



Climate Change Capacity Building in Annex I EITs: Issues and Needs

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National Systems for Flexible Mechanisms: Implementation Issues in
Countries with Economies in Transition

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List of Abbreviations

AIJ – Activities Implemented Jointly
BASREC – Baltic Sea Region Energy Co-operation
CCAP – Center for Clean Air Policy
CCI – Climate Change Initiative Center in Kiev, Ukraine
CDM – Clean Development Mechanism
CIDA - Canadian International Development Agency
DOE – U.S. Department of Energy
EEA – European Environment Agency
EIT – Economies in Transition
EPA – U.S Environmental Protection Agency
ERU – Emission Reduction Unit
ERUPT - Emission Reduction Unit Procurement Tender
EU – European Union
GHG – Greenhouse gases
GEF – Global Environment Facility
IEA – International Energy Agency
IETA – International Emissions Trading Association
JI – Joint Implementation
NEFCO – Nordic Environment Finance Corporation
NGO – Non-governmental organisation
NSS – National Strategy Studies
OECD – Organisation for Economic Co-operation and Development
PCF – Prototype Carbon Fund
PNNL – Pacific North-West National Laboratory
REC – the Regional Environmental Center for Central and Eastern Europe
UNDP - United Nations Development Program
UNITAR - United Nations Institute for Training and Research
UNFCCC – United Nations Framework Convention on Climate Change
WRI – World Resources Institute
WWF – World Wildlife Fund

Executive Summary

The goal of this paper is to provide a brief overview of major on-going (year 2002) and planned climate-related capacity building efforts in the EITs (economies in transition) covered under Annex I of the Kyoto Protocol – Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine – in the areas of GHG inventories, JI, emissions trading, and national registries. The paper also addresses some of the challenges that the EITs face in developing and implementing key national systems to mitigate climate change, highlights areas where there is a need for sustained capacity building efforts, and provides preliminary recommendations on how these efforts should be designed.

Main Challenges

To participate in the Kyoto Protocol and its flexibility mechanisms, EIT countries must meet many requirements that apply to them as Parties to the UNFCCC and the Protocol. These requirements include the establishment of national systems for estimating GHG emissions and removal by sinks, annual update and reporting of national GHG inventories, development of national policies and measures to address climate change, creation of national registries, and others.

The EITs have already made significant efforts in building institutional capacity for participation in the Kyoto Protocol. However, despite the important steps that have been made, these countries still face numerous challenges and barriers that inhibit effective implementation of climate change mitigation policies and could prevent the EITs from large-scale engagement in international flexibility mechanisms. Among the main challenges are:

- ❑ shortage of sustainable financial resources,
- ❑ lack of experienced staff within government agencies,
- ❑ competing national priorities,
- ❑ uncertainty in the designation of tasks and responsibilities among government agencies,
- ❑ deficit of technical resources (clear guidelines, computer models),
- ❑ uninformed and/or passive stakeholders (including Parliament, government, industry, and the general public),
- ❑ political instability (mainly, frequently changing governments),
- ❑ unidentified or unclear connections between climate change policies and other energy and environmental priorities and policies (including EU accession issues).

All these challenges are interrelated and need to be addressed in an integrated way.

One of the main problems with climate change policies in most EITs is that the governments and other stakeholders do not realise that domestic GHG emission reduction measures and participation in the Kyoto mechanisms may lead to substantial financial flows from the West, improved efficiencies, new technologies, and better environmental quality. This lack of awareness contributes, among other factors, to the fact that climate issues are often not viewed as a priority by EIT governments. Since climate is not a priority, the governments do not see an urgent need in devoting additional financial resources to this issue, and in making important institutional and legal decisions that will provide a foundation for the formulation and implementation of climate change strategy and policy.

Once the Kyoto Protocol enters into force, the EITs that are not sufficiently prepared to participate in the Protocol and its Mechanisms will not be able to benefit from its provisions. It is essential that the EIT governments and other in-country stakeholders energise themselves for effective actions in the

development of national institutional and legal structures to support climate change policy development. It is also important that the EITs receive comprehensive and co-ordinated support from the international donor community in their efforts to address the challenges and build effective national climate programs.

Capacity Building Programs

Many Annex I governments and international organisations have initiated capacity building assistance programs to assist EITs in their efforts to develop national systems for climate change policy development and implementation, and compliance with the UNFCCC and Kyoto Protocol. The findings of the research for this paper indicate that:

- Although there is a wide range of assistance programs currently implemented in the Annex I EIT region, most of these programs tend to focus on JI and other project activities. To date, less attention has been paid to other important areas like GHG inventories, emissions trading, and national registries.
- Many capacity building programs have had an ad-hoc character and little co-ordination among themselves (especially in their inception stage). However, there is a process of moving from ad-hoc capacity assistance to a more systematic one.
- Almost all agencies that provide capacity building assistance in the EIT region have come to realise that capacity building programs are most successful when they are country driven, involve a wide range of national stakeholders, and have a high degree of in-country ownership. These principles have already been incorporated in the design of many on-going or planned capacity building activities.
- There is no mechanism that is flexible enough to allow EITs to request specific and timely assistance. The EC and several Annex I governments have special programs where EIT governments or other institutions can apply for assistance. However, very often EIT governments do not have resources and/or needed experience to develop necessary applications.
- There is a lack of balance between internal and external resources for capacity building. Initiatives by donor countries are often not matched by internal resources in the EITs devoted to climate change.
- Finally, although there is a wide range of funding institutions and on-going capacity building initiatives, additional efforts are required to meet the EITs' needs.

Capacity building assistance programs vary by type, scope, and size. Some capacity building assistance is provided to specific countries, other capacity building projects include a group of EIT countries, and there are also some institutions that provide general assistance with information and expertise to all EITs.

EIT countries that receive country-specific targeted assistance include Poland, Russia, Ukraine, Belarus, the Czech Republic, Slovakia, Slovenia, Bulgaria, Romania, and Croatia. Poland, Slovakia, and the Czech Republic receive assistance for building institutional and regulatory capacity on domestic and international CO₂ emissions trading and on source-level GHG monitoring and reporting. Russia, Ukraine, and Belarus receive assistance with the development of national GHG inventories. Poland, Bulgaria, Romania, Slovenia, Croatia, and Ukraine receive various assistance with regard to project-based activities, including AIJ and JI. Bulgaria received support from the OECD in the area of national registry. Latvia, Estonia, and Lithuania have had a large experience with AIJ projects, and received some assistance with institutional capacity building in the framework of these projects.

There are several institutions and projects that provide regional assistance where several EIT countries are involved:

- BASREC project provides assistance to Estonia, Latvia, Lithuania, Poland, and Russia on JI and emissions trading;
- IEA has developed a trading simulation game for participants from Estonia, Latvia, Lithuania, Poland, and Russia;

- BASE project assists with methodologies and tools to facilitate implementation of JI in the Czech Republic, Estonia, Hungary, Slovenia, and Poland;
- US EPA provides training on emissions trading to government, industry and NGO representatives from Central and East European countries;
- WRI/REC has recently completed a Capacity for Climate project that analysed institutional capacity of and provided recommendations for further development of capacities in Central and East European countries.
- The European Commission sponsors several projects that evaluate capacity needs of the Accession countries for JI, GHG monitoring and reporting, and emissions trading.

