

SETatWork in Practice in the Carbon Markets

Achieving Energy Efficiency and Savings

Deliverable 2.6

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1 Sustainable Energy Technology at Work

1.1 Introduction and background

The global society faces a huge challenge in order to meet the threat of global warming. The rapid reduction of anthropogenic GHG emissions is the most important task for dealing with this challenge. One main international strategy to achieve this task is the establishment and enforcement of carbon markets under the UN framework of the Kyoto Protocol. The Kyoto Protocol outlines a framework for three cooperative implementation mechanisms to reduce GHG emissions: Joint Implementation (JI), Clean Development Mechanisms (CDM), and Emissions Trading Schemes. Of the three mechanisms, CDM is the only one in which developing countries can participate.¹

SETatWork – ‘Sustainable Energy Technologies at Work’ – a three year project supported by the European Commission, promoted sustainable energy technologies in the carbon markets by helping establish collaborations between business and other organisations on the European Union (EU), Asia and South America in order to realise sustainable energy projects that in turn would reduce CO₂ emissions. The EU’s Seventh Framework Programme (FP 7) supported the project. Project activities ran from 1 September 2008 to 31 October 2010.²

One key EC policy initiative in the context of SETatWork project implementation is the European Strategy for a Sustainable Energy Technology Plan (SET-Plan). This strategy was already communicated in 2007 and called for an accelerated shift to low-carbon energy, for which energy technologies will be driving the industrial revolution to de-carbonise the energy system [European Commission 2007a] The objective of the SET Plan is to accelerate the market introduction and take-up of low carbon and efficient energy technologies. This is to be done in a process of identifying appropriate technologies and market approaches that can be implemented in strong coalitions between Member States, or in public-private partnerships with the industry.

1.2 Objectives and Working Structure

The overall objective of the SETatWork project was to promote energy efficiency and saving technologies in international carbon markets, thereby contributing to EU’s policy goals and exploiting EU Research and Technological Development (RTD) and commercial aspects of the developing carbon market. Besides this general objective, a technological and a scientific objective guided project implementation.

¹ The Kyoto Protocol entered into force on 16 February 2005. Until today, 141 Parties have ratified the Protocol.

² The action took point of departure of the FP 6 project “T@W: Sustainable Energy Technology at Work”. This 24 months project started in April 2007 with the objective to promote renewable energy and polygeneration technologies in the EU ETS market and the CDM markets of China, Malaysia, Thailand and India.

The *technological objective* was to promote the use of environmentally benign technology at the world's carbon markets in order to meet local sustainable energy goals and to develop EU interests in relation to these markets.

The *scientific objective* was to spread knowledge among market actors and regulators on adequate approaches and solutions, as well as to position EU researchers and industries on the carbon markets.

The basic objective of SETatWork was to contribute to the development of a strong European mechanism for project identification and matchmaking in carbon markets, thereby harvesting huge EU interest in this area. To achieve this task, SETatWork assisted European industries to gain access to the international carbon markets by offering training, promotional and matchmaking activities leading to projects and other forms of cooperation. The main target groups were Industries with an obligation under the EU Emission Trading Scheme (EU ETS), Sustainable Energy Technology (SET) Providers and Project Developers, and buyers and other providers of project credits.

The SETatWork project involved organisations from EU Member States as well as from CDM countries in Asia and South America.

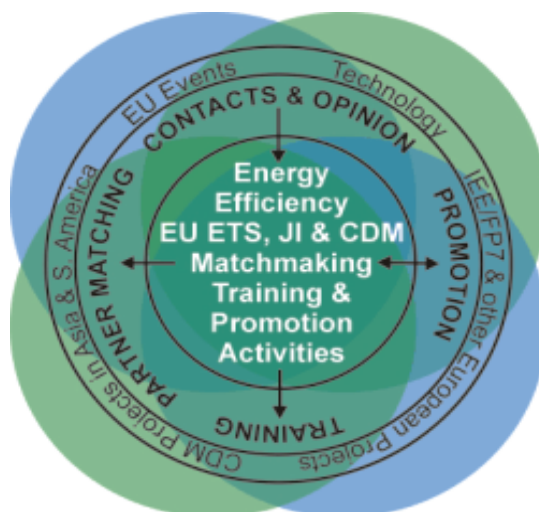
The SETatWork Consortium

Coordination	
Energy Consulting Network (ECNet) - Denmark	www.ecnetwork.dk
KEWOG Städtebau GmbH, Unit ZREU (ZREU), Germany with support from Future Camp, Germany	www.zreu.de www.future-camp.de
KanEnergi Sweden AB, Sweden	www.kanenergi.se
CPL Press, United Kingdom	www.cplpress.com/sps/
European Partners	
Sofia Energy Centre (SEC), Bulgaria	www.sec.bg
Confederation of Danish Industries (DI), Denmark	di.dk
Energia Transporti Agricoltura (ETA) Florence, Italy	web.etaflorence.it
Primum Polska Sp. z.o.o., Poland	www.ecofys.pl
IDMEC - Instituto de Engenharia Mecânica (Pólo IST), Portugal	www.ist.utl.pt
Energy Centre Bratislava (ECB), Slovakia	www.ecb.sk
Asian and South American (CDM) Partners	
Asesorías Profesionales P. Lehuédé Ltda (APLE), Chile	www.aple.cl
Guangzhou Institute of Energy Conservation (GIEC), China	www.giec.ac.cn
Zhejiang Energy Research Institute of China (ZERI), China	www.zeri.org.cn
The Energy and Resource Institute (TERI), India	www.teriin.org
Centre for Energy Environment Resource Development (CEED) Thailand	www.ceerd.net

These organisations formed a collaborative network carrying out the following tasks, organised in a series of work packages:

- **WP1. Project Coordination**
- **WP2. Market Observance:** Covering RTD Needs, Good Practice, Market Failures; information aimed at European Commission, National Administrations, Industries, researchers.
- **WP3. SET Project identification, Tools and Networking:** Covering Project assessment tools, Project identification, Market actor network. Targeting Global carbon markets, EU ETS and CDM Asia.
- **WP4. Matchmaking:** Matching CDM project owners and CER buyers as well as technology brokerage. Beneficiaries being local sustainable development, EU ETS companies, National CO₂ programmes, SET suppliers.
- **WP5. SET Training and Promotion:** Providing targeted training for ETS companies as well as SET promotion through website, newsletters and promotional material including that for Climate Summit 2009 and other events.
- **WP6. Evaluation and Strategy**

Figure 1: Project Activities of SETatWork



The project was required to organise a minimum of 16 training workshops in EU Member States based on prior assessment of needs with the objective of capacity-building in complex energy and CO₂ management environment. This required identification of opportunities for specific action in the EU industries for CO₂ reduction measures as well as the identification of potential CDM projects in China, India, Africa, South East Asia (focus on Thailand) and Latin America (focus on Chile).

This included promotion of activity concepts, such as CDM programmatic approaches³, in combination with the transfer of European technology and know-how.

