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**Public-Private Sector Expert Dialogue  
14 November 2007  
Sheraton Golfo de' Medici Hotel  
in Conjunction with the 20<sup>th</sup> World Energy Congress, Rome**

**Rome 2007 Initiative on Sustainable Growth  
- Investing in Emissions Reduction and Rural Development –**

***Summary of proceedings***

**Background**

The Expert Dialogue on 'Investing in Emissions Reduction and Rural Development' took place in Rome on 14 November 2007 in conjunction with the World Energy Conference (11-15 November). Participants included representatives of the Rome-based UN agencies (Food and Agriculture Organisation, The Global Mechanism, International Fund for Agricultural Development and World Food Programme), members of selected private sector companies (CarbonRe/Global Sustainable Development Project, EcoMethane, Japan Carbon Finance and EcoSecurities) as well as the European Investment Bank, the EU's financing institution.

Recognizing that a stepping up emissions reduction efforts is urgently needed for both environmental and economic reasons (as emphasised by the Stern report and the latest reports of the Intergovernmental Panel on Climate Change), the event focused on how to promote climate change mitigation and adaptation activities in the agricultural, rural and land use sectors whilst promoting rural development. The mandates of the Rome-based agencies all revolve around or relate to rural development and mitigation and adaptation to climate change is strongly linked to or affects the implementation of these mandates. The private sector is asked to contribute to the mitigation of climate change, either as part of compliance measures related to the Kyoto Protocol or engaged as part of voluntary measures in the context of corporate social responsibility or other environmentally friendly measures. The need to adjust to a changing (business) environment through adaptation to climate change has also reached the private sector and starts to enter business decisions in certain sectors.

Carbon finance, emission reductions and adaptation funding are of mutual interest to the public and private sector and can act as an interface to support the development and implementation of relevant activities. The collaboration of the public and private sector is required to combine skills and expertise, technologies and resources to identify, develop and implement appropriate mitigation and adaptation measures in the rural sector – this is also to be seen in the context of rural energy demand and supply. Promoting mitigation and adaptation activities to support rural development under a collaborative framework with public and private sector players will require a common understanding on key issues, shared views on expected outcomes and benefits for all involved stakeholders and related decision-making and implementation mechanisms.

Overall, the dialogue's objectives were to identify first, needed steps and activities to support and facilitate the development of GHG mitigation and adaptation measures that promote rural development and see how an interaction and collaborations between the public sector or rather the UN agencies in Rome and private sector could facilitate this process. The Rome-based UN agencies need to be at the centre of the discussions related to climate change issues with respect to the agricultural, land use and rural sectors as they represent a nucleus and centre of excellence for issues related to rural development.

Chatham House rules, whereby participants of a meeting are free to use the information received, but may not reveal the identity or the affiliation of the speaker(s), nor that of any of the participants, were applied for the meeting.

## **Proceedings**

The event was divided into two sessions: in the morning, presentations were given by members of the Rome-based UN agencies and by the representatives of the private sector. This was aimed at sharing views, experiences and potential contributions in order to find common ground and set the scene for the afternoon's discussions. In the afternoon, the focus was laid on a moderated, open discussion and brainstorming among the participants.

### Opening session

Mrs Elisabeth Barsk-Rundquist, Director of Strategic Programmes at the Global Mechanism (GM), chaired the morning session. This session focused on the role of financial institutions and of other private sector players such as carbon buyers, technology providers and agribusinesses.

The Managing Director of the Global Mechanism, Mr. Christian Mersmann, opened the dialogue and welcomed the participants to Rome. He highlighted the importance of a dialogue between the private and public sectors to jointly tackle climate change – a great threat to the developing world and a major obstacle to poverty reduction. Of all economic sectors, agriculture is the most climate sensitive one. In rural communities, falling farm incomes will increase poverty and reduce the ability of households to invest in a better future, whereas at the national level, climate change will cut revenues and raise spending needs, worsening public finances.

