



## **AUSTRIAN JI/CDM WORKSHOP 2010**

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## 1. The Austrian JI/CDM Workshop: information and knowledge sharing platform

The Austrian JI/CDM Workshop is an annual event organized by the [Austrian JI/CDM Programme](#), the official carbon purchasing programme of the Austrian government managed by [Kommunalkredit Public Consulting](#) (KPC) on behalf of the Austrian Ministry of Environment. Each year, the event brings together a variety of stakeholders of the international climate and carbon community. The Austrian JI/CDM Workshop is designed to serve as knowledge exchange, communication and networking platform by discussing relevant topics related to flexible mechanisms, including policy issues, carbon market developments and specific project experiences.

The strategic timing of the event – right after the annual Conference of the Parties under the UNFCCC – as well as the contributing high-level speakers and the constructive atmosphere have been key elements for maintaining its attractiveness for international climate professionals.

Every year, the two-day workshop is preceded by a site visit related to low-carbon technologies, providing participants the opportunity to get in touch with Austrian experts presenting advanced renewable energy and energy efficiency projects.

### Objective of this report

This report sets out to document the main contents and messages of the sessions conducted at the 6<sup>th</sup> Austrian JI/CDM Workshop held in January 2010 in Vienna. It aims to inform climate experts on the event's outcomes and to contribute to the discussion of key topics related to the Clean Development Mechanism (CDM) and Joint Implementation (JI).

### The 6<sup>th</sup> Austrian JI/CDM Workshop 2010

The focus of the 6<sup>th</sup> Austrian JI/CDM Workshop held on 28 and 29 January, 2010 was on:

- **COP 15 in Copenhagen**, the global climate event that has raised the topic of climate change to the highest political level so far, awaited by all climate professionals due to its expected implications on the future climate regime and carbon markets, and
- **the international carbon market** and its recent and future developments, as well as flexible mechanisms under the Kyoto Protocol, involving national and international authorities, financial institutions, designated operational entities, project developers and other key players of the international climate scene.

Around 150 participants from over 20 nations have joined the team of the Austrian JI/CDM Programme and have actively contributed to discussions triggered by international panellists during the sessions mentioned below:

- **Session I** *Towards a future Climate Regime: COP 15 Outcomes*
- **Session II** *Green Investment Schemes: Moving forward*
- **Session III** *Looking ahead: Market Developments and Outlook post-2012*
- **Session IV** *DNA Views on the Kyoto Period and beyond*
- **Session V** *Project Experiences: Boosting Kyoto Carbon Vintages*

Several participants also took the opportunity to learn more about activities of the [Austrian Institute of Technology](#) and the newly installed District Cooling Transfer System at “Town Town” office buildings in Vienna during the field visit prior to the workshop.

## 2. Session summaries and key messages

### *Session I: Towards a Future Climate Regime - COP 15 Outcomes*



**Participants:** Wolfgang Diernhofer (KPC/Chair), Helmut Hojesky (Austrian Ministry of Environment), Martin Hession (DECC, UK iCDM Executive Board), Vlad Trusca (Joint Implementation Team, UNFCCC Secretariat), Renate Christ (IPCC).

The scope of the session comprised an insight into the climate talks at COP 15 at Copenhagen as well as expectations on the development of a future climate regime. Aspects touched included key outcomes of the Copenhagen Accord, interpretation of the Accord from a IPCC (Intergovernmental Panel of Climate Change) point of view, a roadmap towards a post-2012 regime and the role of the CDM and JI beyond 2012.

The panel included Austria's and UK's negotiators at COP 15 in Copenhagen and representatives from the CDM Executive Board, the JI Supervisory Committee and the IPCC.

The **key statements** made by the speakers are summarized below:

*On the outcomes of COP 15, Copenhagen:*

- After an extremely intensive year of international climate negotiations, Copenhagen imposed high pressure on the negotiators to condense many different positions into one agreement. Despite intensive negotiations, neither a legally binding agreement was reached nor was a clear follow-up process defined. The Copenhagen Accord was drafted by a small group of countries and has been acknowledged by the COP only without formal acceptance.
- However, the Copenhagen contains several strong commitments, such as achieving the +2°C target, the strengthening of REDD (Reducing Emissions from Deforestation and Degradation), and to provide fast-start financial support to developing countries for actions on mitigation and adaptation.

*On the role of CDM and JI beyond 2012:*

- Uncertainty for CDM prospects after the current Kyoto period would continue, as the Copenhagen Accord did not provide respective details,
- There was broad consensus on the need to reform CDM also allowing bottom-up developments by single countries. EU would be playing an important role to push for improvements, considering the scaling up of programmatic approaches and the implementation of sectoral approaches as transition to cap-and-trade systems,

- The continuation of Joint Implementation as a well-established and proven project-based mechanism could be considered for a post 2012 regime.