Other core activities of SETatWork were:

- Organise matchmaking activities between European and CDM market stakeholders to identify project opportunities
- Continuously monitor international carbon market development and information on market actors and carbon market regulators
- Disseminate project results through the website, e-newsletters and international events (e.g. in connection with the UNFCCC climate conferences in Poznan 2008 (COP 14) and Copenhagen 2009 (COP 15))

2 SETatWork in a dynamic European and International Carbon Market

2.1 Reform of EU Emissions Trading Scheme in 2009

In February 2007, the EU Environmental Ministers adopted revised climate policy targets for the European Union [European Commission 2007b]. They defined a general objective whereby global CO₂ emissions should be reduced by 50 % by 2050 compared with 1990 levels, and that the reduction for developed countries should be in the range of 60-80 %. To achieve this objective, the EU committed itself unilaterally to reduce CO₂ emissions by 20 % by 2020.

These goals were further substantiated in January 2008 [Council of the European Union 2008], and on 6 April 2009, the Council of the European Union adopted a climate-energy legislative package [Council of the European Union 2009]. The package is designed to achieve the EU's overall environmental target of a 20 % reduction in greenhouse gases and a 20 % share of renewable energy in the EU's total energy consumption by 2020.

On 6 April 2009, the Council of the European Union adopted a climate-energy legislative package containing measures to fight climate change and promote renewable energy [Council of the European Union 2009]. The package is designed to achieve the EU's overall environmental target of a 20 % reduction in greenhouse gases and a 20 % share of renewable energy in the EU's total energy consumption by 2020. In addition to new rules for the promotion of renewable energy sources, the legislative package also contains revised legislation for the EU Emissions Trading System (EU

³ A Programme of Activities (PoA) is a voluntary coordinated action by a private or public entity which coordinates and implements any policy / measure or stated goal (i.e. incentive schemes and voluntary programmes), which leads to GHG emission reductions [...] that are additional to any that would occur in the absence of the PoA, via an unlimited number of CDM Project Activities (CPA). A CPA is defined as a project activity under a PoA. It is a single, or a set of interrelated measures to reduce GHG emissions [...] applied within a designated area defined in the baseline methodology.

ETS).⁴ The amended legislation is aimed to achieve greater emission reductions in energy-intensive sectors.

Under the revised EU ETS, GHG emissions allowances will no longer be given to operators for free, but will be partly auctioned by Member States. Operators of industrial and heat producing installations (including CHP) must start by purchasing 20 % of the EU allowances (EUA) through auctions from 2013 onwards. This rate will rise gradually to 70 % in 2020, with a view to reaching 100 % in 2027. Specific regulations apply to electricity generators – in order to prevent windfall profits, they are obliged to acquire all of their EUA at auctions, though a number of exemptions in the electricity sector cover ten countries with high dependence on fossil fuel or insufficient connection to the European electricity grid.⁵

Each EU state will determine the use of its revenues from auctioning its pollution allowances. At least half of the proceeds should be used to fight climate change and to alleviate the social consequences of moving towards a low-carbon economy. The revised ETS will apply from the start of its third trading period on 1 January 2013. Member States must bring the legislation necessary for compliance with the directive into force by 31 December 2012 [Council of the European Union 2009].

2.2 The Development of UN Negotiations on Climate Change: From Copenhagen to Cancún

In December 2009, climate change took centre stage. Literally, the world was watching the gathering of 115 heads of state at the UN Climate Change Conference in Copenhagen. Many of these had repeatedly declared their strong desire to achieve an ambitious and legally binding outcome. Despite the unprecedented political and public attention, the momentum was not translated into a post-Kyoto agreement. In the end, a group of 26 heads of state came up with a short paper, the "Copenhagen Accord", which the Conference of the Parties only "took note of". Formally, it does not have the status of a decision that could provide further guidance in the process of building a post-2012 global climate change framework. The media and many activist groups described COP 15 as a "failure" and many politicians openly showed their disappointment.

However, COP 15 offered far more guidance regarding how a post-Kyoto global framework might look like in contrast to the first reactions the media had led one to expect. On the one hand, the Copenhagen Accord was much more substantial than a quick look might tell - especially when read with profound knowledge of the entire negotiating process. The results of the "Copenhagen Accord" were highly relevant for the next COP 16 meeting, which took place in Cancún in December 2011.

⁴ The ETS covers energy-intensive sectors including electricity generation, coking, mineral-oil refineries, ferrous-metal production, cement, lime, ceramics, bricks, glass, pulp and paper.

⁵ Following Member States can apply for reduced auctioning rates in electricity generation, at least 30 % in 2013, gradually rising to 100 % in 2020: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland and Romania.

In 2010 and 2011, international developments depended on concrete steps that states took to implement the provisions of the Copenhagen Accord. The first deadline was 31 January 2010. According to the Accord, states should have submitted their emission reduction targets and actions by then.⁶ Along with these international developments came initiatives at national levels. The most important of these was US climate legislation.⁷ Its progress in the US Senate was crucial for COP 16. Nevertheless, Copenhagen also showed that there are other important players in the game as well, such as China, Brazil and India.

The next chapter summarizes the main results of the Copenhagen Accord. Due to the crucial importance of the Kyoto mechanisms “Joint Implementation” and “Clean Development Mechanisms” for the SETatWork, another chapter will then summarize main international carbon market developments in the time between both COP meetings. After a short summary of the results of COP 16 in Cancún, a final chapter is then – as some kind of excursion - looking at the prospects of the Kyoto mechanisms under a Post-Kyoto Framework.

2.2.1 Main outcomes of the Copenhagen Accord

The United Nations Climate Change Conference (COP 15 /CMP 5) in Copenhagen, Denmark took place from 7-19 December 2009. The main objective of the conference was to deliver a new treaty to follow on from the Kyoto Protocol which concludes in 2012. The conference resulted in a political agreement - the "Copenhagen Accord" – which, in summary, provided the following achievements:

- **Shared Vision:** The agreement "recognizes the scientific view that the increase in global temperature should be below 2 degrees Celsius."
- **Mitigation:** Provides Economy-wide emissions targets for Annex I (developed) countries for 2020 while Non-Annex I (developing) countries "will implement mitigation actions". Actions for which developing countries are seeking support will be recorded in a (National Appropriate Mitigation Actions - NAMA) registry.
- **Adaptation:** Adequate, predictable and sustainable finance, technology and capacity-building should be provided to support the implementation of adaptation actions in developing countries, especially for those that are particularly vulnerable.

⁶ However, the former UNFCCC Secretary Yvo de Boer later clarified that this was a “soft” deadline. Countries continued to submit pledges past this deadline. According to the US Climate Network, 138 countries including the 27-member-EU are likely to or have engaged with the Copenhagen Accord, representing about 87 % of the global emissions. The EU has informed the United Nations that it will stick to its pledge to cut carbon dioxide emissions by 20 % by 2020 from 1990 levels. It has also notified the UN of a “conditional offer to increase this cut to 30 %, provided that other major emitters agree to take on their fair share of a global reduction effort [US Climate Network, 2010].