Some institutions provide general assistance to all EITs. They include:

- EEA – assistance in developing GHG national inventories;
- IPCC – workshops and expert meetings on the IPCC methodology and experiences with it;
- PCF*plus* – a World Bank program with activities in the area of outreach, research, and training to enhance the operations and activities of the PCF and its partners, and to promote the market for and quality of GHG projects and emission reduction credits by reducing risks and transaction costs;
- OECD/IEA Annex I expert group – support to Annex I countries in their efforts to build a solid and efficient international policy response to climate change. The Group's recent work focused on monitoring and compliance, emissions trading and project-based mechanisms, domestic policies and measures;
- UNDP-GEF — assistance with project development, national inventory improvements, technology transfer, institutional strengthening, and institutional capacity needs assessment;
- UNITAR – is planning assistance in developing capacity to establish and maintain permanent national GHG inventory systems compliant with international guidance and standards.

The table below illustrates the distribution of capacity building assistance in the EIT region by program area (it might not include all existing programs and activities).

	Canada	NL	US	Finland	Sweden	Japan	Nodric reg. orgs	BASREC	EC	EEA	WB NSS	PCF plus	UNDP-GEF	IPCC	UNITAR	OECD/IEA	REC	CCAP	WWF	CAN-Europe
JI and other project activities	X	▲	X	X	X			X	X		X	X	X			X	▲	▲		
Emissions Trading			X					X	■							X		X		
GHG Inventory			X						■	X			X	X	■	X		X	X	
Registry															■	X				
General training and awareness building							X	X									▲	X	X	X
X	On-going																			
■	Planned																			
▲	Interrupted or at the completion stage																			

Remaining Capacity Needs

It is clear that all essential areas of climate change policy development, including JI, emissions trading, GHG inventories, and national registries, require additional attention and investments of human, financial and technical resources.

The list of capacity needs in the EITs is known:

- Establishment or strengthening institutions at the national level to co-ordinate and guide activities for climate change policy development and implementation (including national systems for data collection and verification, national GHG registries, and JI units);
- Transfer of methodologies and know-how on monitoring and data collection, data quality assurance and control;
- Methodological and legislative assistance on emissions trading and JI, including such assistance with respect to accession issues;
- Public awareness support;
- Education of local government and industry stakeholders and support for dialogue among various stakeholders;
- Awareness raising among government officials and parliamentarians;
- Training of local experts.

The EIT countries and foreign assistance institutions should join their forces to build the necessary infrastructure that will enable successful participation of the EITs in the Kyoto protocol and its Mechanisms.

It is crucial that the EITs create conditions that would be conducive to the success of technical assistance efforts. ***The following are suggested steps for the EITs:***

- Clear division of responsibilities among all institutions involved in climate policy development.
- Internal initiatives, such as the development of strategies and action plans to consolidate various resources for the development of the basics of climate policies, development of strategies and criteria for JI project identification and selection, development of emissions trading framework, etc. The governments should strive to launch a legislative process that would promulgate those policies.
- Involvement of the private sector in the development of national systems that a country needs to participate in the Mechanisms. Engaging and educating local governments and industry representatives on JI and international emissions trading issues may lead to further mobilisation of in-country financial resources.

The donor community, for its part, should also take steps to boost the efficiency of technical assistance programs. ***The donor community could take the following:***

- More strategic but flexible assistance (targeted to specific needs but flexible in its approach, timing, and criteria for capacity building projects preparation and approval).
- Designing several large multi-year programs rather than many small and short projects.
- Ensuring co-ordination between donor agencies before they engage in a capacity building effort in order to avoid duplicating activities. It might be useful to develop a web-based or actual capacity building clearinghouse and co-ordination centre, where all interested parties can receive information, request assistance, co-ordinate their efforts, etc.

- Encouraging local initiation and requests for assistance. The assistance will be most effective when it complements in-country efforts to address a specific issue of climate change policy development. In this case, in-country stakeholders lay out the foundation of a project, and local resources are mobilised to work on this specific issue. It might also be helpful to offer advice/assistance to the EITs on developing applications for assistance.

Introduction

The goal of this paper is to provide a brief overview of major on-going (year 2002) and planned climate-related capacity building efforts in the EIT¹ (economies in transition) countries in the areas of GHG inventories, JI, emissions trading, and national registries. The paper has been developed for the OECD/IEA/IETA conference on “National Systems for Flexible Mechanisms: Implementation Issues in Countries with Economies in Transition” held in Szentendre (Hungary), on May 13-15, 2002. It served to facilitate a discussion on what remaining capacity needs are in the EIT countries, and how future capacity building assistance programs should be designed and implemented.

The paper addresses some of the challenges that the EITs face in developing and implementing key national systems (GHG inventories, registries, JI and emissions trading schemes) to mitigate climate change. The paper also highlights areas where there is a need for sustained capacity building efforts and provides preliminary recommendations on how these efforts should be designed. The analysis is based on the interviews conducted by the author with various EIT countries’ governments and other stakeholders, as well as with selected donor community representatives.

The paper consists of three main sections. Chapter 1 discusses main challenges that Annex I EITs face in their efforts to develop and implement national schemes (GHG inventories, registries, JI and emissions trading schemes) for climate change mitigation. Chapter 2 provides an overview of the current and planned capacity building efforts in the EIT region supported by the European Commission, governments of various Annex I countries (the U.S., Canada, the Netherlands, Finland, and Sweden), and many multilateral institutions (including the World Bank, UNDP-GEF, PCF, EEA, IPCC, the OECD/IEA, and others). Chapter 3 focuses on remaining capacity building needs and reflects on Decision 3 of COP 7 of the UNFCCC that identifies guiding principles, approaches, and scope of capacity building programs for the EITs. This chapter offers suggestions on what should be the focus of capacity building assistance for the next several years and how these assistance programs could be made more effective. The section is not aimed at providing a complete list of necessary capacity building efforts but outlines the main areas where effective actions would be beneficial to the majority if not all the EITs.

1. Main challenges of the Annex I EITs in developing and implementing key national systems to mitigate climate change

To participate in the Kyoto Protocol and its flexibility mechanisms, EIT countries must meet many requirements that apply to them as Parties to the UNFCCC and the Kyoto Protocol. These requirements include the establishment of national systems for estimating GHG emissions and removal by sinks, annual update and reporting of national GHG inventories, development of national policies and measures to address climate change, creation of national registries, and others.

The EITs have already made significant efforts in building institutional capacity for participation in the Kyoto Protocol and in developing systems to facilitate the establishment of national GHG inventories, JI policies, and national climate strategies. However, despite the important steps that have been made, the EITs still face numerous challenges and barriers that inhibit effective implementation of climate change

¹ Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine.

mitigation policies and could prevent the EITs from a large-scale engagement in international flexibility mechanisms. Among the main challenges are:

- shortage of sustainable financial resources,
- lack of experienced staff within government agencies,
- competing national priorities,
- uncertainty in the designation of tasks and responsibilities among government agencies,
- deficit of technical resources (clear guidelines, computer models),
- uninformed and/or passive stakeholders, (including Parliament, industry, government, public),
- political instability (mainly, frequently changing governments),
- unidentified or unclear connections between climate change policies and other energy and environmental priorities and policies (including EU accession issues), etc.

All these challenges are interrelated. It is unlikely that fixing one or two problems will ensure EITs' compliance with all the UNFCCC and Kyoto protocol requirements. All the issues need to be addressed in an integrated way. The following points illustrate some of these interrelated challenges and barriers.

