

Summary of the Meeting of Environment Experts

The theme of the discussion at this meeting was environmental cooperation in Northeast Asia, with a particular focus on the Kyoto Mechanisms and the prevention of global warming. The meeting was attended by participants from China, Japan, Mongolia, ROK and Russia. Unfortunately, the presenters from China and Russia were unable to participate in the meeting, so the presentations that they had prepared were delivered by the organizers.

The aim of this meeting was to discuss international cooperative initiatives aimed at the simultaneous pursuit of economic development and environmental protection by the countries of Northeast Asia, and the construction of a network and measures relating to the utilization of the Kyoto Mechanisms: Clean Development Mechanism (CDM) and Joint Implementation (JI) for preventing global warming, based on the current situation of and issues relating to environmental problems in the region. The discussion was moderated by Mr. Kotaro Kimura, Executive Director of the Global Industrial and Social Progress Research Institute of Japan.

In opening the discussion, the moderator, Mr. Kimura stressed that climate change is the most serious of the various environmental problems faced by mankind, because climate change arising from our everyday activities has a long-term impact and global efforts are required in order to address it. The UNFCCC and the 1997 Kyoto Protocol were formulated as an international means of tackling this problem; the latter still awaits ratification by Russia. The Kyoto Mechanisms could prove to be an effective solution by mobilizing the power of international cooperation. Projects implemented under these mechanisms, which would be accompanied by investment and technology transfer, will become a win-win situation for everyone. Furthermore, Mr. Kimura highlighted the unique combination of the participating countries in this meeting and the potential for the conclusions reached here to make a useful contribution to the rest of the world.

Shagdar Enkhbayar, Visiting Researcher at ERINA provided a brief report on the main outcomes of environmental panel discussions held at previous Northeast Asia Economic Conferences in Niigata. With environmental degradation and economic development having become major challenges for human society, issues relating to the environment and cooperative development in Northeast Asia have been addressed in a panel discussion on environment issues at above conference each year since 1998.

Mr. Toshiyuki Sakamoto, Director of the Global Environmental Affairs Office at Japan's Ministry of Economy, Trade and Industry explained Japan's efforts to address

climate change and promote the Kyoto Mechanisms. He noted that GHG emissions in 2001 increased by 5.2% on 1990 levels, a long way off the 6% reduction target set by the Kyoto Protocol with energy-related CO₂ emissions accounting for 87% of total GHG emissions. Accordingly, climate change policy in Japan primarily focuses on energy issues. However, the country has achieved the highest level of energy efficiency in the world and so there is great potential for transferring environmentally sound Japanese technologies to developing countries. He also outlined the New Climate Change Program adopted by the Japanese government in 2002. Under this program, Japan is taking a step-by-step approach to reducing emissions, which emphasizes the sharing of responsibilities between stakeholders and international cooperation based on common rules. Moreover, Japan spends 180 billion yen annually on R&D, as innovative technologies are important in achieving the Kyoto targets. Although the overall effect of targets for each type of gas set under this program would be to reduce GHG emissions by 4.4%, extensive utilization of the Kyoto Mechanisms is necessary to achieve the remaining 1.6% reduction required in order to meet the target. In 2001, METI opened a help desk with the aim of providing assistance to Japanese businesses interested in CDM/JI and non-ODA financial support has been provided to model projects, e.g. through NEDO's activities in Asia. Moreover, the establishment of a Japan Carbon Fund with a total budget of 10 billion yen is currently under consideration. Nevertheless, there are certain barriers to the implementation of CDM and Mr. Sakamoto highlighted the uncertainties associated with UNFCCC/CDM rules and procedures, and institutional settings, rules and procedures in host countries, including their interpretation of sustainable development. Moreover, the methodologies approved by the CDM Executive Board are project-specific and lack general applicability. Mr. Sakamoto also talked about Japan's capacity-building initiative relating to CDM, in which seven developing countries in Asia currently participate. Tailor-made programs focusing on each country's needs have been formulated as a result of this initiative, under which seminars, workshops and training courses have been held, experts sent to visit the relevant countries, and joint studies conducted.

Dr. Dorjsuren Badarch, Director-General of the Industrial Policy and Coordination Department at Mongolia's Ministry of Industry and Trade, spoke about climate change, air pollution and the necessity of CDM projects in Mongolia. Dr. Badarch stressed the Mongolian government's commitment to combating climate change resulting from anthropogenic emissions. Although some donor-supported joint projects have been implemented in this field, the infrastructure for hosting CDM projects in Mongolia is still in the rudimentary stages of development and substantial capacity building is required in order to enable the country to host CDM projects.

Dr. Dae-Gyun Oh, Project Leader of the CDM Team at the Korea Energy Management Corporation's Center for Climate Change Mitigation Projects talked about CDM-related activities in the ROK and the potential for international cooperation. Dr. Oh noted that, due to the ROK's ambiguous position in the climate change negotiation process, many private companies and decision-makers are hesitant to make decisions on the current position of CDM projects in ROK; this is considered to be the main barrier to implementing such projects. Nevertheless, CDM promotion activities are progressing there: a Designated National Authority is expected to be established in the first 1st quarter of 2004 and a CDM project registration system is under development. The ROK sees Energy Service Companies (ESCOs) as being the channel for CDM projects and has proposed a mechanism for financing CDM projects indirectly through ESCOs.

Russia's vision for utilizing national and international market mechanisms to promote GHG reduction focuses on formulating a national system for regulating GHG emissions in each participating country, along with the creation of a national market for reducing emissions. This vision was outlined in a report prepared by Mr. Victor Potapov, Chairman of the Board of the Climate Project Centre of Joint Implementation at Russia's Roshydromet. Furthermore, a tax on GHG emissions that exceed agreed norms would be a necessary tool for regulating such emissions. Therefore, a set of rules and regulations needs to be formulated, such as a national system for estimating and conducting inventories of anthropogenic emissions and their removal by sinks.

The presentation prepared by Prof. Dadi Zhou, Director-General of the Energy Research Institute at the China's National Development and Reform Commission informed participants that China's climate change policy and CDM-related activities focus on combining them with a long-term sustainable development strategy for the country, with no-regret, win-win activities being assigned a high priority in the short term. The priority areas for CDM projects are energy conservation and efficiency improvement projects, as well as the development and utilization of renewable energy. However, China is cautious about their implementation and asserts that CDM projects should be bilateral and result in technology transfer, and that CERs should not be used in the emissions trading scheme. It is also anxious to ensure that additional finance is allocated to fund these projects, in addition to existing ODA funding and the financial obligations outlined in the convention. Prof. Daojiong Zha of China's Renmin University asserted that implementing CDM projects in China as they were formulated would encourage their progress, rather than waiting for institutional capacity to be built.

Further discussions focused on the potential for and barriers to implementing CDM/JI projects in the region and the participants reiterated that Northeast Asia has great potential for developing CDM/JI projects, especially in fields such as energy

efficiency, emphasizing the opportunities for technology transfer offered by such projects. However, there are still certain barriers preventing their becoming operational, e.g. the lack of institutional capacity in host countries. In addition, the importance of disseminating information and knowledge was underlined. International cooperation in overcoming these barriers is essential, not only between developed and developing countries, but also among developing countries. In particular, the sharing of information was deemed to be a necessary tool for encouraging cooperation. This meeting was the first step towards this goal and the participants expressed their hope that similar meetings will be held in the future.