⁷ The results of the US midterm elections in November 2010 have so far decreased the future chances for an ambitious US climate policy. The election results even led to some comments that the USA’s willingness to contribute to advanced climate policy targets seems now to be even lower than before Copenhagen [Policy Department Economic and Scientific Policy, 2010].

- **Finance:** There should be a USD 30 billion collective commitment of developed countries for 2010-2012, with USD 100 billion a year mobilized jointly by 2020 with long-term finance consisting of public and private resources generating a new "Copenhagen Green Climate Fund".
- **Monitoring, reporting and verification (MRV):**⁸ The Copenhagen Accord establishes that "mitigation actions including national inventory reports shall be communicated through national communications [...] every two years on the basis of guidelines [...]" while the "supported nationally appropriate mitigation actions will be subject to international measurement, reporting and verification in accordance with guidelines to be adopted by the Conference of the Parties."
- **Technology:** A new Technology Mechanism will be established in order to enhance action on development and transfer of technology.
- **REDD-plus:** Immediate establishment of a mechanism to enable the mobilization of financial resources from developed countries.

In negotiations following COP 15, progress was achieved in many issue areas, the most important being:

- **Mitigation by Annex I Parties:** Countries remain at the lower range of pledged targets as long as no legally binding agreement will be achieved. No country came up with any surprises; the US target stayed in line with the pending federal legislation.
- **Mitigation by developing countries:** All major emerging economies (China, India, Brazil, Indonesia, South Africa, and Mexico) presented efficiency targets for 2020. Most of them are national initiatives with consequences for independent international review.
- **Carbon Markets:** No structural changes in the existing carbon market under Kyoto. Major developments such as linking of cap-and-trade systems were not subject to the COP. Targets under the Copenhagen Accord will have impact on demand side. No direct impacts on supply side, however indicators regarding NAMAs, REDDplus, CDM and JI. In summary, the Copenhagen Accord sent no clear signals to the market and uncertainty remained at least until COP 16 in Cancún.
- **CDM:** No substantial reform of the CDM, but development towards more transparency, optimized and more standardized processes. Underrepresented methodologies will be prioritized; no decisions regarding CCS and nuclear energy under the CDM.
- **JI:** Should a Post-Kyoto Treaty bring a second commitment period, JI will continue. The only issue controversially discussed were levies for JI management.

⁸ Due to infrequent reporting of non Annex I Parties of GHG emissions, the official information on global GHG emissions is very limited in its coverage. Accordingly Annex I Parties want significant emitters from emerging countries to provide regular GHG inventories and information on their actions based on agreed reporting guidelines.

- **Financing:** Several countries made clear how much public finance they would provide for the 2010-12 period (EU €2.4bn p.a., US \$1.4bn p.a.).
- **LULUCF & REDD:** Substantial, detailed progress for a reform of LULUCF. REDD-crediting will probably not be implemented soon, but consensus towards a phased approach.
- **Technology Transfer:** Institutional arrangements under the Accord; important developments in the field of technology need assessments and possible project activities.

2.2.2 JI and CDM Market Framework

In relation to these developments, a key intention of SETatWork was to assist European industries and relevant R&D organisations in gaining access to international carbon markets, with the focus on the promotion of energy efficiency projects. SETatWork supported industry to initiate SET Projects in the JI and CDM carbon markets. One focus was to bring European suppliers in a favourable position for this development, especially in the rapidly developing CDM markets of Asia and Latin America.

Under the provisions of the Kyoto Protocol, the ‘flexibility mechanisms’ (FlexMechs) – based on cooperative measures as stressed in Article 3 of the UNFCCC – offer the following two options to cost-effectively reduce GHG emissions:

- **Joint Implementation (JI):** JI projects are undertaken between developed countries (Annex I Parties), i.e. countries that have set emission targets under the UN framework. The credits created through JI projects are ‘Emission Reduction Units’ (ERUs).
- **Clean Development Mechanism (CDM):** CDM projects are implemented between developed and developing countries (Non Annex I Parties); emission reductions have to be approved and are therefore called ‘Certified Emission Reductions’ (CER).

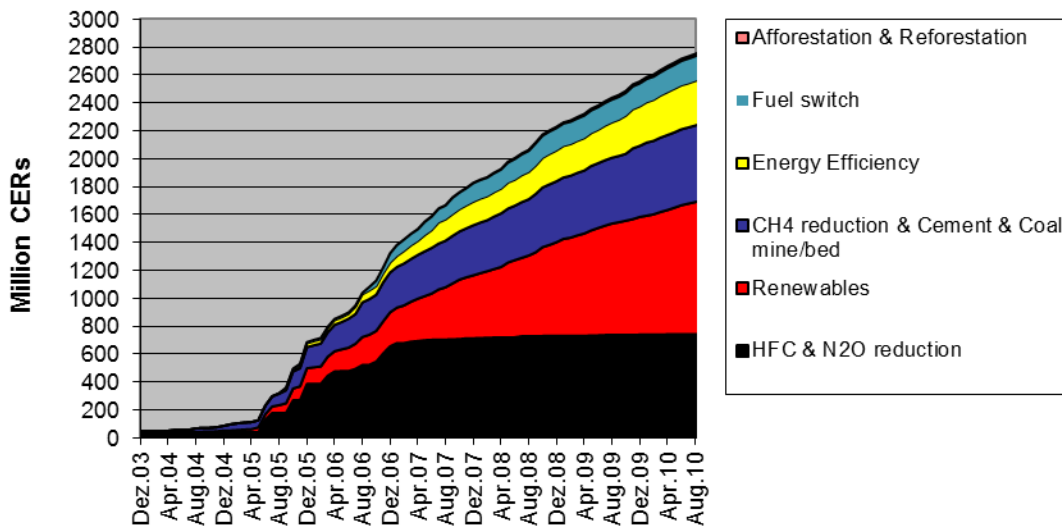
2.2.3 Clean Development Mechanism (CDM)

Figure 2 illustrates the high dynamic in CDM markets. This is especially the case for projects in the topics energy efficiency, CH₄ reduction and renewable energies.

Figure 3 illustrates relevant CDM markets by highlighting the distribution of respective projects between the most important countries. The CDM market was mainly distributed between six countries, with China having the largest market share.