*On interpretation of the Copenhagen Accord by the IPCC:*

- Copenhagen reached consent on the +2°C target but left open the time horizon for its implementation. According to scientists a +2°C target would lead to 450 ppm CO<sub>2</sub>e as stabilisation level. This would require the peak in GHG concentration to be reached before 2020,
- The +2°C target represents the compromise between economically feasible measures and forecasted climate change impacts. Unequal distribution of current and future impacts caused by negative climate impact call for targeted mitigation and adaptation measures,
- Comprehensive long-term measures are needed, including a global emission reduction target of 50–85% by 2050. This would require strategies towards the development of low-carbon economies drawing on substantial finance from the carbon market.

**Session II: Green Investment Schemes – moving forward**



**Participants:** Martin Gauss (KPC/Chair), Andrea Stockinger (KPC), Valdis Bisters (Ministry of Environment, Latvia), Maurits Henkemans (Ministry of Economic Affairs, The Netherlands), Martin Fiala (Ministry of Environment, Czech Republic), Vsevolod Gavrilov and Anna Gornovay (Sberbank Russia)

This session aimed at taking stock of the latest developments of Green Investment Schemes (GIS). These Schemes relate to the flexible Kyoto mechanism “Emission Trading” that has trading of surplus Assigned Amount Units (AAUs) between governments as its core principle. The main focus of the session was on the “Greening arrangements” as the basic element of a GIS. The Greening provides credibility to a GIS for the buying government since it ensures the achievement of real emission reductions. Greening arrangements must be acceptable to both the selling and the buying government.

Speakers represented buyers (Austria and The Netherlands) and (potential) sellers (Latvia, Czech Republic and Russian Federation). While the Latvian and Czech GIS presented at the event have already been developed to very advanced stage, the Russian GIS has been in the initial preparation stage by Sberbank, the institution responsible for the sale of Russian

surplus AAUs. Generally speaking, seller and buyer countries have been becoming increasingly concerned about the Greening modalities.

The **key statements** made by the speakers particularly on Greening arrangements of GIS are summarized below:

*Buying governments:* Austria and The Netherlands essentially had common views:

- There was a clear need for achieving real emission reductions through effective allocation of revenues from the sale of surplus AAUs,
- A high level of transparency was required in terms of monitoring, reporting and verification (MRV) arrangements including the use of funds,
- Trustful and efficient institutions were needed in the selling country to implement the Green Investment Scheme, and
- Certain project types (in the field of renewable energy) and programmatic approaches to raise levels of energy efficiency in households or district heating systems were preferred options.

*Selling governments:* Latvia and Czech Republic had similar approaches; Russia also formulated clear visions of its Greening activities:

- Governments committed to specific measures related to monitoring, technical assistance and capacity building to guarantee real emission reductions; Czech Republic also stated estimated numbers of CO<sub>2</sub> reductions and mentioned additional benefits of the GIS such as job creation, lower energy dependency, implementation of new technologies,
- Latvia suggested close cooperation and communication with the buyers to improve transparency in MRV (monitoring, reporting and verification) and fund allocation, such as setting realistic timelines for GIS implementation and earmarking of funds. Both seller representatives mentioned the willingness to engage external auditors and conduct on-site inspections,
- There were preferences regarding certain projects and programmes (Latvia had demand and supply-side energy management activities in its GIS project pipeline to induce structural changes in certain sectors and a low-carbon economy; in the Czech Republic, thermal insulation programmes, construction according to passive energy standard and improvement of district heating systems were being implemented; and Russia suggested an array of potentially suitable projects for the private and public sector.

## **Session III Looking ahead: Market Developments and Outlook**



**Participants:** Edward Hanrahan (JP Morgan Environmental Markets), Claude Dufour (BlueNext), Natalia Gorina (Essent Trading), Sasa Eichberger (KPC/Chair), Hector Freitas (Deutsche Bank), Manfred Stockmayer (CAMCO) and Andreas Türk (Johanneum Research).

The objectives of this session were:

- to discuss the recent (2008-2009) developments of the market,
- to assess the business outlook until 2012, and
- to assess post-2012 market opportunities.

The **key messages** regarding these single topics are summarized below:

### **Market developments**

Speakers agreed that present carbon prices (including EUA, CER/ERU/AAU and EUA/CER spreads) have been influenced not only by essential market principles (supply and demand), but also sentiments caused by expectations on future developments of carbon markets and respective international regulations. Open questions on post-2012 developments such as future demand and banking possibilities created considerable uncertainties in present carbon markets. While the recent financial crisis and subsequent economic downturn resulted in reduced emissions and less demand for offset credits, reduced equity investments and small risk appetite also decreased supply of these credits. Although linking of carbon to commodities like oil, coal and gas allowed a certain prediction of market movements, substantial uncertainties still remained.

### **Business outlook until 2012**

Speakers stated that the outcome of COP 15 in Copenhagen did not bring the required clarity for market participants and reaching a global international agreement on climate change would much facilitate the continuation of international carbon markets. Speakers presented different views on price development until 2012: While sellers and project developers predicted rather bullish tendencies in the short term, buyers rather had bearish expectations for the coming months. All speakers agreed, however, that carbon prices were expected to rise continuously towards 2012.

