



Center for Clean Air Policy

750 First Street, NE
Suite 1140
Washington, DC 20002
(202) 408-9260 Phone
(202) 408-8896 Fax
E-mail: general@ccap.org
Internet: <http://www.ccap.org>

European Office
Michalska 12
110 00 Praha 1
Czech Republic
(420 2) 224-21-5303 Phone
(420 2) 224-22-9770 Fax

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Quarles & Brady
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The Center for Clean Air Policy International Climate Change Activities

The Center for Clean Air Policy is a non-profit environmental think-tank that specializes in the analysis and design of market-based instruments. Since its inception in 1985, CCAP has been devoted to developing, promoting, and implementing innovative solutions to major environmental and energy problems that balance both environmental and economic interests. Beginning with the development of the SO₂ trading system under the 1990 Clean Air Act Amendments, the Center has successfully advocated emissions trading as a cost-effective and environmentally certain means of addressing diverse air pollution problems.

The Center has been involved in the international climate change debate for several years, both as an observer to the Framework Convention process and as a source of expert information on technical matters related to the flexibility mechanisms. Additionally, the Center has a strong record of bringing together key stakeholders from government and industry to facilitate dialogue on a variety of environmental issues.

At the international level, as at the domestic, the Center has pursued both project-based and cap and trade programs. The Center was a key player in the drive to include Joint Implementation (JI) in the Convention and played a critical role in facilitating the creation of the U.S. Initiative on Joint Implementation (USII). The Center also brokered the first privately-financed JI project—a fuel switch at a district heating plant in the Czech Republic that produced 6,000 tons of annual reductions at a cost of \$4 per ton and significant local air quality benefits for the City of Decin.

More detail is provided below on the Center for Clean Air Policy's international climate change projects.

I. International Climate Change Projects

The Center has an impressive list of both national and international accomplishments, encompassing issues such as restructuring of electricity markets, climate change, joint implementation, renewable energy, acid rain and air quality. In addition to the United States, the Center has worked in Brazil, Canada, Costa Rica, Panama, Mexico, the Caribbean, Ukraine, Germany, the Czech Republic, Poland, and Slovakia. Current and recent international climate change projects are described below.

International Dialogue on the Clean Development Mechanism (CDM): The Center has initiated a Dialogue involving high-level delegates from a mix of European Union, Umbrella Group¹ and developing countries who participate in the Kyoto Protocol negotiation process. The main purpose of the Dialogue is to deepen the debate and understanding of key issues in designing the rules and institutions that will govern the CDM. The project has created a network of highly skilled negotiators that has directly contributed to the international CDM rule-making process.

Capacity Building Assistance in Mexico: Supported by the U.S. DOE, and in cooperation with Econergy International (EIC) the Center held a multi-stakeholder workshop in Mexico to bring together key representatives from government and industry to discuss technical issues associated with Mexico's participation in the U.S. Initiative on Joint Implementation. At the workshop, held in Mexico City at the National Institute for Ecology (INE) in July 1999, participants requested the Center's assistance in developing emission benchmarks for key sectors to measure project additionality and greenhouse gas emission reductions. The Center has been working with the steel, cement, and chemical sectors in Mexico to identify efficiency-related climate change mitigation opportunities and to assess the feasibility of establishing emissions benchmarks in each sector including data availability and environmental credibility.

Identifying Clean Development Mechanism Opportunities for Small and Medium-sized Companies in Mexico: The Commission for Environmental Cooperation (CEC), an international organization established by the North American Agreement of Environmental Cooperation, initiated this study focused on identifying CDM/JI investment opportunities for small and medium-sized companies in Mexico's key sectors. Key sectors addressed include the energy/electric utility, steel and forestry. The final report provides practical information to the Mexican private sector including an overview of current developments in CDM and Joint Implementation (JI) and an analysis of investment opportunities.

¹ Members of the Umbrella Group include Australia, Canada, Iceland, Japan, New Zealand, Norway, the Russian Federation, Ukraine and the United States.

Developing Regional Baselines in the Caribbean to Evaluate Clean Energy Projects: With support from USAID and USDOE, the Center is working with Caribbean nations to develop regional baselines to reduce transaction costs associated with evaluating JI/CDM project additionality and to attract investments in energy efficiency and renewable energy technologies. The project is building regional capacity through technical training on baseline development and project evaluation. The Center is also providing assistance in identifying key sectors and project opportunities. In collaboration with Caribbean counterparts, the Center produced a report assessing the environmental integrity and feasibility of using regional benchmarks to lower project transaction costs and to attract investments in clean energy technologies.

