



This newsletter is published as part of the project JIKO – Development phase 2005-2007 at the Wuppertal Institute for Climate, Environment, Energy – Energy, Transport and Climate Policy Research Group

Dear Reader,

With its ratification of the Kyoto Protocol, Russia has brought utilisation of its JI potential one step nearer. Establishment of a JI infrastructure in Russia was among the items covered at a recently held workshop on “Climate Protection Projects and EU Emissions Trading: Initial Perspectives”, which was sponsored by Germany’s Environment Ministry. An article on the outcomes of the workshop is included in this edition of JIKO Info.

The German Government is currently working on national CDM/JI legislation, transposing the EU linking directive into national law. Read on to find out more on progress in this area and about other topical issues.

Thank you for your interest.

The Editor

JIKO News

NGOs to Attend Hearing on German CDM/JI Legislation

Preparation of Germany’s CDM/JI legislation continues apace. The Federal Environment Ministry (BMU) has completed the first formal draft (as previously reported by JIKO Info) and has since extended an invitation to appropriate NGOs and representatives of the federal *Länder* to attend a hearing on 18 April 2005. The Ministry has sent a copy of the draft legislation on project-based mechanisms (*Gesetz über die projektbezogenen Mechanismen*, or ProMechG) to all concerned and has also published it on the ministry's website.

The new legislation implements what is known as the Linking Directive – the EU directive that regulates the integration into the EU Emissions Trading Scheme of carbon credits obtained from project-based mechanisms. The Linking Directive entered into force on 13 November 2004, giving EU Member States exactly one year in which to transpose it into national law. According to the Federal Environment Ministry, Germany's new CDM/JI legislation should be ratified before the summer recess.

The draft legislation, its justification and associated information are available online at: www.bmu.de/35268 (in Germany only)

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JIKO News in Brief

JIKO News

Workshop Highlights Potential for Climate Protection Projects

The new EU member states and Eastern Europe in general were at the centre of a workshop in Leipzig conducted by the German Ministry of the Environment on 11 and 12 March 2005. With the Kyoto Protocol entering into force and the start of the European emissions trading system, new economic instruments of international climate policy face their practical test.

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Workshop Highlights Potential for Climate Protection Projects

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Will climate change projects now after years of negotiating be carried out in substantial numbers? Are new markets evolving? If so, what does one need to know to carry out a project successfully? It was questions like these that brought together more than 80 participants from business, government, research institutes and civil society to exchange experiences and participate in the discussions. Leading experts from Germany, Austria, Russia, and the UN presented their activities and provided information on the institutional framework for project developers and investors.

During the first presentation of the workshop a representative of the UN climate secretariat described the latest developments in the field of CDM and JI. A staff member of the Russian Ministry of Economy and Trade presented the Russian action plan to implement the Kyoto Protocol on the national level. Russia is the country with the largest potential for Joint Implementation projects and it became clear that the Russian government is keen on extensively using JI.

It became apparent that there is a lack of properly developed projects to satisfy the evolving market for certificates. On the one hand, national and international CDM/JI-Funds are supported with more than 1 billion Euro; these funds therefore increase demand noticeably. On the other hand, there is potential for emission reductions in renewable energy, energy efficiency, fuel switch and non-carbon-projects – however, there are few well-elaborated projects. Even if the existing demand made it lucrative to invest in the host countries, there would be more to accomplish yet for investor countries, funds, and business in the current situation: capacity building, getting first hand experience with the project development phase, and exploring the economic potential in host countries, to name only some of the options available.