One of the main challenges of most EITs is the lack of sustainable financial resources that can be devoted to inventory development and regular updating, climate change strategy and policy formulation and implementation, establishment of national GHG registries, etc. The shortage of financial resources, in turn, is one of the main reasons for inadequate staffing, scarcity of qualified experts, and, as a result, the lack of comprehensive climate change strategy and action plans that would move the policy development further.

The lack of financial resources for climate change policy development and implementation is partly caused by the fact that climate issues are often not viewed as a priority by the EIT governments. The government is likely to devote available resources to economic or social priorities. One of the main reasons why climate is not a priority is the lack of awareness that domestic GHG emission reduction measures and participation in the Kyoto mechanisms may lead to substantial financial flows from the West, improved efficiencies, new technologies, and better environmental quality. Even those who do understand potential benefits that the Kyoto mechanisms can bring to their countries fear that the lack of resources would not allow them to realise these opportunities. Many EIT governments are concerned that engaging in not completely understood CO₂ "trading operations" will leave them with costly obligations in the future, and that all the expected financial and other gains will be lost in a long run.

Another important barrier is institutional gaps and uncertainties. They are caused by the fact that the government does not see any urgency in addressing these issues. Since there are many other competing problems that the EITs face (e.g., economic restructuring, budget deficits, social problems, political instability, other international obligations), the government first attends to the priority areas, and as a result, the institutional basis for climate policy is left unresolved for years. Many EIT countries still have not designated relevant institutions to be responsible for specific areas of climate policy development, and even countries which gave specific agencies co-ordinating roles for some of these areas (mainly, JI) have not provided those agencies with any authority. For example, Poland hosted several AIJ and 5 JI projects. However, despite the fact that since 1996 Poland has had a JI office and was one of the first EITs to have a JI strategy and project selection criteria, the JI office was not granted official authority to approve proposed projects and international transfer of CO₂ credits. Many other EITs have not even moved that far and there are still internal disputes (mostly between Ministries of Environment and Ministries of Energy) on who should be the supervising authority for JI units.

The designation of authorities for implementation of other national climate change systems is even less clear in many EIT countries. For example, in Russia there are many government agencies, independent institutions, and experts that are involved in the national inventory development (at the national, regional,

and sectoral levels). However, there is not yet an organisational structure that could support and coordinate their efforts. This institutional gap not only prevents Russia from developing a comprehensive and accurate multi-year national GHG inventory, but also contributes to financial challenges (as described above). Institutional uncertainty contributes to financial challenges because it leads to untargeted and inefficient use of already scarce financial resources and discourages foreign assistance (since donors are reluctant to provide funding under an unclear institutional framework).

The lack of initiative on the part of EIT governments is also one of the most important constraints of the development of effective climate change policies and in reaping the most benefits from the Kyoto flexibility mechanisms. For example, very often AIJ and JI project selection and approval procedures are investor driven, which does not contribute to using resources strategically (directing them to projects and areas that are the most important financially, economically or environmentally). The absence of comprehensive JI and climate change strategies leads to random project selection and aimless use of obtained financial resources. This situation is further aggravated by the insufficient knowledge of climate issues at the local level and among industry stakeholders. Local government and industry stakeholders could be very effective in identifying possible JI projects and prioritising them for their region, city, or industry. The lack of information and knowledge in these stakeholder groups prevents them from the participation in the development of national climate policies and systems.

While all EIT countries must deal with these difficulties, EIT Accession Countries face an additional challenge – preparations for their future accession to the EU. While approximation with the *Acquis Communautaire* is a complex process (it is still unclear what the full package of requirements regarding climate change policy will be), the approximation process can also be used by the accession countries to direct resources into building capacity for climate. Candidate countries could also use strategic participation in JI and trading as tools for directing investment to facilitate their accession to the EU.

The main challenge that accession requirements create for the candidate countries is to develop climate policies that would conform to the EU legislation. The accession requirements will affect how candidate countries conduct the JI project cycle. For example, some projects that now qualify for JI will not meet additionality requirements once a host country becomes an EU member with obligations to meet the IPPC Directive (with its BAT provision), energy efficiency standards, and others. A recently proposed CO₂ emissions trading directive, if adopted, will have serious implications for the accession countries since they will have to develop domestic emissions trading schemes compatible with the one at the EU level. The current proposal of the Directive states that “the first accessions are likely to have taken place by the commencement of this scheme and so would be covered by this proposal.” Candidate countries should find resources to be active participants in the development of the proposed directive so that their interests and concerns are taken into account before the directive is in force.

Once the Kyoto protocol enters into force, the EITs that are not sufficiently prepared to participate in the Protocol and its Mechanisms will not be able to benefit from its provisions. It is essential that the EIT governments and other in-country stakeholders energise themselves for effective actions in the development of national institutional and legal structures to support climate change policy development. It is also important that the EITs receive comprehensive and co-ordinated support from the international donor community in their efforts to address the challenges and build effective national climate programs.

2. On-going and planned climate change capacity building initiatives in the EITs

Many Annex I governments and international organisations have initiated capacity building assistance programs to assist EITs in their efforts to develop national systems for climate change policy development and implementation, and compliance with the UNFCCC and Kyoto Protocol. The findings of the research for this paper indicate that:

- ❖ Although there is a wide range of assistance programs currently implemented in the Annex I EIT region, most of these programs tend to focus on JI and other project activities. To date, there has been less attention to other important areas like GHG inventories, emissions trading, and national registries.
- ❖ Many capacity building programs have had an ad-hoc character and little co-ordination among themselves (especially in their inception stage)². However, there is a process of moving from ad-hoc capacity assistance to a more systematic one. Several interviewed agencies indicated that they were developing comprehensive capacity building assistance strategies.
- ❖ Almost all agencies that provide capacity building assistance in the EIT region have come to realise that capacity building programs are most successful when they are country driven, involve a wide range of national stakeholders, and have a high degree of in-country ownership. These principles have already been incorporated in the design of many on-going or planned capacity building activities.
- ❖ There is no mechanism that is flexible enough to allow EITs to request specific and timely assistance. The EC and several Annex I governments have special programs where EIT governments or other institutions can apply for assistance. However, very often EIT governments do not have resources and/or needed experience to develop necessary applications (which tend to be overly bureaucratic and require a lot of work to complete).
- ❖ There is lack of balance between internal and external resources for capacity building. Initiatives by donor countries are often not matched by internal resources in the EITs devoted to climate change.
- ❖ Finally, although there is a wide range of funding institutions and on-going capacity building initiatives, additional efforts are required to meet the EITs' needs.

The following is an overview of current and planned capacity building activities in the EIT region, which begins with a summary table. The overview focuses on programs that are dedicated to capacity building, but it also provides information on some AIJ and JI programs implemented by Annex I countries in the EIT region where some components of these efforts can be qualified as capacity building.

² Once capacity building programs enter the implementation phase, most programs implemented in the same region or country try to coordinate with each other and keep each other informed of their actions.

