



ENERGY + SUSTAINABLE DEVELOPMENT

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SEFI: Creating the Climate for Change



**“instead
of climate change we
need to create the
climate *for change*”**

*Klaus Töpfer
Executive Director, UNEP*

A new project to help the finance sector increase investment in renewable energy and energy efficiency will be launched on October 20th at the UNEP FI 2003 Global Roundtable. With support from the United Nations Foundation (UNF), UNEP's Sustainable Energy Finance Initiative – or SEFI – will help financiers overcome information and market barriers preventing them from considering investments in renewable energy and energy efficiency as key components of secure and sustainable energy systems. More than 600 financiers attending the conference will hear how SEFI is a direct response to two of the world's most pressing issues – energy security and climate change.

Supporting the new initiative, UNEP's Executive Director, Klaus Töpfer, says “instead of climate change we need to create the climate *for change*”. The economic losses from climate change alone were described by a group of major global financial corporations as “a major risk to the global economy” in a landmark 2002 UNEP Financial Initiatives study.

SEFI programme manager, Eric Usher, explains that although sustainable energy technologies such as solar cells and wind generators have advanced

rapidly, financiers are still adopting a “wait-and-see” approach, mainly because they lack the information, experience and the financial tools needed to quantify, mitigate and hedge project and financial risks.

“For developing countries in particular, the reliance on fossil fuels and centralised infra-

structure will not serve the vast majority of people in rural areas where the economic benefits of a modern energy system are elusive, although the environmental costs from using low quality fuels such as dung, coal and kerosene are not,” says Usher.

SEFI will address renewable energy and energy efficiency investments in both developed and developing countries, including climate change and carbon trading activities related to sustainable energy. SEFI will do this by:

- Providing information, including policy frameworks within financial institutions for sustainable energy investing, and risk management tools that lower barriers to investment in this sector;
- Facilitating networks between bankers, insurers, project developers and investors to share experiences, build alliances and promote new financing initiatives similar to those of UNEP FI in the area of environmental finance.
- Developing and promoting partnerships, such as joint FI/UN initiatives, with and within the finance sector to launch innovative financial products tailored to sustainable energy investments, including incentives to develop new financial products in regions of the world currently without access to modern energy services.

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GEF Funds New Transport Initiative

The Global Environmental Facility (GEF) has recently approved the funding of the first phase of **Network for Environmentally Sustainable Transport in Latin America and the Caribbean**, NESTLAC. This project, implemented by the UNEP Risoe Centre (URC), aims to disseminate, promote and facilitate environmentally sustainable transport (EST) options in the Latin American and Caribbean (LAC) region.

In the first phase to be completed by the end of the year, a network to conduct all activities will be established for the LAC region. Participating countries include El Salvador, Guatemala, Panama and Chile.

"NESTLAC will help to increase awareness and to facilitate environmentally sustainable transport options in the participating countries," says URC's Jorge Rogat. Special emphasis will be placed on land-use planning, non-motorised transport, transport demand management and rapid transport by bus in the region.

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UNEP Developing Energy Handbook for Legislators

Responding to requests from developing countries, UNEP is compiling a handbook to guide legislators who are developing and adapting laws to encourage the use of sustainable energy resources. The **Sustainable Energy Legislator's Handbook** will be co-authored by Lal Kurukulasuriya, Chief of the Environmental Branch within UNEP's Division of Policy Development and Professor Richard Ottinger, Dean Emeritus Professor of Law at Pace University who worked on the original US PURPA legislation (allowing independent electricity generators access to utility grids) while serving in the US Congress.

Kurukulasuriya says the idea for the publication evolved from other UNEP work in this area. "Indonesia, for example, used UNEP technical and legal assistance to strengthen the country's natural resource management legislation, which has an impact on a broad spectrum of natural resources."

The publication will contain annotated checklists to help legislators identify the key environmental issues involved with every source of energy and determine what issues need to be addressed and how such issues have been dealt with in other countries. "The book will hopefully help legislators to ask the right questions so they don't wake up in a few years and find they have tonnes of toxic waste to deal with," says Ottinger.

The **Sustainable Energy Legislator's Handbook** is due for release in mid-2004.