Mr. Robert Tippmann, Head of Policy Advisory Services at EcoSecurities Global Consulting Services, went on to highlight the aim of the event: to start promoting more climate change mitigation and adaptation opportunities in the agricultural, rural and land-use sectors through collaborations between the public and private sector, while placing the Rome-based UN agencies at the centre of such discussions. The event was the first of the kind to see the Rome-based UN agencies get together with other public and private sector players to discuss climate change mitigation and adaptation in the context of rural development.

Mrs Elisabeth Barsk-Rundquist said the private sector is seen as a major driver of development through the provision of state-of-the-art technology, environmental finance solutions, and adopting corporate social responsibility measures. Since governments are the UN's major partners at country level, she added, the GM, along with other UN agencies, could act as a bridge between the private sector and country level partners in this process.

### Session on the role of financial institutions

Mr. Harald Jahn, European Investment Bank (EIB), spoke about the agricultural and land use sectors, in particular biofuels and biomass related projects or programmes. He advocated the need for long-term investments, financial sustainability and the importance of these sectors for rural development with a view to climate change. Furthermore, Mr Jahn provided an overview of the climate change related instruments of the EIB such as the Climate Change Technical Assistance Facility or the Climate Change Investment Facility which provide funding to climate change related projects within the EU and worldwide.

Mr. Dirk Kohler from the Global Sustainable Development Project/CarbonRe represented UNEP FI – a global partnership between UNEP and the financial sector and a platform for financial institutions on climate change aspects. He informed the participants about UNEP FI's mission and mandate. He introduced the work and key publications, which covered topics ranging from climate risk, through emissions trading, to adaptation. UNEP FI and its Climate Change Working Group aim to engage the financial sector on the risks and opportunities climate change presents and enable it to play a key role in delivering market solutions that mitigate its effects. UNEP FI or rather key financial players of its climate change working group are engaged in the carbon markets and related funds, provide global investments in renewable energy and energy efficiency, develop financial products, create stakeholder and

R&D partnerships and provide capacity building, as well as reduce their internal emissions, improve or promote energy efficiency measures and offset their emissions.

### Session on the role of private sector players such as carbon buyers, technology providers and agribusinesses

Mr. Hiroshi Tomita from Japan Carbon Fund (JCF) represented the views of a carbon credit buyer and investor. He gave an overview on how the CDM project cycle works and on the organizational structure of JCF, acting as a carbon credit purchase and project finance vehicle for the Japanese Government and private sector companies. He also gave insights into JCF's portfolio and discussed difficulties that JCF is facing with a view to certain project types and small-scale projects. Despite the lack of guidance regarding future emission reduction commitments from the Japanese government, JCF is investing in CDM projects and purchasing CERs beyond 2012, accepting to take the risk in the light of increased future benefits. The need for assistance with certain project types in the agricultural sector, for example, such as livestock management projects that reduce methane emissions, was pointed out by Mr Tomita.

Mr. Bernardo Lazo, EcoMethane, presented the views of a technology provider, giving insights into one of the most successful project types and technologies to generate carbon credits, i.e. landfill gas (methane) collection, flaring and utilization, which he illustrated using several concrete case studies - some of these projects already issue carbon credits sold on the international GHG market. He then gave examples of other methane-based projects where methane recovery or avoidance technologies could be used to ultimately support rural development. Examples included: 1) A pig farm project in the Philippines, where biogas is generated from animal manure and used for power generation providing electricity for the rural communities; 2) Biomass utilization in China, where biomass residues from agricultural crops are used to generate electricity and substitute coal; and 3) Household biodigestors in Nepal, which enable the replacement of conventional household fuel (wood and kerosene) by biogas. These projects not only reduce GHG emissions, but also improve the conditions of rural communities by providing them with reliable and affordable electricity sources, which can directly or indirectly contribute to poverty reduction.