Organisation/ Government	Climate Change Area	Country	Timeframe
<i>BILATERAL ASSISTANCE</i>			
<i>The Netherlands</i> (Ministry of Economic Affairs)	JI	Bulgaria, Romania, Poland	Interrupted, might continue in the future
<i>USA</i> (USAID, US EPA)	National strategies, GHG inventories, emissions trading	Ukraine, Slovakia, Poland, the Czech Republic, Russia	On-going
<i>Canada</i> (CIDA)	National strategy, JI, GHG inventory	Ukraine	On-going
<i>Japan</i>	Training, and funding of a climate capacity building project at the REC	Small number of reps. from EIT countries	On-going
<i>Finland</i>	AIJ/JI activities	Baltic Sea region	On-going
<i>Sweden</i>	AIJ/JI activities, research, some capacity building	Baltic Sea region	On-going
<i>INTERNATIONAL ORGANISATIONS/MULTILATERAL ASSISTANCE</i>			
<i>European Commission</i>	JI	Candidate countries	On-going
	GHG inventories, emissions trading	Russia, NIS, candidate countries	Planned
<i>World Bank</i>	JI, national strategies, climate policy	Ukraine	On-going
<i>PCFplus</i>	JI	EIT countries with PCF projects	On-going
<i>UNDP/GEF</i>	National communications, project activities	Belarus, Slovenia, Croatia	On-going
<i>OECD/IEA</i>	JI, GHG inventories, national registries, emissions trading	EIT countries	On-going
<i>UNITAR</i>	Training on GHG inventories, and registries	CG-11	Planned
<i>European Environment Agency</i>	GHG inventories	EIT countries	On-going
<i>IPCC</i>	GHG inventories	EIT countries	On-going
<i>BASREC</i>	JI; emissions trading	Estonia, Latvia, Lithuania, Poland, Russia	On-going
<i>Nordic Regional Organisations</i>	JI; training, research	Estonia, Latvia, Lithuania, Russia, Poland	On-going
<i>NGOs AND BUSINESS ASSOCIATIONS</i>			
<i>CCAP</i>	Emissions trading; climate change strategies, GHG inventories	Slovakia, Poland, the Czech Republic, Ukraine	On-going
<i>CAN-Europe; CANCEE</i>	Raise climate awareness, independent review of national communications	EIT countries	On-going
<i>REC</i>	JI, monitoring, reporting, climate strategies	Central and Eastern Europe	At the completion stage
<i>WRI</i>	JI, monitoring, reporting, climate strategies	Central and Eastern Europe	At the completion stage
<i>WWF</i>	Climate strategies, GHG inventories	Russia	On-going

2.1 Bilateral Assistance

2.1.1 The Netherlands

The Netherlands has developed the ERUPT scheme (Emission Reduction Unit Procurement Tender) to implement JI with Central and Eastern European Countries as host countries. Bulgaria, Romania and Slovakia are the first countries with which the Netherlands intends to implement ERUPT. To address host countries capacity building needs for their participation in JI and ERUPT, the Netherlands launched support for the host countries in capacity building. The Dutch Ministry of Economic Affairs provides financial assistance for capacity building initiatives in Bulgaria, Romania, and Poland. The Netherlands Agency for Energy and the Environment (NOVEM) and the Netherlands Energy Research Foundation (ECN) implemented a capacity building project in Bulgaria and Romania. The project included support for the development of required institutional set-up and staff capacity, development of implementation procedures, transfer of knowledge, training in Joint Implementation and ERUPT. The project created JI units in both Romania and Bulgaria and trained two staff members to work in each of these units. This assistance project has been interrupted to allow for the host countries to decide what they want to do with the JI units. The assistance might continue in the future.

In Poland, the Dutch Ministry of Economic Affairs funded one workshop for Polish stakeholders and Dutch investors to discuss institutional and methodological issues of JI. Under this project, the CCAP, a US based organisation developed a paper for the Polish government on multi-project baselines for JI in the power sector. This assistance was discontinued due to some uncertainties with the institutional structure and further climate policy development in the Polish government but may be resumed in the future.

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2.1.2 The United States of America

The U.S. government has provided capacity building assistance to the EIT countries through its Agency for International Development (USAID), the Environmental Protection Agency (U.S. EPA), and the Department of Energy (U.S. DOE), including DOE's Pacific North-West National Laboratory (PNNL). Currently only USAID and U.S. EPA are engaged in capacity building efforts in the EITs.

U.S. EPA, through its funding of the Center for Clean Air Policy (CCAP), provides assistance to Poland, Slovakia, and the Czech Republic in developing recommendations on national CO₂ emissions trading schemes, and to Ukraine on developing regional/local capacity for participation in the UNFCCC. This effort started in 1999 and is still carrying on. The work in Eastern Europe includes analysis of the above mentioned countries' greenhouse gas (GHG) emissions data, identification of participating sectors in emissions trading, establishment of CO₂ caps, development of recommendations for allowance allocation methods and source-level monitoring, reporting and verification requirements. The work also involves detailed analysis of bottom-up (source-level) energy and CO₂ emissions data.

U.S. EPA (together with the CCAP) has also organised two training courses on emissions trading for government, NGO and industry representatives from Central and East European countries. Two one week-long courses were held in Washington DC in 2000, and in Prague in May 2002.

U.S. EPA also provides capacity building assistance to Russia and Ukraine in the area of GHG inventory development at the regional (oblast) level. In Ukraine, the work focuses on the development of a Lviv regional GHG inventory and development of a regional climate change strategy, including identification of possible JI projects. In Russia, U.S. EPA assisted with the development of several regional inventories (Novgorod, Nizhniy Novgorod, Sverdlovsk, Sakhalin, and Chelyabinsk oblasts, and Khakassia Republic).

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USAID provides large-scale climate change capacity building assistance to Ukraine. Under this program Climate Change Initiative (CCI), a project management and information centre was established in Kiev. The CCI Center provides information and links to international climate change programs and organisations, and maintains a database of all climate change activities in Ukraine. The CCI provides assistance to Ukraine on institutional strengthening, development of climate change policy, identification of GHG mitigation projects for foreign investment, and facilitates increased involvement of non-governmental organisations (NGO) and industry in climate change activities.

In particular, the CCI is helping Ukraine to analyse options and develop recommendations for a structure that would enable Ukraine to participate in international mechanisms under the Convention. It provides assistance in the development of technical methods to conduct Ukraine's GHG inventory. The CCI holds workshops, seminars and training courses for government officials, NGOs, enterprise managers and climate change specialists. Training topics include: Basics of Climate Change, Economics of Climate Change, Climate Change Transactions, GHG Emissions Inventory, Climate Change Mitigation, Monitoring, Evaluation, Reporting, Verification and Certification of GHG Emissions Reductions, Project-Level GHG Baseline Determination, Project Preparation and Financing, and Carbon Sequestration by Forestry and Agriculture. The CCI co-operated with Ukrainian officials and experts in conducting a training needs assessment and in developing a training strategy.

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2.1.3 Canada

The Government of Canada through the Canadian International Development Agency (CIDA) provides funding to the Canada-Ukraine Environmental Co-operation Program (CUECP) for the years 1999-2002. This Program comes under the provisions of the “Memorandum of Understanding between the Government of Canada and the Government of Ukraine on Co-operation on Climate Change, Including Joint Activities” signed in January 1999. The Program is administrated by the Institute of Public Administration of Canada.

The Program’s goal is to improve Ukraine’s transition to a market economy by enhancing capacities to manage environmental protection issues and activities. The Program’s focus is capacity building for climate change management in three main areas:

- Development of Ukraine’s National Climate Change Strategy,
- Development of a climate change management structure in Ukraine, and
- Development of policy and legal framework for Joint Implementation projects.

