco.fi/documents/TGF%20Call%20for%20projects.pdf). Proposals are sought for climate protection projects in the Baltic Sea Region, particularly in the renewables and energy efficiency sectors. NEFCO manages the Baltic Sea Region Carbon Fund – the Testing Ground Facility – to which Germany is a signatory member (see JIKO Info 04/04).

Further information is available at www.nefco.fi.

Workshop on Climate Protection Projects at the TerraTec Environmental Trade Fair

The TerraTec international trade fair for environmental technology and services will take place in Leipzig from 8 – 11 March 2005. The German Federal Environment Ministry (BMU) will hold a two-day workshop at the fair entitled “Climate Change Mitigation Projects and EU Emissions Trading: Perspectives After the Start”. Further details of the workshop, to be held from 10 –11 March, will shortly be available on both the Federal Environment Ministry and Wuppertal Institute websites. In the meantime, further information may be requested by e-mail from jiko@wupperinst.org.

For more about the fair itself, please visit www.terratec-leipzig.de.

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