Figure 2: Development of CDM Markets

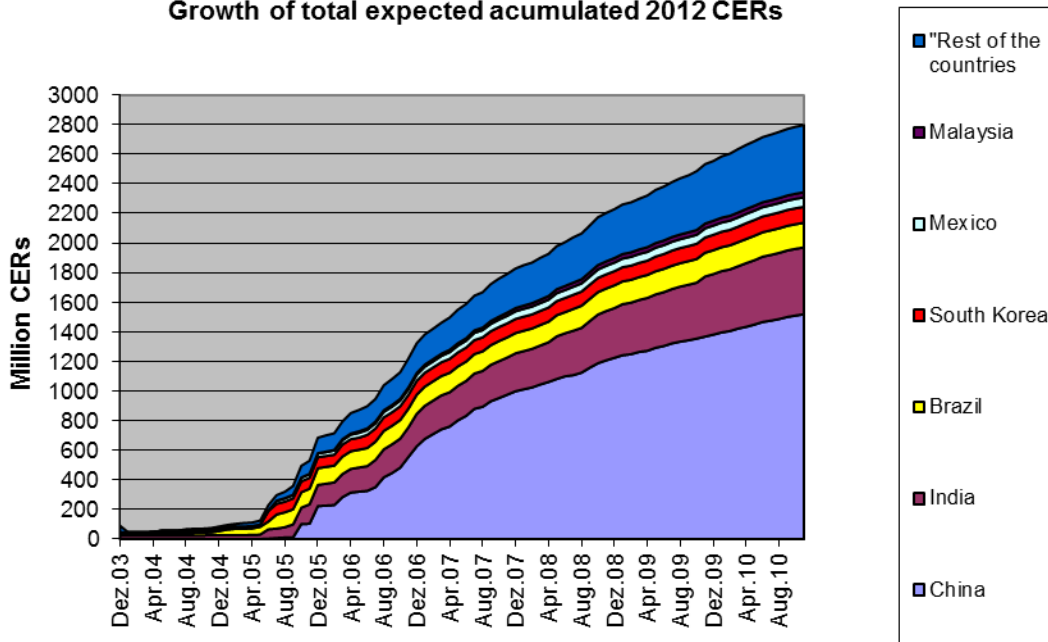
Growth of total expected accumulated 2012 CERs



Source: UNEP Risø Centre 2010.

Figure 3: Market share of different CDM countries

Growth of total expected acumulated 2012 CERs



Source: UNEP Risø Centre 2010.

For pushing CDM market development, the UNFCCC released a draft decision in Copenhagen titled "Further Guidance Relating to the Clean Development Mechanism". The main claims of this document were:

- Call for improved system of "continuous performance monitoring" for Designated Operational Entities (DOEs), improved access to information on their performance⁹
- Adoption of measures to increase capacity and improve performance of DOEs, including a system to promote training for auditors (e.g. validation and verification)
- Establishment of modalities and procedures for a direct communication between Executive Board (EB) and project participants; in the past, the DOE was exclusively the speaking tube for project participants of the EB
- Advancement of the approach for additionality ('Additionality-Tool') and selection of the baseline scenario
- EB is requested to improve the "Tool to calculate the emission factor for an electricity system" of project activities hosted in countries with a paucity of relevant data¹⁰
- EB was granted permission to streamline registration and issuance procedures for emission reduction projects.
- Request for revision of procedures and guidance for PoA projects, especially clarification of liability issues for DOEs in cases of erroneous inclusion of project activities, only a few DOEs offer validation services for PoAs up to now and DOEs should be encouraged to establish offices in developing countries in order to reduce transaction costs.

Simplified modalities are important to demonstrate additionality of small-scale projects to boost micro and small-scale emission reductions parallel to PoAs. Regulation will be implemented for project activities up to 5 MW employing renewable energy as primary technology, and for energy efficiency project activities aimed to achieve energy savings at a scale below 20 GWh per year. This should be helpful, especially for the development of PoAs.

Issues raised and highlighted in the CDM draft decision are far-off from being worth called a substantial reform of CDM, which might have been necessary. The inadequacies were only partly addressed, but the above-mentioned issues might help to develop CDM.

2.2.4 Joint Implementation (JI)

The COP 15 in Copenhagen released a draft decision titled "Guidance on the Implementation of Article 6 of the Kyoto Protocol". Almost all issues within the draft decision referred to projects under Track 2.

⁹ Designated operational entities (DOEs) are independent auditors that assess whether a potential project meets all the eligibility requirements of the CDM (validation) and whether the project has achieved GHG emission reductions (verification and certification). They are accredited by the CDM Executive Board and designated by the COP/MOP to perform these functions, according to their expertise.

¹⁰ This is a fact for most of the countries in Africa and Small Island states with a small output of CDM projects.

The Joint Implementation Supervisory Committee (JISC) was acknowledged with appreciation and encouraged to improve a couple of issues. However, these issues were not relevant for the implementation of most JI projects. The revision of the fee structure that was discussed very controversially before COP 15, was recommended to be endorsed.

Within the draft decision, it became obvious that the JISC has a finance problem. Therefore, the JISC should report on the financial and budget projection up to 2012, including an analysis of when and under which conditions the committee will become self-financing. The CMP urges Annex I Parties to contribute to the Trust Fund for Supplementary Activities. These contributions would fund JI work in the biennium 2010/11 at a level that would ensure the thorough and timely implementation of the JI management plan. The uncertainty on future JI levies might cause problems for on-going projects under Track 1.

2.2.5 The UN Climate Change Negotiations for a Post-Kyoto Agreement in 2010

To provide for fresh impetus to the UN negotiations, mainly two issues were at the core of negotiations before COP 16 in Cancún:

- Financial support including fast-start financing for developing countries
- Monitoring, reporting and verification (MRV) of developing countries

Related to financing, developed countries committed themselves in Copenhagen to provide additional resources approaching USD 30 billion with balanced allocation between adaptation and mitigation (fast-start financing). The developed countries aim to mobilise jointly USD 100 billion a year by 2020 to address the needs of developing countries. During the negotiations in 2010, developing countries urged for a formalisation of the Copenhagen Accord pledges through a COP decision. However, as fast-start finance was seen as unilateral offer by industrialised countries, they were not in favour of such negotiations. The compliance of developed countries with their fast-start finance commitments remained uncertain during 2010 for following reasons:

- According to the Copenhagen Accord, fast-start finance should be additional. However, there is a general understanding that the funding pledged so far by developed countries contained many existing sources and would thus not be additional.¹¹
- A large share of funds was offered as loans. Although loans have to be repaid by developing countries, they are counted fully in the total of USD 30 billion.

Considering the continuing impacts of the financial and economic crisis, the passive financing activity of developed countries obviously was also part of a negotiation strategy urging developing countries to achieve progress in the MRV issue. In MRV (Figure 4), developing countries were very

¹¹ The EU Member States and the European Commission “have confirmed €2.2 billion of fast-start finance in 2010, thereby remaining on track to meet its overall commitment of €7.2 billion across the 2010-12 fast-start period” in a draft report [BusinessGreen 2010].

reluctant to engage in substantive discussions during 2010. A number of developing countries that earlier agreed with the MRV arrangements of the Copenhagen Accord (China, Brazil, and India) no longer supported them.

Figure 4: Positions of Parties related to MRV

EU	USA	China	Brazil / India	Latin American Countries, AOSIS
<p>COP in Cancún should clarify main changes to MRV</p> <p>Mandate to SBI to develop operational details / guidelines</p> <p>4-year frequency of national communications submitted by Non Annex I Parties</p> <p>Biennial reporting frequency for inventory and supplementary information on mitigation action and support received</p>	<p>High demands in terms of MRV provisions</p> <p>International verification by independent auditor</p> <p>Opposition to more rigid MRV provisions for themselves</p>	<p>No support of Copenhagen provisions</p> <p>Opposition to biennial reporting</p> <p>Opposition to international consultation and analysis</p>	<p>Accept provisions of MRV related to supported action</p> <p>Opposition to enhanced reporting provisions of national communications / ICA</p>	<p>Some countries supported more frequent national communications and technical review of them (e.g. Chile, Colombia, Costa Rica)</p>

Source: Policy Department Economic and Scientific Policy, 2010.