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2.1.4 Finland

Finland does not have specific capacity assistance programs in the EITs. The Finnish government has a pilot program on CDM and JI. The Program’s goal is to build administrative capacity in Finland as well as to prepare guidelines for the selection and implementation of projects. Some Activities under this pilot program can be regarded as capacity building in partner countries.

The Pilot Program was launched in 1999 and allocated 8.4 million EUR for a three-year period between 2000 and 2002. The project pipeline includes over thirty potential projects. Potential projects have been identified by Finland in Estonia, Latvia, Lithuania, Poland, and Russia. The Finnish Ministry of Environment has signed a Memorandum of Understanding with Latvia, Lithuania, Poland, Ukraine and Estonia concerning JI co-operation. Finland is looking forward to signing a MoU with Russia, as well. In addition to MoU with Estonia the two countries are in the process of finalising a Country by Country Agreement that defines detailed rules for JI co-operation and designates national authorities competent to conclude individual project agreements. The Pilot Program’s Guidelines for selecting and implementing JI and CDM projects were developed in 2000, and a new version incorporating the developments in Marrakech was finalised in spring 2002.

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2.1.5 Sweden

The Swedish International Climate Investment Programme started in 1993 with the so-called Programme for an Environmentally Adapted Energy System (the EAES Programme), mainly directed to the Baltic Region and Russia. The Swedish Energy Agency (Statens Energimyndighet) - STEM, has overall responsibilities concerning the EAES Programme, which includes the Swedish contribution to the Pilot Phase for Activities Implemented Jointly (AIJ) and international climate investment activities. During the period 1993 - 2001 around 70 projects have been implemented in Estonia, Latvia, Lithuania, Russia, and Poland.

The Swedish programme is mainly directed to investment projects but has also included a number of workshops, seminars, conferences and training courses that have been arranged in all the Baltic States as well as in different regions in Russia.

Although the climate issues have not been the main subject of some of these efforts, the climate aspects and environmental awareness have constituted an important part of these activities. Over the years a number of local experts and consultants have been engaged in all parts of the project phases and in seminars. For example, data for all the projects, as requested in the UNFCCC Uniform Reporting Format (URF) for AIJ projects, have always been collected and analysed by local experts in the respective countries. Local experts have also been engaged in different research work, such as the study "Top-down CO2 Emission Baselines for the Estonian District Heating Sector" and the research study of a number of fuel conversion projects in the Baltic States and their compliance with the Kyoto Protocol.

In late 2001 the Swedish Government assigned a special negotiator for bilateral agreements on JI co-operation in Central and Eastern Europe. Russia and the Baltic States are priority areas in this work and negotiations and/or discussions are going on with all these countries. It is foreseen that capacity building will constitute an integral parts when JI investment projects are planned and implemented in these and other countries. In addition to the climate investment programme, the energy decision in 1997 also included a climate research programme directed both on building up national climate research capacity in Sweden as well as co-operation activities with the countries in the Baltic Sea Region and Russia. For the seven-year period 1998-2004, 70 MSEK has been allocated for the climate research and capacity building programme.

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2.1.6 Japan

Japan has implemented several AIJ projects in the EIT region and has contributed to capacity building by providing training and organising study tours. Japan International Co-operation Agency - JICA is the main agency responsible for co-ordination of co-operation activities with other countries, including the EITs. JICA can provide assistance in providing technical experts for research activities or training, organising education and training courses for experts from other countries, developing national climate and energy strategy plans, etc. During the year 2000, 17,513 persons were invited to Japan for training, 9,428 members of study team were dispatched and 3,381 experts were sent from Japan (and other countries). 948 among them are to/from EIT Parties.

NEDO - New Energy and Industrial Technology Development Organisation – is another agency that has been active in developing climate-related projects in the EIT region. NEDO has financially supported several AIJ projects in the EITs.

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2.2 International Institutions and Multilateral Assistance

2.2.1 World Bank National Strategy Studies Program

In 1997, the World Bank and the Government of Switzerland formally launched a collaborative initiative to assist potential host country governments in exploring opportunities and potential benefits from participating in the AIJ pilot phase and in formulating their own positions regarding AIJ and JI.

Prior to the Kyoto conference, the program focused on countries with economies in transition. Following the agreement in Kyoto on the establishment of a Clean Development Mechanism (CDM), the scope of the program was expanded to include developing countries. In addition to Switzerland, the program grew to include other bilateral donors (e.g. Australia, Germany, Finland, Austria and Canada) which provide co-financing to host countries to analyse the issues of implementing the KP flexible mechanisms in a National JI/CDM Strategy Study (NSS). Host country interest, donor preferences and a country's greenhouse gas

(GHG) emissions reduction (i.e., GHG offset potential) are among the factors that determine the selection of NSS host countries. So far in the EIT Annex I region, the NSS have been carried out in Slovakia, the Czech Republic, Russia, and Ukraine (under implementation).

The National Strategy Studies Program aims at enhancing local expertise. Host country experts conduct the studies in collaboration with experts from donor countries and the World Bank. The studies address the issues of the national potential for greenhouse gas (GHG) emission reduction, assess potential GHG abatement projects and their costs, and evaluate the JI/CDM project cycle and respective requirements for institutional and administrative arrangements. In the process, pipelines of potential JI and CDM projects at the national level are established.

The NSS program, in close co-operation with the Swiss Government, will host in Switzerland (23-25 September, 2002) a workshop with the participation of all NSS host countries (about 25-30). The purpose of the workshop is to assess the capacity building needs in the program countries based on a survey prepared prior to the event, and to discuss how to address the CB needs toward the implementation of the KP CDM/JI flexible mechanisms.

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2.2.2 European Commission

The European Commission has several programs and projects through which it provides assistance to the candidate countries and to the NIS in building capacity for participation in the UNFCCC and the Kyoto Protocol. The most important programs include TACIS, PHARE, SYNERGY and the Fifth Framework Programme.

Through TACIS and PHARE programs, the EC can provide targeted assistance to specific countries, while SYNERGY and the Fifth Framework Programme fund research and general capacity building on a regional level. Several key examples of the current climate-related capacity assistance projects are the BASE project (funded through the Fifth Framework Programme) and BASREC (funded through the SYNERGY program).

The nature of the TACIS and PHARE programs is such that resources are allocated to priority areas identified by the recipient countries for a specific time period. For example, accession countries develop national action plans of their accession efforts every year. In these plans they give priority to specific pieces of legislation to be reviewed and harmonised. In response to these action plans, the EC provides funding through its PHARE program in the areas that were identified in the action plan. If climate issues are not mentioned in the action plan, than the EC is unable to provide assistance in this area. With other countries, the EC has Partnership and Co-operation Agreements that provide a similar mechanism of requesting assistance for priority areas.

In addition to these large assistance programs, the EC Environment Directorate also issues competitive tenders that aim at either identifying specific capacity building needs or providing targeted assistance to the EITs in specific areas of climate change policy development. Currently, one project that identifies capacity needs of the candidate countries for JI and monitoring and reporting is under implementation, and other two have been announced. One of them would identify capacity needs of the candidate countries in emissions trading, while another would evaluate the monitoring and reporting situation in Russia and suggest areas for capacity building assistance.

TACIS

In its document “TACIS Regional Co-operation: Strategic Considerations 2002-2006 and Indicative Programme 2002-2003,” the European Commission states that climate change is one the priority areas of the EC’s assistance program to the NIS. The main objectives in the climate change area are the development of institutional capacity to enable the NIS to implement their obligations under the UNFCCC and Kyoto protocol, and assistance in the establishment of national inventories of GHG emissions.