The Ministry is addressing this problem and has commissioned a project, in which the German Energy Agency (dena) is developing a project portfolio of JI-projects in Russia. One of the surprising results of the first call for projects of the German Climate Fund (KfW) was that the decisive factor in using the Kyoto mechanisms was not the transactional costs but the lack of funding and capacities for project development on the project developers' side. Nonetheless, the KfW Carbon Fund had a respectable start with 20 projects in the pipeline, which now have to be examined in detail. The results of Kommunalkredit, Vienna, confirm the growing number of projects. Kommunalkredit

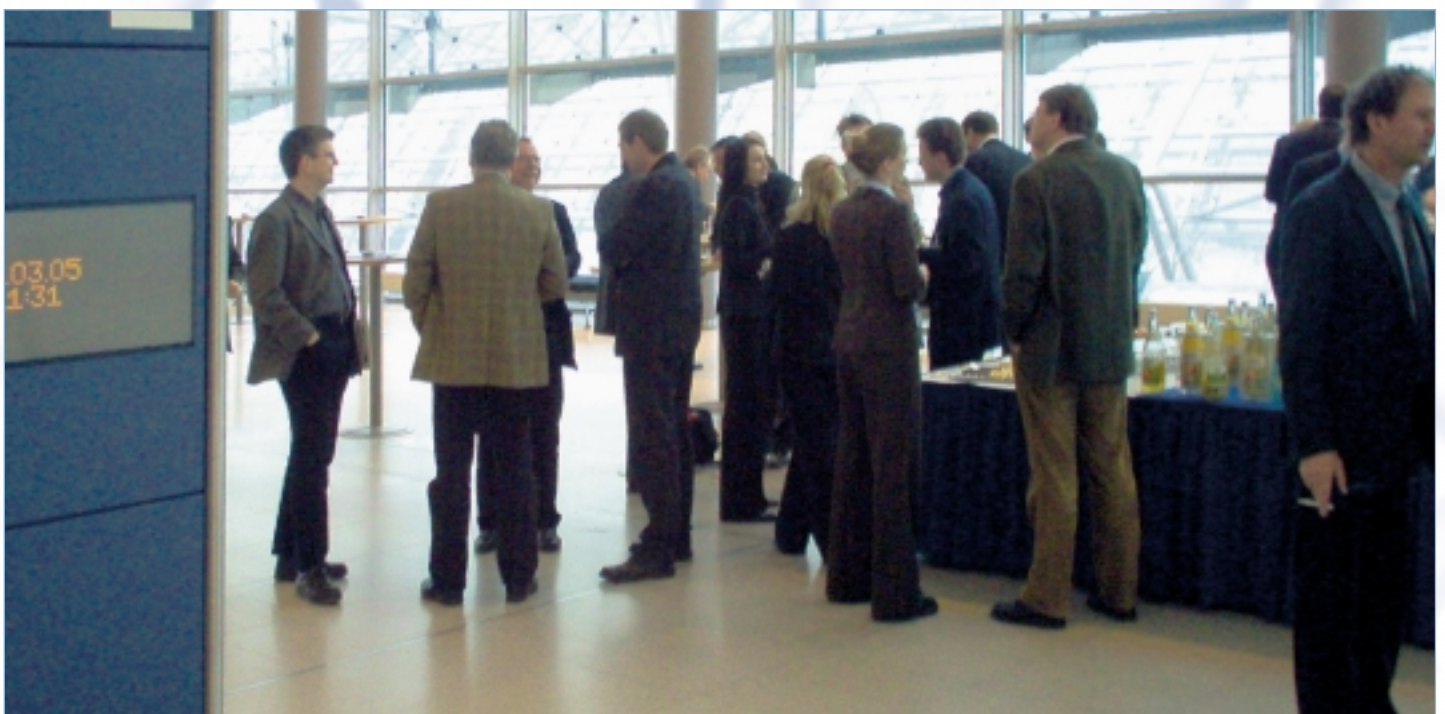


Image: Wuppertal Institute

is managing the Austrian Carbon Fund for the Austrian ministry of the environment. The positive trend was underlined by the overview over the market transactions, presented by the Energy Exchange Leipzig (EEX). The EEX started a spot market for emission certificates this month, which is developing rapidly.

