



# Finance, capacity building and technology transfer

Presented by Environmental Development Action in the Third World (ENDA)

Kilaparti Ramakrishna, Woods Hole Research Center, introduced speakers from the NGO Consortium for North-South Dialogue on Climate Change. He said the session would focus on issues central to delegates of developing countries, as these issues are often overlooked in official negotiations.

Ogunlade Davidson, University of Cape Town, stressed the need for technology needs assessments to be conducted by the countries concerned. He noted that "climate friendly" technology transfer is distinctive from other types of technology transfer and requires additional effort. He emphasized the importance of national systems of innovation to facilitate technology transfer, and queried whether the Global Environment Facility (GEF) should facilitate the creation of more national systems of innovation in developing countries.

Holger Liptow, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), described GTZ's cooperation with developing countries on climate change projects involving technology transfer and capacity building. He noted that Germany is cooperating with China on clean coal technology, and with South Africa on a solar cooking field test.

Atiq Rahman, Climate Action Network South Asia, noted that governments need to build capacity in monitoring, negotiation skills, and projects involving adaptation and mitigation. Private companies in developing countries also need to build capacity to participate in international negotiations. He emphasized that existing capacity, such as developing country research groups and think tanks, should be used and sustained.

Fabio Feldmann, Fórum Brasileiro de Mudanças Climáticas, noted that many Brazilians are unaware of international climate negotiations, and stressed the need to engage civil society in the process. He noted that progress will require not only technological changes but also behavioral changes. He highlighted the importance of South-South technology transfer.

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Atiq Rahman, Climate Action Network South Asia, highlights that capacity building is necessary not only for developing countries, but also for developed countries.



Fabio Feldmann, Fórum Brasileiro de Mudanças Climáticas, emphasizes the linkage between capacity building and technology transfer.

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Ljupco Avramovski, Ministry of Environment and Urban Planning of the Republic of Macedonia, describes projects supported by the Ministry's fund for energy efficiency and energy savings.

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## A strategy for energy efficiency

Presented by the delegation of the Republic of Macedonia in collaboration with the Ministry of Environment and Urban Planning of the Republic of Macedonia

Ljupco Avramovski, Ministry of Environment and Urban Planning of the Republic of Macedonia, described the development strategy of the Ministry's fund for energy efficiency and energy savings, which was supported by technical and financial assistance from USAID. He explained that the fund supports several projects to install new boilers and gas network connections in factories, which achieve significant energy savings and result in large reductions in particulates, SO<sub>2</sub>, NO<sub>x</sub>, CO and benzopyrene. The fund is also supporting an energy savings project to install a closed steam condensation system with thermal compression in an export company.

Projects in the planning stages include reconstruction and conversion of boilers from crude oil to natural gas in several factories, a school and a clinic, conversion of public buses from oil to natural gas, installment of patent steam condensation systems, and replacement of crude oil with biomass in a stock holding company.

Avramovski highlighted the Ministry's establishment of a national center for cleaner production as a means to build institutional capacities for project realization. Its activities include organizing a training course on energy efficiency and providing licenses to trainers for energy efficiency. Departments of energy efficiency and research are being established within the framework of the center. The center is also planning to establish an agency of energy savings, which will educate staff, cooperate with the Ministry of Environment as well as Czech institutions and experts, and prepare a strategy for energy savings.

## Permanent Court of Arbitration: Optional rules for arbitration of disputes relating to natural resources and/or the environment

Presented by the Permanent Court of Arbitration (PCA)

Dane Ratliff, PCA, presented a proposal for a set of "Optional Rules" for the settlement of disputes that aim to address fundamental lacunae in environmental dispute resolution. He recommended the adoption of these arbitration rules as the annex called for in UNFCCC Article 14(2)(b). He noted the absence of a forum to which intergovernmental organizations, NGOs, multinational corporations, and private parties have recourse when seeking resolution of controversies over natural resources and the environment.

Ratliff emphasized that disputes concerning the environment often involve multiple parties, and the rules proposed allow for greater flexibility in the nature and number of parties. Parties using the rules will have access to two expert panels nominated by Member States and/or the Secretary-General of the PCA. He added that the rules could either be set up as a tribunal under the UNFCCC Secretariat or on an ad hoc basis. Under the Secretariat, agreements for arbitration rules would resemble the International Tribunal for the Law of the Sea. He stressed that the rules would not be controversial for the UNFCCC as they follow the UN Commission on International Trade Law model. He said that adopting viable rules for dispute settlement is necessary in offering the security needed to ensure a complete compliance regime. These rules, he added, ensure equity and provide least developed countries or countries with economies in transition with possible financial assistance for arbitration.

**Discussion:** Participants discussed the distinction between the PCA and the International Court of Justice, potential conflicts that could arise between the arbitration rules of the PCA and WTO, and the provision for multilateral environmental agreements under the PCA's rules.



Dane Ratliff, PCA, explains optional rules for dispute settlement relating to natural resources and the environment.