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Energy Management Funded for Czech Republic and Slovakia

The UNEP Energy project **EMPRESS (Energy Management and Performance Related Energy Savings Scheme)** received approval in August of US\$2 million in GEF funding. The project's main aim is to promote the proven industrial energy management tool Monitoring and Targeting – or M&T – in the Czech Republic and Slovakia.

UNEP Energy's Mark Radka says that in countries where M&T is an accepted approach to energy management, it is usually offered on a fee-for-service basis by professional firms. "However, in Central and Eastern Europe, a fee-for-service structure for this type of energy management service in an industrial setting presents difficulties because it is unknown."

The project will build a market for the approach by coupling M&T support with private sector financing for M&T audits and site training in firms adopting an approach often used by Energy Service Companies (ESCOs). "This combination of providing M&T technical services with ESCO-like financing arrangements has

not been used before in Central and Eastern Europe," says Radka.

Commencing in early October and operating for three consecutive years, the project will be implemented by the UNEP Division of Technology, Industry and Economics (DTIE), working closely with the Czech and Slovak Energy Agencies and Czech and Slovak Ministries of Environment. UNEP's work will be assisted by BASE (the Basel Agency for Sustainable Energy), a UNEP Collaborating Centre focused on financing energy efficiency and renewable energy projects.

By the project's conclusion in 2006, UNEP Energy believes the US\$2 million of GEF funds to encourage greater energy efficiency will be matched by US\$4 million of ESCO investment and US\$2.5 million of private sector investment in both countries.

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The first expanded CD4CDM workshop was held in Buenos Aires in September

CD4CDM *Starts Second Phase*

The Capacity Development for the Clean Development Mechanism Project (CD4CDM, www.cd4cdm.org) is now entering its second phase with the implementation over the next two and a half years of national work plans formulated in phase one. During the second phase of the UNEP project, funded by the Dutch government and implemented by URC, each region will hold six regional training workshops for the involved countries, including two workshops expanded to include participants from other countries in the region.

The first of these expanded workshops took place in the San Martin Palace in Buenos Aires in September. Fifty participants from all Latin American countries and one hundred participants from Argentina discussed broad perspectives of the CDM, including sustainability, globalisation, technology transfer, key development priorities in Latin America and the progress in the creation of the CDM infrastructure. All presentations are available in Spanish at www.cd4cdm.org

Similar seminars will soon be held in the other project regions of Asia, Africa, and North Africa/Middle East (see Upcoming Events for information on the African workshop in Addis Ababa, Ethiopia).

Guidance materials for several key issues are also under development. The first publication, **Introduction to the CDM**, was published in 2002 and has since been translated into nine different languages. A General Guideline to the CDM is scheduled for release at the COP9 meeting in Milan in December.

Other materials scheduled for release in early 2004 will address:

- Sustainable development impacts;
- Legal and regulatory issues for the CDM;
- Institutional framework for the CDM;
- Financial aspects of the CDM;
- Baseline methodologies;
- Bundling of small-scale projects;

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Sustainable Energy for Indochina

Tapping Indochina's substantial sustainable energy potential through private sector and direct foreign investment is the focus of a new partnership between URC, the Regional Institute of Environmental Technology (RIET) of Singapore, and other European partners. The project, **Stimulating EU-Indochina New and Renewable Energy Projects through Private Sector Participation in Economic Cooperation and Foreign Direct Investments**, aims to promote clean, renewable and economical energy power supplies by encouraging the private sector and financial institutions to cooperate in clean energy projects between Europe and Indochina. The project also aims to improve and increase opportunities to transfer European technology and know-how.

Cambodia, Lao People's Democratic Republic, Myanmar and Vietnam will participate in the project. "Most of these countries are currently facing shortages of electricity supplies, but they are also richly endowed with renewable energy resources," says URC's Romeo Pacudan. However, various barriers constrain the development of these resources, and in many countries this development is taking place in new electricity markets opened to private and foreign investors.

Vietnam's demand for electric power, for example, is expected to continue growing at 15% annually for the next 10 years. The country's renewable energy potential includes 320 Megawatts (MW) from rice and sugarcane bagasse residues, and 1500-2000 MW from small and micro-hydroelectric power sources. The country has also a good solar resource and good windspeeds in certain coastal and mountainous regions.