For 2002, the EC is allocating 4 million EUR for climate change assistance programs in the NIS, and the proposed activities are:

- Capacity building to establish GHG inventories and national systems to estimate emissions and develop emission projections (all NIS);
- Assistance with the development of networks and partnerships in scientific research and exchange of climate-related data and modelling results;
- Capacity building for emissions trading, JI, and CDM, including pilot projects.

SYNERGY

SYNERGY is a co-operation program managed by the Directorate General for Energy and Transport (DG TREN) of the European Commission. It finances mutually beneficial co-operation activities with non-EU countries in the field of the formulation and implementation of energy policy. The objective of the SYNERGY program is to improve the competitiveness of EU industries, enhance the security of energy supply, promote sustainable development, and improve energy efficiency. According to the new Guidelines for the SYNERGY program (L125/24, the Official Journal of 05.05.01), the implementation of the program will refocus on activities related to security of energy supply, and implementation of the Kyoto protocol.

SYNERGY supports the following activities:

- Advice and training in energy policy;
- Analysis and forecasting in energy matters;
- Closer dialogue and exchange of information on energy policy, notably through conferences and seminars;
- Regional transboundary co-operation; and
- Improving the framework for industrial energy co-operation.

Currently, SYNERGY funds BASREC activities, including its climate change group, and “Eastern Climate Change Network – Establishment of a Climate Change Network in CEEC and CIS” project. Please see description of the BASREC below.

Eastern Climate Change Network – Establishment of a Climate Change Network in CEEC and CIS

The main goal of this project is to increase security of energy supply for the EU and candidate countries by promoting efficiency of energy use in producer countries (CIS). In relation to the Kyoto Protocol, the project ensures a common approach to evaluation, presentation and certification of emission reductions achieved, in CEEC and CIS. The project will establish the Eastern European Climate Change Network on the basis of existing local Energy Centres and Agencies (in the following countries: Russia, Ukraine, Slovakia, Poland, Romania, Bulgaria, Estonia, Azerbaijan, Georgia, Armenia, Uzbekistan). The project will also create a database of priority projects, aimed at emission reductions in those countries. Capacity building strategy will also be elaborated as part of the project activities. The project also includes some training component.

Fifth Framework Programme

The Fifth Framework Programme provides a coherent framework for supporting research and technological development as part of EU research policy and constitutes a four-year strategic plan (1999-2002). During this period, it will stimulate transnational collaboration in research, particularly between industry and universities, and the establishment of networks of excellence.

“Energy, Environment and Sustainable Development” is one of the four thematic programs of the Fifth Framework Programme. It focuses directly on a number of pressing environmental and energy concerns, including global change, climate, and biodiversity. Priority is given to issues covered by international treaties or conventions where the EU or its member states are signatories. The budget of the Energy, Environment and Sustainable Development program is 2,125 million EUR, 1,083 million EUR of which is for the Environment and Sustainable Development sub-program and 1,042 million EUR for the Energy sub-program (not including nuclear energy).

BASE project that focuses on various JI issues is an example of a research project that is funded by the Fifth Framework Programme.

BASE

The BASE project (<http://base.energyprojects.net/>, <http://joint.energyprojects.net/>) is a continuation of the JOINT initiative (which was completed in 2002) and is funded through the Fifth Framework Programme. The goal of BASE is to promote clean energy investments through Joint Implementation in Central and East European countries. BASE seeks to unblock the barriers that currently exist in the evaluation and approval of JI projects in the electricity sector in the five participating accession states (Estonia, Poland, the Czech Republic, Hungary, and Slovenia). BASE is a consortium of these countries with Austria, Finland, and the UK. In close co-operation with government and other national stakeholders, the project team is developing a set of baseline tools, methodologies, and guidelines that are tailored to the climate change objectives of the five candidate accession states participating in the project.

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2.2.3 PCFplus

PCFplus is a World Bank program, which supplements the Prototype Carbon Fund (PCF) with activities in the area of outreach, research, and training. PCFplus is funded separately from the PCF. It draws on funds from the governments of Canada, Sweden and Finland through trust fund arrangements at the World Bank. The estimated budget for the period of July 2001 through June 2002 is US\$ 1,220,000.

The objectives of the program are to build capacity of host countries and the PCF participants, to enhance the operations and activities of the PCF and its partners, and to promote the market for and quality of GHG projects and emission reduction credits by reducing risks and transaction costs. In the EIT region, PCF projects are currently implemented only in Latvia and Poland.

Outreach component. Several capacity building oriented outreach and training events will be organised around PCF project negotiations during the fiscal year 2002.

Research component. Three studies are underway or in final stages of development: “Baselines for Energy Efficiency Projects Addressed Through Energy Efficiency Intermediaries,” the second part of “Market Intelligence Study” (national and international regulations) and “JI in the Context of EU Accession.” Among the proposed research projects for 2002 is a methodological study with a focus on baselines for land use and forestry activities in Eastern Europe.

Training component. In 2002, a key objective is the implementation of a detailed training program that will be designed to build the capacity of host countries to deliver emission reductions and to benefit from CDM and JI investments. The PCFplus training work program for 2002 includes the design and delivery of training in co-ordination with other World Bank climate change capacity building activities. At least three sets of modules will be developed in the following areas: project development for carbon financing, implementing a PCF project, and negotiating a successful emission reduction agreement. It is important to emphasise that the training component is designed for PCF project participants only.

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2.2.4 BASREC

Energy ministers of the Baltic Sea region countries and the European Commission decided at their conference in Helsinki in October 1999 to set up an inter-governmental Baltic Sea Region Energy Co-operation (BASREC) project. This agreement releases the funding of 1.182 million EUR for the BASREC

2002 project with 15 individual tasks to be carried out between 11 participating countries: Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia, and Sweden. The European Commission is represented by the Directorate General for Transportation and Energy (DG TREN).

The work of the Climate Change Group within BASREC seeks to establish the Baltic Sea Region as a testing ground for the use of the Kyoto Protocol's flexible mechanisms. The work will be focused on developing a common understanding of the concepts related to the flexible mechanisms among the countries in the region, and on building capacity to implement them.

The main activities include:

- Arranging a simulation game on emissions trading together with IEA.
- Preparing a handbook for regional JI projects.
- Facilitating the implementation of investments of some AIJ/JI projects, using NEFCO as a clearinghouse.
- Preparing a framework agreement and a contract model to be used in JI projects.

A BASREC conference was convened to present and discuss principles of the implementation of the flexible mechanisms on the testing ground in the Baltic Sea Region. The Conference (organised in May 2002 in St. Petersburg) contributed to building capacity and competence among business, authorities and other stakeholders, and improving the common understanding of the role of the mechanisms and the ways of implementing them.

Another focus area of BASREC is energy efficiency. The energy efficiency group will work with relevant financial institutions on possibilities to develop new financing instruments suited for energy efficiency projects and for small-scale combined heat and power production. Further development of the capacity building and clearinghouse activities will also be important components of this work.

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2.2.5 Nordic Regional Organizations

There are several Nordic regional organisations that provide some kind of capacity building assistance to the EITs in the Baltic Sea region in the field of climate, energy and environment. These organisations include Nordic Task Force for Climate Issues, Nordic Energy Research Institution (NEFP), and Nordic Council of Ministers. Nordic Council of Ministers provides support for collaboration between the Baltic states, Northwest Russia and the Nordic countries in the area higher education and research, including education, training, research grants, workshops, etc.