2.2.6 The Results of COP 16 in Cancún

The main objective of COP 16 in Cancún was to build the fundament for final negotiations of a Post-Kyoto Treaty at UN level. Overall the COP 16 negotiations led to some further progress for achieving such an Agreement. Essential progress was made in the following four main issues [UNFCCC 2010]: Adaptation; Mitigation; Measurement, Reporting and Verification (MRV); Finance, Technology and Capacity-building.

Within the topic “Adaptation” (Figure 5), the Parties reached an agreement on the establishment of the Cancún Adaptation Framework, including an Adaptation Committee, which will initiate a process between developed and developing that should result in better cooperation in developing long-term strategies to adapt to the impacts of climate change.

In terms of Mitigation (Figure 6), the final Cancún text did not outline tighter emission targets for any nation. Instead it refers to figures that will be published later, covering cuts from industrial and developing nations.

Figure 5: Resolutions of COP 16 - Cancún on Adaptation

The Conference of the Parties...

- *Decides* to establish the **Cancún Adaptation Framework** [...] with the objective of enhancing action on adaptation; important elements of this framework are:
 - Establishment of a process to enable least developed country Parties to formulate and implement *national adaptation plans*
 - *Developed country Parties are asked to provide developing country Parties with long-term, scaled-up, predictable, new and additional finance, technology and capacity-building in the adaptation processes*
 - Establishment of an **Adaptation Committee** to promote the implementation of enhanced action on adaptation in a coherent manner under the Convention

Figure 6: Resolutions of COP 16 on Mitigation

Related to **Enhanced Action on Mitigation by developed country Parties**, the COP:

- *Takes note of* quantified economy-wide emission reduction targets to be implemented by Parties included to Annex I to the Convention¹²
- *Urges* them to increase the ambition of their economy-wide emission reduction targets
- *Decides to* enhance reporting in the national communications of developed country Parties on mitigation targets and on the provision of financial, technological and capacity-building support to developing countries (e.g. biennial reports on progress in achieving emission reduction, amendment of reporting guidelines with common reporting formats, methodologies for finance)
- *Decides that* developed countries should develop *low-carbon development strategies or plans*

Related to **Enhanced Action on Mitigation by developing country Parties**, the COP:

- *Takes note of* nationally appropriate mitigation actions to be implemented by developing country Parties
- *Decides that* developed country Parties shall provide enhanced financial, technological and capacity-building support for the preparation and implementation of nationally appropriate mitigation actions of developing countries and for enhanced reporting by these Parties
- *Decides to* set up a registry to record nationally appropriate mitigation actions seeking international support and to facilitate matching of finance, technology and capacity-building support to these actions

¹² The final Cancún text notes developed countries would need to cut combined emissions in the range of 25 % to 40 % below 1990 levels by 2020. That compares with a 5.2 % target from 1990 levels between 2008 and 2012 under Kyoto.

However all Parties have recognized that deep cuts in global GHG emissions are required (as documented in the Fourth Assessment Report of the IPCC), with a view to reduce global GHG emissions so as to hold the increase in global average temperature below 2°C above pre-industrial levels. Parties should take urgent action to meet this long-term goal.¹³ In this context, developed countries have confirmed to comply with their voluntary GHG emission reduction targets negotiated in the Copenhagen Accord.¹⁴ The Parties also agreed to define a timeframe for global peaking of GHG emissions based on the best available scientific knowledge and equitable access to sustainable development, and to consider it at its seventeenth session (Durban).

The main outcome of the Mitigation topic is summarised in Figure 7, differentiating between developed and developing country Parties.

Figure 7: Resolutions of COP 16 on Measurement, Verification and Reporting (MRV)

In relation to the **Measurement, Verification & Reporting** issue, the COP

- *Decides to enhance reporting in national communications, including inventories to developing country Parties on mitigation actions and their effects, and support received; national communications should be submitted every four years or in accordance with any further decisions on frequency by the COP taking into account a differentiated timetable and the prompt revision of financial resources to cover the agreed full costs incurred by developing country Parties; they should also submit biennial update reports, containing updates of national GHG inventories including a national inventory report and information on mitigation actions, needs and support received*
- *Encourages developing countries to develop low-carbon development strategies or plans in the context of sustainable development*
- *Agrees on a work programme for the development of modalities and guidelines for: facilitation of support to nationally appropriate mitigation actions through a registry; MRV issues of supported actions and corresponding support; biennial reports as part of national communications from developing country Parties, etc.*

In relation to the issue of Measurement, Verification and Reporting (MRV), the COP 16 negotiations resulted in an initial agreement to negotiate more binding targets for developing countries. There was also some progress to introduce a more institutionalized approach in MRV. However, modalities and guidelines for MRV will have to be specified in on-going negotiations until COP 17 in Durban.

The initial resolutions in MRV also contain promising results in the issues financing, technology and capacity building.

¹³ In addition, the COP recognizes the need to consider strengthening the long-term global goal [...] in relation to a global average temperature rise of 1.5°C.

¹⁴ However, main global emitters such as USA, China and India have so far not agreed upon legally binding GHG emission reductions.

Figure 8: Resolutions of COP 16 on Finance, Technology and Capacity-building

Fast-start finance

- *Developed countries* will provide new and additional resources, including forestry and investments through international institutions, approaching *USD 30 billion for the period 2010-2012*, with a balanced allocation between adaptation and mitigation
- *COP invites developed country Parties to submit to the Secretariat for compilation into an information document, by May 2011, 2012, and 2013 information on the resources provided to fulfil the commitment*

Long-term finance

- *COP recognizes that developed country Parties commit [...] to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries*
- *COP decides to establish a Green Climate Fund; a significant share of new multilateral funding for adaptation should flow through this Fund, which is to be governed by a board of 24 members comprising an equal number of members from developing and developed country Parties; the World Bank is invited to serve as interim trustee of the Green Climate Fund*

Technology

- *COP decides to enhance action on technology development and transfer to support action on mitigation and adaptation and to accelerate action [...] at different stages of the technology cycle (incl. research & development, demonstration, deployment, diffusion and transfer of technology)*
- *COP decides to establish a Technology Mechanism to facilitate the implementation of technology development and transfer actions (incl. establishment of a Technology Executive Committee and a Climate Technology Centre and Network*

Capacity-building

- *COP decides that capacity-building support to developing country Parties should be enhanced with a view to strengthening endogenous capacities at the sub-national, national or regional levels*

Essential progress was also achieved in establishing a mechanism to enable the mobilization of financial resources from developed countries for tropical forest protection (*REDD+*).