Lao PDR has abundant hydropower resources with an estimated potential of over 18,000 MW, of which only 2% has so far been developed. Myanmar still has no centrally generated electrical supply but a hydropower potential estimated to be more than 100,000 MW and a large geothermal potential. In Cambodia, renewable energy resources that can augment grid-based capacity include small-scale hydroelectric resources, solar energy and agro-industrial wastes.

Project activities include:

- Researching market demand, project opportunities and other direct information for Indochina's sustainable energy resources.
- Establishing a network in Europe and Indochina to identify and attract the most relevant sustainable energy investors from across Europe.
- Profiling European and Indochina participants and compiling this information into a participant's catalogue.
- Conducting two-day business meetings in Hanoi, Vietnam. These meetings will include a half-day seminar to discuss key information on market opportunities, financing schemes, policy and legal information, and European experience with sustainable energy projects.

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Participants attending a B-REED workshop in September discussed ways to implement a new Brazilian electricity law.

B-REED Conducts First Policy Activity

The Brazil Rural Energy Enterprise Development programme (B-REED – www.b-reed.org) is conducting its first policy activity to help Brazilian policy and decision makers implement a new electricity law in ways that enable small rural energy enterprises to coexist with distribution utilities. The new law (Law 10.438) deals with key issues for rural energy enterprises, such as tariffs, subsidies and the universal supply of electricity by distribution concessions. There are currently many open issues in this law that have to be defined by regulation.

These issues are important to the B-REED programme, which seeks to develop small energy enterprises that use clean, efficient and sustainable energy technologies to supply energy to under-served populations in Brazil's Northeast.

B-REED's first policy support includes stakeholder consultations, support to energy entrepreneurs on policy issues, and a policy workshop to discuss the implementation proposal. The workshop, held this month in Itajuba, Minas Gerais, included representatives from the Ministry of Mines and Energy, the federal electricity utility Eletrobrás, small-scale electricity producers, renewable energy centres and suppliers, academia and B-REED partners.

URC's Juan Zak says most participants agreed that small energy enterprises could play an essential role in the supply of electricity to locations out of economic reach by conventional utilities. However, since these utilities now have an obligation to supply all consumers in their concession area, an outsourcing arrangement between utilities and small enterprises needs to be established.

This would also enable remote customers to receive subsidies that are now only available to grid-connected rural users. Small energy enterprises could also supply electricity for some energy services with clean energy until the grid arrives. "The B-REED approach has an enormous potential within the process of universal access to electricity that has now been started in Brazil," Zak says.

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... and Finally: Picture This

Joergen Fenhann is URC's most intrepid photographer whose pictures are often found on these pages. Whether in a crowded Latin American street or wandering an African landscape, the camera is never far from his grasp. "I like to have a memory for myself, but then I want to capture an image that gives a message relevant for sustainable development," he says, adding, "it's fun". E+ thanks Joergen for his numerous (and fun) photo contributions.



Upcoming Events

Nairobi, November 22, 2003

The Global Network on Energy for Sustainable Development (GNESD-www.gnesd.org), Annual Partner Assembly. The GNESD Secretariat will host the Network's first Partner Assembly to formally establish GNESD and approve the two-year strategic plan, work programme and budget. In addition, the Working Group on "Energy Access" will report on their activities conducted under the umbrella of the GNESD.

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Addis Ababa, Ethiopia, October 20-21 & 24, 2003

African CDM Training Workshop and Climate Change Negotiators Meeting. The workshop on October 20-21 for African UNFCCC negotiators and CD4CDM project participants will focus on CDM methodological issues. The meeting on October 24 for the African negotiators will be preparatory for UNFCCC COP9 in December.

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E+ provides information on the activities at URC and UNEP. The views expressed here do not necessarily represent those of UNEP, Risø National Laboratory or Danida. Back issues can be found at www.unepribose.org/newsletters.htm. To receive an electronic or printed copy of E+, please register on our website www.unepribose.org or contact Maria Andreassen (maria.andreasen@risoe.dk) at the URC number below. For all other information or comment, please contact the editor, Anne Marie J. Jensen (amj.jensen@risoe.dk).

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