

Summary of the Environment Experts' Meeting

This meeting examined the potential for bilateral and multilateral cooperation in Northeast Asia while focusing on the prospects for making use of the Kyoto Mechanisms (particularly CDM and JI) in the region; in addition, it did not merely highlight the solution of environmental problems, but also explored the possibilities for creating openings for new business opportunities. With the aim of thoroughly investigating the benefits of the Kyoto Mechanisms (CDM/JI) in unearthing eco-business opportunities and looking at why this is a particularly distinct possibility in Northeast Asia, policymakers, bureaucrats, academics, practitioners such as businesspeople, and various other experts from Japan, China, the ROK, Mongolia and Russia conducted discussions over two days.

The first session focused on the status of emissions of greenhouse gases (GHGs) in Northeast Asia, the status of the climate changes that GHGs cause, and the effects on each country of the Kyoto Protocol's entry into force. Hiroyuki Kudo (Group Manager, Environment and Energy Efficiency Group, Institute of Energy Economics, Japan (IEEJ)) explained the significance of the Kyoto Protocol's entry into force in February 2005 from both the short- and long-term perspectives, as well as describing the potential role that CDM/JI could play in Northeast Asia in general terms. Dae-Gyun Oh (General Manager, Center for Climate Change Mitigation Projects, Korea Energy Management Corporation (KEMCO), ROK) provided an overview of the current status of GHG emissions in the ROK and the government's measures to counter these. Vladimir Maksimov (Adviser, Division of Economics of Environment Protection /Department of Real Estate and Land Law, Economics of Natural Resources Use / Ministry of Economic Development and Trade of Russian Federation) explained the problems of restructuring Russian domestic institutions with the aim of facilitating interagency cooperation following ratification of the Kyoto Protocol, as well as stating that the laws relating to the implementation of the Kyoto Mechanisms have yet to be developed. Damdin Dagvadorj (Director, International Cooperation Division, National Agency for Meteorology, Hydrology and Environment Monitoring of Mongolia) talked about the damage caused to Mongolia by global climate change (such as the exacerbation of droughts and harsh winters) and reported that this damage is beginning to have a severely deleterious effect on the domestic economy.

At the beginning of the second session, one of ERINA's researchers presented a concept paper on the potential for the application of CDM and JI to become the driving force in promoting environmental and economic cooperation in Northeast Asia.

Following this, a report was given on the status of preparations in each country of the region for the implementation of CDM/JI. Shagdar Enkhbayar (Researcher, Research Division, ERINA) pointed out the fact that Northeast Asia is characterized by diverse mutual complementarities in terms of economic development and resources, stating that there is ample scope for promoting investment in clean technologies and striving to reduce GHGs; moreover, she emphasized that the Kyoto Mechanisms would be highly useful in promoting sustainable economic development that merges economic development initiatives with environmental conservation initiatives within the region. In addition, Ms. Enkhbayar pointed out various problems, such as the fact that the human, institutional and legal capacity and investment environment for applying CDM/JI are still undeveloped within Northeast Asia, as well as the lack of information and the fact that the development of markets for emissions trading is lagging behind. She reported that ERINA is proposing the establishment of a permanent Environment Subcommittee under the auspices of the Northeast Asia Economic Conference Organizing Committee, with the aim of overcoming such problems.

Hiroshi Yamagata (Minister's Secretariat, Director for Environmental Affairs, Ministry of Economy, Trade and Industry) explained the Japanese government's policy on reducing GHGs, its plan for achieving its emissions targets, and the basic policy on the operation of the Kyoto Mechanisms contained therein. Shuang Zheng (Associate Professor, Energy Research Institute, National Development and Reform Commission (NDRC), China) stressed that China's policy on climate change is in keeping with the national strategy for economic development and explained the Interim Measures for Operation and Management of the Clean Development Mechanism Projects in China that the NDRC published in collaboration with other ministries in May 2004. Kazuhiro Ueta (Graduate School of Economics, Kyoto University) gave a report examining the potential for integrating environmental cooperation on three levels: i) the environment and the economy; ii) global problems, including the reduction of GHGs such as CO₂, and local problems such as SO₂; and iii) Japan and China. Gyung-Ae Ha (Project Coordinator, CDM Team, KEMCO, ROK) described the role of Designated National Authorities (DNA) in promoting CDM and the diversity of each country. Hiromu Tanaka (President, Japan Carbon Finance, Ltd. (JCF)) reported on the background to the establishment of the Japan GHG Reduction Fund (JGRF) and the activities of the JCF, which was established using money contributed by investors in the JGRF. Furthermore, he argued that the goal was not to put CDM/JI first in creating something; rather that the CDM/JI approach is extremely useful as one effective means of solving the issues that are currently being faced in Northeast Asia.

In the third session, various practitioners reported on the diverse risks involved in implementing CDM/JI and the processes and problems relating to the operation of energy-conserving plant. Masato Masuda (President, M4U Limited Advisory Service on CDM & Environmental Financing) described finance procurement methods for promoting CDM (shares or debt) and ways of evaluating risks (political risks, institutional risks, commercial risks), and emphasized the importance of establishing Public-Private Partnerships (PPP), such as Japan's JCF, jointly between the investor country and the host country. Jargal Dorjpurev (Director and Senior Consultant, Energy Conservation and Environmental Consulting Co. Ltd. (EEC), Mongolia) introduced examples of potential CDM projects in Mongolia (e.g. technological innovation with regard to household stoves and cement manufacture). From the perspective of a plant construction practitioner, Mitsutoshi Suzuki (Senior Consultant, Consulting Department, Toyo Engineering Corporation) reported on his experience of involvement in a feasibility study for a project that could lead to a CDM/JI project. Viktor Minakov (Director-General, Vostokenergo, Russia) provided an overview of the possibilities held by JI for the modification of coal-fired power stations in Far Eastern Russia and the potential for the promotion of hydroelectric power to contribute to environmental conservation within Northeast Asia.

During these three sessions, the development of more meaningful discussions based on the relationship with the issues of energy and economic development, the sharing of information concerning institutional uncertainties relating to CDM/JI, and the promotion of the discovery of joint projects that can be undertaken at the regional level and the analysis of specific case studies emerged as the challenges that remain. Furthermore, the speakers were unanimous in their assent to the establishment of a permanent Environment Subcommittee under the auspices of the Northeast Asia Economic Conference Organizing Committee, as proposed in ERINA's concept paper.

[Shoichi Ito, Researcher, Research Division, ERINA]