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# Business opportunities in Russia: Making the most of the flexible mechanisms

Presented by the Wuppertal Institute for Climate, Environment and Energy and the Moscow Chamber of Commerce



Vladimir Platonov, Russian Federation Council, discusses the opportunities for JI project investment in the Russian Federation.

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Jack Whelan, International Chamber of Commerce, introduced this event on the opportunities for businesses in the Russian Federation to use the Kyoto Protocol flexible mechanisms.

Senator Vladimir Platonov, Russian Federation Council, highlighted rapidly developing relations between legislators and the private sector in the Russian Federation. He stressed that legislation provides the key framework for private sector use of the Kyoto mechanisms.

Sergei Roginko, Moscow Chamber of Commerce, said that "hot air" trading presents a key opportunity for the Russian Federation. He spoke about Russia's Green Initiative, which recommends that credits for "hot air" be recycled into green investment. He suggested that this could ease the "hot air" problem on an international scale. Alluding to the vast number of outdated industrial facilities, he noted that the Russian Federation is ready and willing to establish joint implementation (JI) projects that could offer low-price carbon trading. However, he stressed that investors, prior to investing in JI projects, should carefully consider scale, sector, range of profitability, and other institutional constraints. He also advised that investors undertake careful pre-market feasibility studies.

Marina Martynova, Unified Energy Systems of Russia, spoke about business opportunities in the energy sector, and emphasized that risks associated with JI projects in the Russian Federation are primarily political. She added that the Russian Federation is currently in the process of developing legislation to assist implementation of the flexible mechanisms. Alexander Khanykov, Unified Energy Systems of Russia, described potential systems for emissions trading in the Russian Federation, including emissions sectors, a JI energy carbon fund, and a green re-investment fund.



Sergei Roginko, Moscow Chamber of Commerce, states that the Russian Federation is "ripe" for JI investment.

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Youba Sokona, ENDA, addressed the importance of financial assistance for technology transfer and capacity building. He noted that finances are generally available for organizing conferences, but not for implementing actual projects in developing countries.

**Discussion:** Participants highlighted: fostering South-South co-operation; creating institutions to train people to initiate projects in their own countries; cooperating with civil society to develop national strategies and action plans; reforming the incremental cost concept of the GEF; identifying key stakeholders in capacity building and technology transfer; changing patterns of consumption; and transferring privately owned versus publicly owned technologies.

# Kyoto Protocol ratification: View of Russian Parliamentarians

Presented by the Center for Preparation and Implementation of International Projects on Technical Assistance (CPPI)



Elena Chistyakova, State Duma of the Russian Federation, says the State Duma believes the US' absence in the Protocol threatens other international environmental agreements and urges the US to return to constructive dialogue.

Elena Chistyakova, State Duma of the Russian Federation, read a statement adopted by the State Duma on 12 July 2001, which expresses its confidence that the Russian Federation can fulfill the Kyoto Protocol's GHG reduction commitments. It states that the Protocol is economically reasonable for the Russian Federation, and all disagreements and obstacles should be removed at COP-6 Part II. The statement encourages the Russian Federation to play a key role in resolving the current logjam in the negotiations and addressing the global climate problem.

Vladimir Berdin, CPPI, noted that Parliamentary hearings on legislative maintenance of the UNFCCC and the Kyoto Protocol had taken place in June 2001. The hearings fostered a common understanding between the executive and legislative branches of government, industry and NGOs to promote the process. The hearings resulted in several recommendations: to the President, to issue a decree on preparation for implementation of the international cooperation mechanism in accordance with the UNFCCC; to the Government, to prepare draft laws to operationalize implementation of the Convention and Protocol in the Russian Federation; and to the State Duma, to develop a work plan to develop these draft laws, and to introduce an initiative to organize Parliamentary roundtables at COPs, beginning at COP-6 Part II.

Alexander Averchenkov, CPPI, announced that CPPI has commenced a strategic environmental assessment of Protocol ratification by the Russian Federation, to provide a basis for assessment of policy alternatives and focus on the environmental consequences of strategic decisions regarding the Protocol. The assessment analyzed three scenarios for the Russian Federation's participation in the Kyoto mechanisms, and considered several alternatives for ratification. The assessment's preliminary conclusions highlight the need to develop an effective policy of preparation for Protocol ratification and application of its mechanisms.

Vsevolod Gavrilov, Ministry of Economy, presented a Russian initiative for a "green investment scheme." The scheme's strategic framework includes programmes for energy efficiency and savings in the coal, electricity and gas sectors; cooperation with major trading partners; targeted investment initiatives; and an action plan for sustained reduction of GHG emissions. The scheme aims to attract diverse financial streams to support increased investment in environmental projects, and provides risk reduction measures. The action plan, slated for completion by the end of 2001, includes initiatives to finance environmental investments in the energy sector; establish an emissions trading consultation group with public-private sector dialogue; and establish a national registry and trading methodologies (depending on the outcome of Protocol issues).

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