In summary, significant improvements were realised during the COP meeting in Cancún restoring the credibility of the United Nations as a forum where progress can be made in Climate Change Policy [Bloomberg 2010]. This included initiation of the “Cancún Adaptation Framework” that would help assess the needs of the most vulnerable nations in adapting to climate change and establishment of a Green Climate Fund that would manage a “significant share” of the \$ 100 billion pledged until 2010. It also made significant progress in MRV, which is to be developed in later UN negotiations. Another element is the introduction of a technology mechanism to help developing nations benefit from low-carbon products such as wind turbines, solar panels, etc.

2.3 Sectoral Approaches as Future of Global Carbon Markets?

The EU ETS currently accounts for 80 % of the demand in the international carbon market [Policy Department Economic and Scientific Policy 2010].¹⁵ One essential objective of the EU is to create an OECD-wide carbon market by 2015 through linking the EU Emissions Trading Scheme (EU ETS) with other cap-and-trade systems that are comparable in ambition and compatible in design. One strategy proposed by the EU to expand this kind of ETS especially to advanced developing countries is the establishment of sectoral mechanisms. Sectoral carbon market mechanisms are supposed to replace gradually the project-based Kyoto mechanisms.¹⁶

However, such sectoral carbon market mechanism would require a legally binding agreement at global level. There are two options to introduce sectoral carbon mechanisms [Policy Department Economic and Scientific Policy 2010]:

- **Sectoral Crediting:** The developing country sets a sectoral emissions threshold below the business-as-usual trend. For all emission reductions achieved beyond the threshold, the country receives credits that can be sold to the developed countries as offsets. These revenues finance mitigation in the developing country. Thresholds are ‘no lose’, i.e. there is no penalty if they are not met (but no credits are generated either). In short, a baseline must be established at sectoral level and credits would be awarded ex-post for emission reductions achieved under sectoral crediting.
- **Sectoral Trading:** The developing country sets a sectoral emissions target below the business-as-usual trend. The target defines a cap on the number of tradable units, which are created in advance. If emissions reduce below the target, the developing country would have excess tradable units and can sell them to developed countries as offsets. These revenues finance mitigation in the developing country. If the sector emits more than the cap allows, the developing country must buy credits to make up the difference. In short, under sectoral trading, a binding sectoral target would be agreed and trading units would be allocated ex ante on this basis.

The main challenges for the establishment of sectoral approaches are [Sterk 2010]:

- As in CDM, revenues can only be received ex-post. It is not possible to predict accurately future revenues. Developing countries will have to prefinance sectoral schemes and run the risk of not being able to recoup costs through emissions trading.¹⁷

¹⁵ CDM and JI-projects are currently amounting to around 12 % of the international carbon market [Policy Department Economic and Scientific Policy 2010].

¹⁶ As Sterk is pointing out, the discussion for scaling up project-based CDM or its complementation with new carbon market mechanisms is almost lasting for ten years now [Sterk 2010]. The main weaknesses being identified with project-based CDM are their failure to screening out project proposals that are actually not additional, to triggering projects in important sectors such as demand-side efficiency and transport, and their basic incapability to achieving fundamental structural changes at a scale necessary to effectively combat climate change.

¹⁷ A solution of this problem could be financing of upfront costs by developed countries.

- The future of sectoral approaches will also depend on the level of ambition of industrialised countries for GHG emission reduction targets post 2012 and the market volume of the carbon market. If ambitions are too low, the demand for CO₂ credits might easily be met by project-based CDM.
- A broader introduction of sectoral approaches in international carbon trading will require more efforts of developing country Parties to conduct sectoral modelling and projections. The establishment of robust baselines at sectoral levels is an essential requirement for having detailed and reliable emission inventories and projections for the host countries or at least for respective sectors. In this context, data availability and reliability is a serious constraint for sectoral approaches in many countries.¹⁸

In summary, the implementation of sectoral mechanisms will probably not be feasible for most countries before the middle of this decade. Especially key developing country Parties have so far opposed their introduction (e.g. Brazil, China, and India). However, Mexico and South Korea are actively considering the introduction of domestic multi-sector emission trading systems. To enhance the chances of sectoral mechanisms in international carbon trading, developing countries must substantially improve their data situation. In the next future, only a handful of developing country Parties will probably apply such mechanisms [Sterk 2010].

3 SETatWork Interventions into the Carbon Markets

SETatWork placed an emphasis on helping to improve energy efficiency in companies covered by the EU ETS. In total 19 matchmaking events, including 7 multi-national matchmaking events were organised either as COP interventions or as events in CDM countries. At the national level additional 12 matchmaking events were organized.

To assist interested project developers in project initiation, and to facilitate the project aims, information about Sustainable Energy Technology and Service Providers, as well as details of other relevant organisations, projects and case studies have been collected in the SETatWork Database :

www.setatwork.eu/database/

The database links in with and supports an Emissions & Energy Assessment Tool which has been designed to help businesses find the most economical option for addressing CO₂ emission problems, leading to reductions of GHG emissions through investing in either internal or external projects:

www.setatwork.eu/toolv3/

¹⁸ Related to the fast-start financing activities, it is therefore recommended to put a significant share of investments into building the necessary capacity to reliably measure, report and verify emissions over the next years [Sterk 2010].

3.1 SETatWork Database and Partner Matching Facilities

The SETatWork Database contains information on:

- **Technologies:** Information on specific Sustainable Energy Technologies (SET) providers in order to establish new business relations and enhance dissemination of innovative energy solutions
- **Advisory Services:** Data of national and international consultancy and engineering companies providing information on financial and carbon market services to public and private clients
- **Carbon Markets:** Links to European Carbon stock exchanges, as well as brokers, energy exchanges, etc.
- **Funds & Finance:** Overview of financial investment schemes supporting climate activities undertaken by private and public companies within Europe
- **Industrial Sectors:** sector-specific information on the EU ETS
- **Training & Tools:** Training materials and tools being developed as part of SETatWork's activities or available from other sustainable energy programmes and projects.

In addition, various organisations were invited to complete the SETatWork Partner Matching Form in order to identify appropriate project partners for sustainable energy projects. These included manufacturers and providers of sustainable energy technologies, service companies offering project development services and project developers searching for project owners or project development assistance or technology suppliers.

3.2 SETatWork COP Interventions and Roundtable Events

1) Food for Thought Session during Econcert (COP 14), Poznan, December 2008

In the context of the Econcert Sustainable Energy side event a side event, this workshop presented different strategies for the industry sector to cope with the climate challenge, seen from both a European and Asian perspective. In addition to general information about SETatWork activities, business strategies for carbon markets specifically focussing on the Chinese CDM market were presented.

www.setatwork.eu/events/081208poznan.htm



2) Exhibition at Bright Green (COP 15), Copenhagen, December 2009

This event enabled SETatWork to establish contacts between actors on the carbon markets, through a series of presentations and dissemination of information about SETatWork's EU ETS project activities and CDM market potentials in Asia, South America and Africa.

See: www.setatwork.eu/events/091212brightgreen.htm

Figure 9: SETatWork stand for Bright Green during COP 15



3) Roundtable Events, Brussels, March & October 2010

In March and October 2010, SETatWork organized two Roundtable Events, bringing together political and private stakeholders to discuss current and future developments in international carbon markets and the EU ETS. The objective was to initiate a dialogue between stakeholders and to influence policy development in the European and international carbon markets.