Nordic Energy Research (NEFP) is a new Nordic institution under the Nordic Council of Ministers (MR-Energy) that was established in 1999. The NEFP is a program-based network of skilled experts and leading researchers in the Nordic countries and adjacent areas, with the aim of co-operating in research, research training and development. The mission of NEFP is to continue the development of expertise within selected fields of energy-related research at universities, colleges and other research institutes in the Nordic countries and adjacent areas. The NEFP is able to provide travel grants and scholarships for research, training, workshops and conferences. One of the goals of this institution is to improve the co-operation between the Nordic Countries and the adjacent areas (Baltic countries, Northwestern Russia). From 2003 the following new components will be included in the program' strategy:

- Integration of the Energy Market
- Renewable Energy Sources
- Energy Efficiency
- The Hydrogen Society
- Consequences of Climate Changes in the Energy Sector

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2.2.6 UNDP-GEF

UNDP-GEF has two types of capacity assistance efforts:

- Capacity building (“enabling”) activities that take place in the framework of larger projects, such as energy efficiency or renewable energy projects. Enabling activities are taking place in Slovenia and Croatia, as well as Belarus (focused on preparing its First National Communication). These activities can also include technology transfer, modelling, and inventory development.
- Activities that focus completely on building capacity.

There are three special initiatives to build capacity for mitigating climate change. First, there is a program that started in 2000 to provide basic support to GEF operational focal points in transition country governments. The amount of funding is small (approximately \$8500/year), but it is designed to cover miscellaneous items such as translations, web site development, or special conferences, that cannot be funded from other sources. Second, there is a series of country dialogue workshops. Finally, there is the

Capacity Development Initiative, or CDI. This is a global, 18-month consultative planning process. It is supposed to result in a comprehensive strategy and multi-year action plans to build capacity in GEF-eligible countries.

The CDI is a strategic partnership between the UNDP and the GEF Secretariat to produce a comprehensive approach for developing country-level capacity to address challenges of global environmental action in the areas of biodiversity, climate change, and land degradation. The work plan for CDI is divided into three stages: assessment, strategy development, and development of action plans in these areas.

In September 2000, UNDP/GEF published a report "Country Capacity Development Needs and Priorities: Regional Report for Eastern Europe and Central Asia." At this time, many EITs are filling up self-assessment questionnaires distributed by GEF. This process will result in the development of capacity building action plans. However, it is unclear whether UNDP/GEF will have any financial resources to assist countries in meeting their capacity needs.

It is important to note that GEF cannot currently be used to build capacity that is specific to the Kyoto Protocol. However, the UNDP sees the Kyoto Protocol as a future source of guidance to GEF activities once the Protocol enters into force. In addition, there is no restriction on GEF support for JI projects or projects with a tradable permit component.

Finally, GEF supports many capacity building activities that will have spillover effects. In other words, they will benefit transition countries' ability to implement JI and emission trading. These activities include strengthening ministries, facilitating technology transfer, and supporting the development of inventories and improved data quality.

The UNDP has recently launched a new initiative "TrustFund for Sustainable Energy". Through this effort the UNDP will provide a comprehensive assistance in developing national sustainable energy programs and policies, transferring knowledge and technologies, enhancing institutional capacity, identifying JI and CDM projects, etc.

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2.2.7 OECD/IEA

The OECD and the IEA do not have specific capacity building programs in the EIT region. However, several initiatives implemented by these agencies do assist EIT countries in their efforts to develop climate policies and structures. For example, the OECD and the IEA, through the Annex I Expert Group, are supporting Annex I countries in their efforts to build a solid and efficient international policy response to climate change. The Group's recent work focused on monitoring and compliance, emission trading and project-based mechanisms, domestic policies and measures, as well as support to countries with economies in transition.

Recently, the Annex I Expert Group sponsored three case studies in the EIT region: on emissions trading in the Czech republic, on the registries in Bulgaria, and on the inventory development in Russia. These case studies evaluate current situations and capacity needs, and provide preliminary recommendations on the development of these key national systems.

The IEA has recently contributed to capacity building on emissions trading by developing and guiding a trading simulation game as part of the BASREC project in the Baltic Sea region. Previously, the IEA developed several other trading simulation games that included a wide range of participants, including government and industry representatives from several EIT countries.

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2.2.8 European Environment Agency

EEA provides assistance to many EITs in developing GHG national inventories. EEA provides the EITs with methodology and software tools for compiling GHG inventories, (see: <http://air-climate.eionet.eu.int/tools>), as well as training on these tools. EEA funds five European Topic Centres, one of which is the ETC Air and Climate Change, (see: <http://air-climate.eionet.eu.int/>).

While the Agency has been working with most of the candidate countries since 1996 on specific projects with support from the EU's PHARE program, EEA membership allows their full and permanent integration into the Agency's activities and decision-making. This will help to familiarise these countries with EU procedures prior to joining the Union and aid their compliance with EU legislation. Bulgaria, Latvia, Slovenia and Slovakia are new members of the EEA, and it is expected that the Czech Republic, Estonia, Hungary, Lithuania, Poland, and Romania will become EEA members in a very near future.

Examples of country support tools

CollectER (Collect Emission Register) is a tool for national air emissions experts to create and update a national emissions inventory and to prepare appropriate emissions data for international reporting obligations.

ReportER (Report Emission Register) is a software tool designed for national experts on air emissions. Based on the national emissions inventory data stored in the *CollectER* annual inventory databases, the current version of *ReportER* can create a set of UNFCCC reports and UNECE/CLRTAP/EMEP reports. The new version of *ReportER* is called *ReportER II*.

EstimatER (Estimate Emission Register) is an expert system that supports the estimation of emissions from source sectors, exactly following the IPCC 1996 Revised Guidelines and exporting the data for this sector into the UNFCCC Common Reporting Format (CRF).

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2.2.9 IPCC

The IPCC does not have targeted capacity building programs. However, some of its activities could be qualified as capacity assistance. These activities include workshops and expert meetings that are organised by the Technical Support Unit (TSU) for the IPCC. This Unit is based at the Institute for Global Environmental Strategies (IGES) in Japan and is funded by the Government of Japan. However, these workshops and expert meetings are organised only when they are necessary for the completion of a working group's work plan or a task of the IPCC.

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2.2.10 UNITAR

UNITAR is not currently providing any support to countries with economy in transition. There is a proposal that the UNITAR is developing together with the CG11 for a project on institutions/human resource capacity building for GHG inventories. This is still a draft and not yet funded.

The proposed capacity and institution building program is aimed at providing a phased but comprehensive response to the needs identified for the CG 11 Parties. It will enable them to fulfil their commitments under the Convention, and, at a later stage, to implement the Kyoto Protocol, by developing their capacity to establish and maintain permanent national GHG inventory systems compliant with international guidance and standards. In particular, the proposed support program will:

- Facilitate a process for planning and establishing permanent national inventory systems in each of the CG11 countries and, in particular, for setting up National Registries;

- Launch a bilateral and multilateral process to address the long-term needs of CG11 countries in establishing and maintaining national inventory systems which would comply with international guidance and standards;
- Provide training and institutional support to address human resource development needs of CG11 Parties in a way that facilitates the development of qualified experts needed in national inventory systems;
- Ensure that new capacities needed in CG11 Parties build upon the experiences and competencies that already exist in each country.