The workshop was completed by presentations of projects that German enterprises are developing both at home and abroad. It became clear that projects do not only contribute to comply with reduction commitments of industrial countries and business – projects can also influence the development to modernize energy production and industry branches in Central and Eastern Europe as a whole. There is also a trend to carry out emission reduction projects within Germany. Important opportunities are coming up with Deutsche Bahn (German Railway) and in the field of biogas projects. It is desirable that these projects could be carried out as national projects similar to Joint Implementation. This implies that German investors would be treated as if they were foreign investors in a JI project. The EU will decide on this matter when reviewing the linking directive in 2006. A round table discussion analysed the situation of the developing market for certificates and provided further insights into the circumstances of project development.

The presentations of the workshop and further information can be found at <http://www.wupperinst.org/Sites/Projects/rg2/1078b.html>

TF

JIKO News

North-Rhine Westphalia and the CDM

On 10 February 2005, experts from the government of North-Rhine Westphalia (NRW) and civil society met in Düsseldorf to discuss the potential benefits of the Clean Development Mechanism (CDM) for development NGOs in NRW. Their main aim was to identify specific opportunities for NGOs to utilise CDM potential and to find ways in which the NRW government can support

the process. The meeting was jointly hosted by the Wuppertal Institute and NRW's One World Representative.

The debate focused for the most part on two specific problem areas: project initiation and the ultimate sale of certificates. With regard to project initiation, the basic thrust of the discussion was that the CDM is a highly complex instrument. The high transaction costs involved make it less than suitable for the small and micro-type projects usually conducted by development NGOs. Participants thus looked at how existing development partnerships at both *Länder* and municipal level can be used to create a support structure for such projects. This has not been taken up in any great detail, however.

The discussion on the sale of certificates centred for the most part on market opportunities for emission credits arising from NRW-based partnership projects. It was suggested that the CDM Gold Standard be used to ensure project quality. The Gold Standard label would also justify an above-average price for certificates. Seeing that in Germany, the state does not act as a purchaser, certificates can only be sold either to businesses committed under the EU Emissions Trading Scheme or as part of schemes for voluntary compensation of greenhouse gas emissions. The extent to which businesses are willing to cover at least a portion of their possible purchases by buying certificates obtained from high quality projects – and thus by paying higher prices – remains unclear. The debate therefore turned to whether the NRW government and civil society could promote this issue through targeted contacting of interested parties and public relations work. The question as to how they might go about it remains unanswered.

In light of the above, it was agreed that specific options for action to deal with both problem areas would be sought by issuing a questionnaire to those present at the meeting. Germanwatch and the Wuppertal Institute are currently in the process of evaluating the suggestions submitted in the survey and discussing possible options for further action.

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JIKO News in Brief

Gold Standard Online

The CDM Gold Standard launched a dedicated website (<http://www.cdmgoldstandard.org>) in early March. The website contains both comprehensive information on the Gold Standard and a broad range of other information which is especially aimed at project developers. The Gold Standard is a set of quality criteria that extends beyond CDM project requirements agreed under the Kyoto Protocol. Since the beginning of 2005, the Gold Standard has operated as an independent organisation and is sponsored by the Basel Agency for Sustainable Energy (BASE).

The Wuppertal Institute has issued two policy papers on the Gold Standard. These are available online at: <http://www.wupperinst.org/Projekte/fg2/1078d.html>

German Emissions Trading Registry Online

The German Emissions Trading Registry is now open. Following EU Commission approval of Germany's national allocation table on 10.03.2005, the German Emissions Trading Authority (DEHSt) can now go ahead with the allocation of its first tranche of emissions allowances. The Emissions Trading Registry serves in documenting who sells their emissions entitlements, who they sell them to and when. Further information is available online at: www.dehst.de

CDM Project Documentation Published Online

The UNEP Risø Centre on Energy, Climate and Sustainable Development (URC) has published comprehensive documentation on the CDM. The list encompasses all CDM projects (both those in preparation and those already approved), an overview of CDM methods and information on operational entities. The overview is updated on an ongoing basis and can be viewed online at: www.cd4cdm.org/publications/cdmpipeline.pdf

JIKO Info

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