At the 1st Roundtable Event, organised on 26 March 2010 in Brussels, representatives of the European Commission, European industry associations (chemical, steel industry) and SETatWork project partners discussed strategic development options for the EU ETS. The focus was specifically on:

- Requirement to expand cap-and-trade schemes for emissions trading to other regions
- Political support required to sustain competitiveness of European industry in view of expected carbon price increases
- Challenges and barriers for European industry to reduce carbon intensity

The 2nd SETatWork Roundtable Event took place in Brussels on 12 October 2010 with participants of the European chemical industry and energy agencies. This SETatWork Roundtable mainly dealt with the following topics:

- Presentation of SETatWork project activities to support and train industrial stakeholders
- Requirements for future development of EU ETS
- Industry support schemes for the implementation of sustainable energy projects under the Kyoto mechanisms (e.g. KfW Carbon Fund).

Roundtable 1: http://www.setatwork.eu/events/100325_SETatWork_Roundtable.htm

Roundtable 2: http://www.setatwork.eu/events/101012_SETatWork_Roundtable.htm

3.3 SETatWork Matchmaking Events targeting the CDM markets

1) Matchmaking in Bangkok, Thailand, February 2010

This matchmaking event was organised by the Centre for Energy Environment Resources Development (CEEDR) as a side event of the Thailand “Energy Saving 2010” Exhibition and Conference in February 2010. This event presented best available technologies for energy efficiency and renewable energies and the opportunities for CERs sales to European entities. It also showed project owners how the CDM cycle can help finance projects and technologies; and served to facilitate business meetings.



See: <http://www.setatwork.eu/events/1002thailand.htm>

2) Matchmaking in New Delhi, India, March 2010

A two-day matchmaking event was organised by TERI for the Asian market in New Delhi (15-16 March 2010). The first day comprised of presentations and panel discussions on energy efficiency and the role of CDM projects in India. The second day focused on providing close interaction opportunities amongst EU representatives and Indian company representatives. Experts from industry, research organizations and European stakeholders shared their perspective with the audience that mainly comprised of representatives from industrial units.

See: www.setatwork.eu/events/1003india.htm

3) Sino-EU Matchmaking in Guangzhou/Hangzhou, China, April 2010,

Two SETatWork Matchmaking Events were held in China in Guangzhou and in Hangzhou (19-21 April 2010). The workshop in Hangzhou was organized by Zhejiang Energy Research Institute (ZERI). One main objective was to promote sustainable energy technology outside Europe and to bring European suppliers in a



favourable position in the rapidly developing CDM markets of China. The focus was on capacity building in research for a low carbon development of China and innovative energy technologies illustrated by the project partners. The Chinese participants indicated their interest for international cooperation in different technology fields (e.g. grid connection of PV system, integration of solar thermal use with high-efficient heat pumps, low temperature waste heat recovery etc.)

See: www.setatwork.eu/pm.htm#cn

4) Matchmaking Event in Santiago, Chile, September 2009

SETatWork participated in the “4th International Conference on Renewable Energy Investment and CDM”, organized by the Chilean Economic Development Agency (CORFO) and other organizations (07-08 September 2009). This was a key event attended by more than 860 entrepreneurs and investors seeking opportunities in the emerging renewable energy sector. The portfolio presented included 37 projects that accounted for nearly 2,400 MW of installed capacity (e.g. projects from agriculture, renewable energy business, engineering companies, etc.).

3.4 SETatWork Training Workshops and Matchmaking Events in EU countries

In addition to COP interventions and events targeted at CDM markets, SETatWork organised Training Workshops and Matchmaking Events specifically addressing potential market stakeholders of Sustainable Energy Technology (SET) projects in Bulgaria, Denmark, Germany, Italy, Poland, Portugal, Sweden, and Slovakia/Czech Republic.

Training for industries in the EU ETS market aimed to facilitate the main project objective to push market development between European investors and actors in the carbon market of developing countries. The training workshops were designed on the basis of a survey, which was carried out to identify the training needs of key stakeholders, including the technology platform members and industry contacts. Based on the results of this assessment, specific training packages were developed on the topics “Certified Energy Management Systems” and “Sustainable Design”.

Training packages and presentations from SETatWork training workshops: www.setatwork.eu/training.htm#packages

Presentations from National Matchmaking Events to initiate SET projects in Europe and within CDM markets: www.setatwork.eu/pm.htm

3.4.1 Overview of SETatWork activities in EU Countries

The following paragraphs provide an overview of the wide range of activities initiated by SETatWork in EU countries.

Denmark

ECNet was responsible for the whole project coordination and in cooperation with CPL developing information and training material for all project partners. The Confederation of Danish Industries/DI, the other Danish project partner, helped to strengthen the contacts to the industry sector, both in Denmark and internationally via DI's sister organisations.

Apart from these tasks, EC Net organized two training events and one matchmaking event in Denmark. Enclosed you find more information on two of these events:

- Training workshop on “Certified Energy Management”, hosted by NW Gruppen, 15 December 2009, event co-organised between Green Network and SETatWork.
 - Participating organizations mainly from industry sector
 - Training on EN16001 standard which replaces the Danish national standard for certified energy management systems
- Matchmaking Event “Climate and Energy Conference”, in cooperation with the Danish industry network Zero Carbon Network, 28th October 2010
 - Mainly participants of ETS companies/SMEs
 - The Danish Energy & Climate Minister Lykke Friis set the scene by pointing out the policy situation up to COP16. This, together with good practice examples of industries, fostered discussion on factors influencing policy oriented action and initiatives to be taken to match actors and interests

Germany

KEWOG-ZREU organised three training and one national matchmaking event. Examples:

- Training workshop: “Energy efficiency measures for German ETS industries”, 25th February 2010, Frankfurt/Main, organised jointly with KfW Bankengruppe
 - Participants of different industries and emission trading enterprises, energy efficiency experts

- Presentations of experts in the fields of emission trading and energy efficiency with background information on EU ETS and international carbon market developments



Source: KEWOG-ZREU, 2010

- Matchmaking Event on “More Innovation and less CO₂ – Heating, ventilation and air conditioning” in cooperation with Chamber of Commerce Munich, 10th March 2010, Munich
 - Participants from energy industry, ESCOs, energy consultancies, manufacturers, etc.
 - Presentations on energy saving potentials of intelligent technologies like solar cooling, fuel switch or re-cooling of chillers; product and service presentation of seventeen innovative technology providers, presentation of JI project “Ökobonus” of Bayerngas GmbH

Sweden

KanEnergi arranged four training workshops and one national matchmaking event. Examples:

- Training workshop “Svensk teknikexport genom Kyotoprotokollets flexibla mekanismer (CDM/JI)”, 23rd April 2009, organized in cooperation with Swedish Energy Agency
 - Participants from ETS companies, technology companies, investors and active companies and organisations within the Kyoto mechanisms
 - Capacity-Building on EU ETS, update information on UN climate negotiations, Kyoto mechanisms and marketing opportunities for clean tech companies
- Matchmaking Event on “Possibilities for Bioenergy Companies to Access New Markets” during “World Bioenergy 2010”, 25th May 2010, Jönköping
 - At the side event more than 20 delegates from Sweden, India, Iran, Brazil, Egypt, Singapore and Finland came to listen to our invited speakers.
 - Establishment of business contacts, in particular from delegates of Egypt, Botswana, and Iran; India added several projects to SETatWork database.

