

Session B-2: Prospects for and Measures Concerning Energy and Environmental Cooperation in Northeast Asia (Environmental Approaches)

The Environment Session was held in the afternoon of February 6th as a part of the discussions concerning energy and environmental issues at NICE 2007. Discussions at this session were focused on measures to incorporate climate change and energy policies, in particular, utilization of the Kyoto Mechanisms (KMs) in the region. The KMs refer to the CDM (Clean Development Mechanism), JI (Joint Implementation) and ET (Emissions Trading) of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC). Prof. Kazuhiro Ueta of the Graduate School of Economics, Kyoto University, Japan, moderated the session discussions and six speakers from five Northeast Asian countries delivered presentations at this session.

Prof. Zheng Shuang of the Energy Research Institute, National Development and Reform Commission, China, made a presentation on CDM and energy conservation opportunities in China. Dr. Dorjpurev Jargal, Chief, Renewable Energy Division, Ministry of Fuel and Energy, Mongolia, gave the latest information on CDM projects in Mongolia and business opportunities concerning energy conservation in that country. Ms. Ha Gyung-Ae, Project Coordinator, Center for Climate Change Mitigation Projects of the Korea Energy Management Corporation (KEMCO), reported the current CDM status in the ROK. Ms. Tatiana Glinchikova, General Manager, External Economic Relations, the Far Eastern Energy Managing Company (FEEMC) of Russia, delivered a speech about the advancement of Russian legislation on the application of the Kyoto Protocol Mechanisms and JI energy project proposals in the Far East. Mr. Hiromu Tanaka, President of Japan Carbon Finance, Ltd., shared his views on a full-scale promotion of emissions trading in Northeast Asia. Lastly ERINA's vision, regarding new dimensions in environmental and energy cooperation in Northeast Asia through incorporating climate change and energy policies via the Kyoto Mechanisms, was delivered by the author.

The participants of the session agreed to recommend the following three main points to be included in the "Policy Proposals" of the conference.

Firstly, in Northeast Asia, momentum is continuing to gather from the common interest in environmental protection and energy conservation, and the finding of CDM (Clean Development Mechanism) projects has been intensifying. Further acceleration in promoting the Kyoto Mechanism is expected to achieve sustainable development, by making the best of energy-efficiency projects, including small-scale ones, which will boost the finding of renewable-energy and energy-conservation projects.

Secondly, considering that the issue of ERUs (Emission Reduction Units) from 2008 is to commence finally, regarding JI, it is necessary to expand information exchange in order to facilitate the intensification of finding projects with Russia.

Thirdly, given that the promotion of the Kyoto Mechanism leads to the carrying out of the obligations of the parties to the Kyoto Protocol, the bringing in of countermeasures against global warming, as well as providing opportunities for contributing to finding new business and sustainable development, it is recommended that we should establish a kind of region-oriented organization towards environmental cooperation.

In addition to these, all the participants reiterated the fact that CDM/JI projects are designed not only to contribute to emission reduction commitments in the CER- (Certified Emission Reduction) and ERU-buyer countries, but to make essential inputs to sustainable development in the projects' host countries. In this area, the underlying financing of such projects is a crucial issue. Experience of finding and implementing such projects show that revenue from the sale of CERs/ERUs was not always sufficient to make the projects commercially viable. Many such projects fell short of funding, especially in low-income and transition countries, where commercial lending rates are

relatively high compared with their developed partners. Therefore, new approaches to the CDM/JI and improved access to financing such projects are necessary. One solution in this regard could be the giving of a green light to ODA in funding CDM/JI projects.

Moreover, joint research into suitable policies and concerted action in the region during the Post-Kyoto period, after 2012, was indicated as desirable for the short-term agenda in Northeast Asian energy and environmental cooperation. Also, it was stressed that preparation for launching regional emissions trading (ET) is desirable in order to expand CDM/JI markets and improve the efficiency

of such projects.

Finally, following the recent comprehensive package of measures to establish a new Energy Policy for Europe to combat climate change while boosting its energy security and competitiveness, which was announced by the European Commission (EC) on January 10th 2007, the Northeast Asian countries can introduce a similar move, such as the creation of a Northeast Asia Business Model for sustainable development.

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