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2.3 Business Associations and NGOs

2.3.1 Center for Clean Air Policy

The Center for Clean Air Policy (CCAP) is a Washington-based nonprofit think tank with a staff of specialists on energy and environmental policy. The Center seeks to promote and implement innovative solutions to major environmental and energy problems that balance both environmental and economic interests.

Through its Economies in Transition Program, the Center is working with governments of several Central and Eastern European countries to assist them in developing strategies for addressing climate-change issues and to enhance their understanding of emissions trading. Since the early 1999, the Center has been working in Poland, Slovakia, Ukraine, and the Czech Republic on climate-change issues, including emissions trading, Joint Implementation, national, regional, and local climate strategies, and GHG inventories. Some projects are funded by the U.S. EPA (please see the section U.S. assistance), and some activities in Poland were funded by the Dutch government (please see the section on the assistance from the Netherlands).

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2.3.2 World Resources Institute

The World Resources Institute (WRI) is an environmental think tank based in Washington, D.C. WRI's main projects that support capacity building related to climate change are:

- Capacity for Climate Protection, a joint three-year project with the Regional Environmental Center to assist Central and East European country efforts to find less emission-intensive development paths and create policy and institutional frameworks needed to comply with the UNFCCC and Kyoto Protocol, and
- SafeClimate.net, which engages visitors with interactive tools and informative content, helping people understand their contribution to greenhouse gas emissions.

The Capacity for Climate Protection project in the EIT countries has just been completed. It comprised a research aspect (case studies on JI, national systems, policies and measures, and public participation), as well as an outreach aspect involving a network of NGOs. (Please see the project description under the REC, below).

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2.3.3 Regional Environmental Center for Central and Eastern Europe (REC)

The REC is a non-advocacy, not-for-profit organization with a mission to assist in solving environmental problems in Central and Eastern Europe. The REC has its head office in Szentendre, Hungary, and country offices in 15 Central and Eastern European countries. The REC currently runs several programs that include a capacity-building component. Its Climate Change Program provides capacity building on climate change. It focuses on assisting countries from Central and Eastern Europe in identifying policies and measures to comply with and respond to opportunities created by the Framework Convention on Climate Change and the Kyoto Protocol. For three years (1999-2002) this program has been supporting the Capacity for Climate Protection project. The project has been funded by the Japan Special Fund, the European Commission DG ENV, the US EPA, the Italian Ministry for Environment and Territory, and the Dutch Ministry of Housing, Spatial Planning and the Environment.

Main objectives of this program are:

- To broaden the constituency for climate protection in Central and Eastern European Annex I countries
- To support these countries in building their institutional capacity to meet the challenges and use the opportunities of the Climate Convention and the Kyoto Protocol.

In the course of the project several case studies were developed by Central and Eastern European (NGOs). The objective of the case studies was to draw lessons from CEE experience with AIJ projects and inform climate change policy-making. These case studies illustrated the importance of good governance for successful market programs.

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2.3.4 WWF

In the EIT region, WWF is active in Poland and Russia on climate change issues. The main focus of WWF's activities related to capacity building for climate change policy development in Russia is education and outreach on climate change issues, international flexibility mechanisms, and necessary country response to the global challenge of climate change. WWF also provides methodological and technical assistance to Russia in formulating domestic climate policies and in preparing for participation in the Kyoto Protocol. For example, WWF-Russia is an active participant in the US EPA-funded activities on developing regional GHG inventories. In Poland, WWF focuses on promoting renewable energy.

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The table below illustrates the distribution of capacity building assistance in the EIT region by program area (it might not include all existing programs and activities).

	Canada	NL	US	Finland	Sweden	Japan	Nodric reg. orgs	BASREC	EC	EEA	WB NSS	PCF plus	UNDP-GEF	IPCC	UN ITAR	OECD/IEA	REC	CCAP	WWF	CAN-Europe
JI and other project activities	X	▲	X	X	X			X	X		X	X	X			X	▲	▲		
Emissions Trading			X					X	■							X		X		
GHG Inventory			X						■	X			X	X	■	X		X	X	
Registry															■	X				
General training and awareness building						X	X										▲	X	X	X

X On-going
■ Planned
▲ Interrupted or at the completion stage

3. Remaining Capacity Building Needs

It is clear that all essential areas of climate change policy development, including JI, emissions trading, GHG inventories, and national registries, require additional attention and investments of human, financial and technical resources.

The list of capacity needs in the EITs is known:

- ❖ Establishment or strengthening institutions at the national level to co-ordinate and guide activities for climate change policy development and implementation (including national systems for data collection and verification, national GHG registries, and JI units);
- ❖ Transfer of methodologies and know-how on monitoring and data collection, data quality assurance and control;
- ❖ Methodological and legislative assistance on emissions trading and JI, including such assistance with respect to accession issues;
- ❖ Public awareness support;
- ❖ Education of local government and industry stakeholders and support for dialogue among various stakeholders;
- ❖ Awareness raising among government officials and parliamentarians
- ❖ Training of local experts.

The EIT countries and foreign assistance institutions should join their forces to build the necessary infrastructure that will enable successful participation of the EITs in the Kyoto protocol and its Mechanisms.

It is crucial that the EITs create conditions that would be conducive to the success of technical assistance efforts. The first step in this direction would be a clear division of responsibilities among all institutions involved in climate policy development. Without a precise designation of authority the effectiveness of the assistance will suffer.

Another important step for the EITs would be to make an effort and come up with their own initiatives. Such initiatives could include the development of strategies and action plans to consolidate various resources for the development of the basics of climate policies, development of strategies and criteria for JI project identification and selection, etc. The governments should strive to launch a legislative process that would promulgate those policies.

In many EITs that are planning to participate in JI and international emissions trading, the private sector is going to be one of beneficiaries of these flexibility mechanisms. EIT governments should try to find ways to involve the private sector (with its financial and human resources) in the development of national systems that a country needs to participate in the Mechanisms. For example, many local government and industry stakeholders do not understand the importance of the national inventory to their future involvement in the Mechanisms (eligibility for international emissions trading, 1st or 2nd track JI). Engaging and educating them on these issues may lead to further mobilisation of in-country financial resources.

The donor community, for its part, should also take steps to boost the efficiency of technical assistance programs. These steps could include:

- More strategic but flexible assistance (targeted to specific needs but flexible in its approach, timing and criteria for capacity building projects preparation and approval).
- Designing several large multi-year programs rather than many small and short projects. This will not only assist the countries better but will also save time and money for people preparing and evaluating numerous project proposals³.
- Ensuring co-ordination between donor agencies before they engage in a capacity building effort in order to avoid duplicating activities. There is no need to conduct needs assessment every time when an agency wants to provide assistance. It would be more efficient to use already available studies conducted beforehand. It might be useful to develop a web-based or actual capacity building clearinghouse and co-ordination centre (where all interested parties can receive information, request assistance, co-ordinate their efforts, etc.).
- Encouraging local initiation and requests for assistance. The assistance will be most effective when it complements in-country efforts to address a specific issue of climate change policy development. In this case, in-country stakeholders lay out the foundation of a project, and local resources are mobilised to work on this specific issue. It might also be helpful if assistance could be provided to the EITs in developing applications for assistance. Since many EITs, especially small countries, do not have staff resources to attend to even most pressing needs, they often lack capacity to apply for assistance even when assistance is available.

³ Some small projects could also be very useful, but their effectiveness will suffer without planned follow-up activities.

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