### **Post-2012 market opportunities**

Panellists concurred that in order to ensure a stable carbon market in the future, reaching a global agreement with quantitative commitments by all major emitters was the most crucial issue. If international negotiations failed to achieve a comprehensive agreement, regional market development and especially US and Chinese efforts and action to reduce emissions would have important impacts on carbon markets.

## Session IV: DNA views on the Kyoto period and beyond



**Participants:** Andrea Stockinger, (KPC Chair), Manfred Kohlbach (Austrian Ministry of Environment), Vladimir Berdin (DNA Russia), Wondwossen Sintayehu (DNA Ethiopia), Samira Elkhamlichi (World Bank Carbon Finance Assist).

This session discussed challenges faced by Designated National Authorities (DNA) – the government agencies in charge of facilitating JI or CDM projects on a national level – up to and beyond 2012, expectations regarding promising initiatives and implications for the project pipeline and the carbon market.

### Key statements

The representative of the *World Bank's Carbon Finance Assist Programme*, Mrs. Samira Elkhamlichi, commented the observed needs on capacity building for improving the CDM process in the remaining Kyoto period and beyond as well as raising Africa's share of CDM projects. Mrs. Elkhamlichi also emphasized the need to respond to increasing interest in programmatic approaches to CDM.

Mr. Wondwossen Sintayehu as the representative of the *Ethiopian DNA* presented the project pipeline and overall CDM potential of his country, also providing the audience with an overview on the DNA structure and relevant approval procedures. Regarding future offset projects, Mr. Wondwossen expected a two track approach for post 2012, including the possibility of a global agreement (based on the current Kyoto Protocol) or the implementation of bilateral agreements with partners such as the EU.

Mr. Vladimir Berdin from the *Russian DNA* gave an overview on Russia's JI project proposals and presented Russian National JI regulations approved in October 2009, which spurred an enthusiastic discussion among the audience on future JI opportunities in Russia.

The representative of the *Austrian DNA*, Mr. Manfred Kohlbach introduced Austria's *CDM in Africa Initiative* and mentioned Austria's possible future engagement in supporting REDD (Reducing Emissions from Deforestation and Degradation) in selected African countries.

## Session V: Project Experiences: boosting Kyoto Carbon Vintages



**Participants:** Martin Gauss (KPC/Chair), Daniela Dragnev-Zörnlaib and Jan Frederic Kreitz (KPC), Matthias Krey (Perspectives), Oliver Percl (Energy Changes), Yulia Kiryeyeva (Agrinergy), Yang Jingmei (Longyuan), Thomas Kleiser and Stephan Hild (TUEV SUED), Renat Heuberger (South Pole).

Bearing in mind the limited time of the current Kyoto period and the intentions of portfolio managers to harness the maximum potential of carbon vintages arising from ongoing JI and CDM projects, this session aimed to compile recommendations and suggestions by the expert panel on how to boost the amount of carbon offset credits up to 2012.

Optimization of project performance, effective planning processes including time management of auditing processes and consideration of latest decisions by the CDM Executive Board (EB), strategic investment in promising approaches such as Programmes of Activities and enhanced internal management processes were among the favoured solutions offered by the speakers.

### Key statements

*Matthias Krey from Perspectives* suggested to consider identifying underperformers as well as critical success projects, building realistic project timelines, assessing options to enhance project performance, proper management of verifying companies (DOEs), and – looking beyond 2012 – testing one’s post-2012 position against political developments (considering LDCs and programmatic approaches, in particular). *Oliver Percl* stressed the importance of choosing competent project developers in general and well-formulated project documents to avoid issuance delays. He also mentioned the importance of reviewing and updating grid emission factors, which are an essential element for CER calculation.

*Yulia Kiryeyeva from Agrinergy* focused on raising project performance prior to and after registration and gave concrete examples from Agrinergy’s CDM portfolio. *Mrs. Yang Jingmei*, coming from a Chinese wind farm developing company, stressed the importance of checking additionality criteria in detail and taking into account related national regulations and CDM EB decisions.

*TUEV SUED representatives Thomas Kleiser and Stephan Hild* gave a detailed analysis of the current status of programmatic JI and CDM. This included aspects like regulatory frameworks as well as opportunities and weaknesses of Programmes of Activities from the view of a verification company.

*Renat Heuberger from South Pole* stressed the importance of in-house project and process management tools for vintage maximisation, and mentioned development of a support tool to enhance monitoring and verification services. Proper management of the entities in charge of project verification (DOEs) also was key to enhance the number carbon credits according to Renat.

### **3. Looking ahead: 7<sup>th</sup> Austrian JI/CDM Workshop 2011**

The seventh Austrian JI/CDM Workshop will be held in January 2011, a suitable time to update the international carbon community on ongoing developments right after COP 16 in Cancun, Mexico - another decisive event on the international climate change agenda with major implications expected for carbon markets.

The team of the Austrian JI/CDM Programme is looking forward to meeting you in Vienna!

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