North American Emissions Trading Capacity Assessment and Review of CDM and JI Investment Opportunities: In 1998, the Center assisted the Commission for Environmental Cooperation (CEC) in assessing the capacity that exists within NAFTA countries to participate in emissions trading. The Center is currently assisting the CEC in identifying CDM and JI investment opportunities among NAFTA countries, with a particular emphasis on CDM project potential in Mexico in key sectors, such as the cement, steel, power generation, and forestry sectors.

Energy Efficiency and Climate Change Capacity Building in Brazil: The Center began its policy development and capacity building efforts in Brazil in January 2000 with support from the Tinker Foundation. Based on discussions with industry representatives and key climate change policy-makers at Brazil's Ministry of Science and Technology and at Brazil's National Space Agency, several industrial sectors have emerged as high priority sectors for improving energy efficiency and reducing greenhouse gas (GHG) emissions. These sectors include aluminum, iron and steel, petroleum, and cement sectors. The project has focused on working closely with company representatives in Brazil to identify cost-effective GHG emission reduction opportunities in these sectors. The results of this analysis will be published in a report for distribution to a broad audience of industry representatives and policy-makers in Brazil. Another key component of this project is to build capacity in the Brazilian industrial sector to participate in the CDM and to engage industrial sector representatives and policy-makers in Brazil. Together with our project partners from the Federal University of Rio de Janeiro (UFRJ/COPPE) and the Environmental Secretary for the State of Rio de Janeiro, the Center has held small working group meetings with Petrobras, the Brazilian Iron and Steel Institute, the Brazilian Aluminum Association and the Brazilian Association of Portland Cement to discuss the preliminary results of our analysis.

International Emissions Trading Dialogue: The Center's efforts to promote emissions trading at the international level include a Dialogue involving high-level negotiators from the US, EU, and other Annex I countries that participate in the negotiations of the Kyoto Protocol. The Center worked closely with delegates from a total of 14 countries to build political momentum for trading and to address policy design issues including, compliance mechanisms, buyer and seller liability provisions, the treatment of "other sources and gases", and the meaning of the Kyoto Protocol provision which states that trading must be "supplemental to domestic action." This effort has contributed to the international discussions on emissions trading.

Emissions Trading in the European Community: The Center is part of an international, multi-disciplinary team that is working to design a greenhouse gas emissions trading system for the Environment Directorate General (DGXI) of the European Commission (EC) for their consideration as an option for addressing Kyoto commitments. As part of this initiative the Center developed three papers presenting options for points of regulation (e.g., upstream, downstream, hybrid), methods of allocating allowances, and a gradual phase-in of a trading system. These results were presented to the DGXI to assist the Directorate in making recommendations to the EC member states.

Joint Implementation (JI) Capacity Building in Poland: The Center is providing assistance to the Polish National Fund for Environmental Protection & Water Management in testing options to simplify JI project baselines and additionality determination and developing a strategy for participation in JI and international emissions trading. The Center is also providing guidance on options for establishing a domestic greenhouse gas emissions trading system.

Assisting Slovakia in the Design of a Domestic Trading System: The Center is assisting Slovakia in analyzing key issues associated with the development of a domestic greenhouse gas emissions trading system. Under this project, the Center developed a paper providing recommendations to the Slovak government on how to address key trading system design issues such as points of regulation, allocation of allowances, monitoring, verification and reporting requirements, and compliance and enforcement instruments. The Center is also assisting Slovakia in tackling issues associated with the development of a domestic trading system that coincides with Slovakia's strategies for participation in JI and international emissions trading.

JI and Emissions Trading Capacity Building in Ukraine: The Center is assisting Ukraine at the national, regional, and local levels in building necessary institutional capacity for participation in international greenhouse gas emissions trading and JI projects. The Center is developing a capacity building curriculum for national and local policymakers to use as a tool to develop needed institutions and technical know-how.

Policy Options for Reducing Aviation Emissions: Increasing by 5 percent per year, aviation is the fastest growing mode of travel, with rising emissions that are at odds with air quality and climate change goals. Following our 1998 launch of a project targeting aviation NO_x and CO₂ emissions, we are actively working at the state, federal and international levels to develop cost-effective reduction measures. The Center is one of a handful of non-industry participants in stakeholder negotiations to develop a national NO_x reduction initiative. Working closely with members of International Civil Aviation Organization (ICAO), as well as representatives from US and EU environmental organizations and industry, the Center is exploring how to incorporate international and domestic CO₂ aviation emissions into a trading system.