Portugal

IDMEC organised two training workshops and two matchmaking events. The trainings events were organised in cooperation with GALP Energia, examples:

- Training workshop for industrial sector (“Eficiencia Energetica e Mercados de Carbono – Sector Industrial”), 12th November 2009, Porto
 - Participants of industrial businesses
 - Capacity-building on instruments for energy efficiency in industry and commercial trade, know-how transfer on carbon trading arrangements (FlexMechs)
- Matchmaking Event at Entrepreneurial Exhibition of Moura (Alentejo), May 2009.
 - Participants from energy business
 - Presentation on services offered by SETatWork, objectives and results of SETatWork project, facilitation of business meetings between interested stakeholders

Slovakia

ECB Bratislava arranged two training workshops and two matchmaking events. Examples:

- Training workshop “Certified Energy Management Systems” during the 32nd Conference of Industrial Energy Managers, 27-28th October 2009, Papradno
 - Participants from energy-intensive industry (e.g. steel-, crude-oil-processing, paper), manufacturers of energy generating machinery and equipment, financing institutions managers, applied science & university experts
 - Possibilities and advantages of Certified Energy Management Systems in industries
- Matchmaking Event “Biomass – instrument for reduction of CO₂ emission” during 7th International Slovak Biomass Forum, 09-10th February 2009, Bratislava
 - Participants from energy production sector, technology and service providers, public administration
 - B2B meeting for representatives from biomass industry, manufacturing industry, etc.

Bulgaria

SEC organised four matchmaking and training events in Bulgaria. Among them were:

- Training workshop on “EU ETS – A means to involve Business in Environmental Protection”, 26th June 2010, Varna
 - Participants from major TPP and DH companies, ministries, energy agencies, and other consultancy companies
 - Focus on potential heating projects under Kyoto mechanisms / EU ETS provisions; presentation of good practice examples, identification of a number of potential in-house investment projects for CHP introduction and biomass fuel switch

- Matchmaking Event during the 6th National Congress and Exhibition for South-East Europe, Energy Efficiency and Renewable Energy Sources, 14th April 2010, Sofia.
 - Participants from major EU ETS players in Bulgaria, as well as of relevant ministries, energy agencies, and other consultancy companies
 - Presentation of opportunities for in-house CO₂ emission reductions in compliance with EU ETS requirements and Kyoto mechanisms; identification of potential in-house investment projects for CHP introduction and biomass fuel switch

Poland

Primum Polska organised four training workshops and matchmaking events. As examples two events are summarised:

- Training workshop, 23 – 24th April 2009, tomaszów Mazowiecki
 - Participants were from the energy industry, but also representatives of companies interested in energy investments and from local government
 - Training workshop on issues of energy supply, presentation of technologies for optimisation of heat production, innovative financing instruments, development of EU climate policy, etc.
- CEE Energy Trading 2010, matchmaking event “Establishing New Networks in Emerging Markets”, 29th April 2010, Prague, Czech Republic
 - Participants mostly from energy companies
 - Capacity-building on regulatory challenges in EU ETS after 2012; CO₂ markets in post-Kyoto period; legal aspects of CO₂ emissions trading, Polish support program for efficiency investments



Italy

ETA arranged two training workshops and two Matchmaking Events. Amongst them were:

- Training Workshop on “Energy Efficiency for Ceramic Industry – Opportunities for Companies, 27th October 2009, Florence
 - Participants from ETS industries, ceramic industries, energy managers, energy services companies
 - Capacity-building on energy saving opportunities and CO₂ management of JI and CDM projects
- Matchmaking Event “Possibilità per l’Emission Trading System”, 10th September 2010, Florence, organised on behalf of ZeroEmission Expo
 - Participants from Italian ministries, energy consultancies, energy and CO₂ trading companies, etc.
 - B2B meeting to share experience and discuss "face-to-face" new business opportunities in CDM/JI projects, promotion of innovative and sustainable technologies in companies that participate in EU Emissions Trading System.



3.5 SETatWork Good Practice Case Studies

During the SETatWork project period, 39 good practice projects were identified and assessed as being appropriate for carbon trading under the EU ETS, CDM and JI trading mechanisms.

Organisations providing relevant technologies or services for international carbon projects were invited to submit their details for inclusion in the SETatWork Database. The best case studies were then selected as good practice (GP), placed in the database and made available on the website. These are completed projects that have realised significant CO₂ reductions. Classification as Good Practice enabled companies and other organisations to further promote their Sustainable Energy projects; they also act as a reference for those searching for partners and ideas for future projects.

The response was truly global with GP reports produced covering the following technologies and industries:

- Biomass co-firing, fuel switch and CHP plants in Poland
- Trigeneration for heating, cooling and electricity in buildings, China
- Energy efficient and biomass District Heating and CHP plants in Bulgaria

- National Action Plan for Energy Efficiency and large scale solar thermal installation in buildings, Portugal
- Use of waste heat in the chemical industry and fuel switch and increased energy efficiency in natural gas heating in industry, Germany
- Waste heat recovery for power generation in dry cement production, China
- Biomass-coal co-firing plants and implementation of Combined Cycle Power Plants in Czech Republic and Slovakia
- Integration of a combined gas cycle with a solar plant, Italy
- Improving energy efficiency in dairy industry, pulp and paper and other energy intensive industries, Sweden, as well as in the fertiliser production industry in India
- Improving energy efficiency and introduction of renewable energies in buildings in Bulgaria and Thailand
- Energy efficient technology for process control of motors and fans, China
- Use of waste heat in from iron and steel, refining and processing industries in China, Sweden and India
- Wind and biodiesel production and use in the Swedish forest, pulp and paper industries
- Food waste to energy facility, Chile
- Sustainable design of new pharmaceutical manufacturing facilities in China and Ireland

SETatWork Good Practice Case studies: www.setatwork.eu/gp.htm

4 Conclusion and Recommendations

The main conclusion of the project, resulting from an assessment of needs as well as interaction with stakeholders is that in addition to the implementation of the EU ETS there is a need to offer further instruments and/or incentives to industry. These could include energy management schemes.

As a result of the SETatWork team examining existing experience, the project suggests the need for future initiatives in terms of in-house measures in the ETS sector as well as ways of bringing EU actors into the international carbon markets. Both activities will require substantial support to enable Europe to fulfil its policy obligations as well as to take advantage of the ‘green technology revolution’.

In the wake of COP16 at Cancun, it is up to the European Community to take the appropriate actions in order to realise such potential, gaining inspiration and benefit from SETatWork’s network oriented and catalytic approach.

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