Mr Lazo highlighted the challenges frequently associated with small-scale projects, the necessity to bundle those to reach a critical mass of credits so as to make certain activities attractive from a viability point of view, and the opportunities that arise through new approaches such as programmatic CDM – programmatic CDM allows for the aggregation of dispersed sources of emission reductions under one program and for the gradual incorporation of activities.

Finally, Ms. Sumalee Khosla from EcoSecurities provided an overview of possible mitigation activities in the agricultural and land use sectors, of which some bear a potential for adaptation measures or adaptation components as well, including the production of bioenergy, livestock management and breeding, conservation tillage, nitrogen management as well as forestry related activities (reforestation, rehabilitation of degraded land, afforestation or sustainable forest management), cropland and grazing land management. Some of these project types are already advanced, others still need assistance, methodological work and underlying research to be fully developed and deployable in relevant locations around the world to reach their full potential in making use of carbon finance and generating emission reductions or rather carbon credits. Ms Koshla also highlighted the possibility of adaptation measures in the agricultural and land use sector or even combined projects, including mitigation and adaptation components. Some elements of the presentation were based on input from Environmental Defense.

The morning sessions were concluded with a Q&A round and a brief discussion on what had been presented so far.

## Open discussion and brainstorming session

The afternoon session was co-chaired by Mr Alejandro Kilpatrick of the GM and Mr Luc Dubreuil from FAO.

This session was opened with a presentation given by Alejandro Kilpatrick from the GM providing an overview of relevant activities by the Rome-based agencies in the agricultural, rural and land use sectors. The complementary roles and strengths of the Rome-based agencies were described with a view to promoting rural development initiatives and the potential for identifying climate change mitigation and adaptation opportunities. The agencies work in areas and conduct or finance activities that are often relevant for mitigation and can lead or contribute to carbon substitution, GHG reduction or avoidance, carbon sequestration and conservation. There is potential for further emission reductions through reducing fertilizer use, anaerobic digestion of waste, modification of livestock management, the use of renewable energy or improvement of energy efficiency at community level, rangeland management or methane avoidance from rice cultivation.

Some of these project types are already developed whereas others need further assistance to become fully deployable. This support could be provided by the Rome-based UN agencies and other int. organisations. The overlap between the activities conducted or funded by the agencies and adaptation to climate change in the fields of agriculture, forestry, natural resources and ecosystem services are to be further explored with a view to contributing to adaptation, as well as tapping into the funding sources currently managed by the GEF, established under the UNFCCC or provided by other public or private sector sources.

A brief presentation by Mr Robert Tippmann, EcoSecurities, followed, focusing on key elements of a facilitation platform and mechanisms to promote mitigation and adaptation activities in the agricultural, rural and land use sectors. This calls for a structured and systematic approach to engage all concerned stakeholders. In this context and for the time being, the main stakeholders are the Rome-based agencies and further selected and interested private sector players, but other public or non-governmental actors are not to be excluded.

Such an approach and way of proceeding will require a common understanding of key areas of interaction and mechanisms around the identification, development and implementation of respective activities. However, before these processes and related communication and decision-making mechanisms can be designed, common ground needs to be found and established by overcoming barriers stemming from differences in the language of development experts and businesses.

The group decided to first try to find an agreement on the overall aim and purpose of a facilitation platform in the given context. There were no objections against the overall objective, consisting of the following three elements:

- promotion of mitigation and adaptation activities on the ground in the form of projects and programmes *that are*
- beneficial for all involved and concerned public and private stakeholders *through*
- investment in and technical support of emissions reduction and rural development in the agricultural, rural and land use sectors.

There were also no objections in the group with regards to the process and steps that would need to be taken to get concrete activities off the ground. Concrete steps and activities would need to be defined within three main areas:

- (i) identification,
- (ii) development, and
- (iii) implementation of activities.

The main issues discussed during the subsequent moderated debate were:

- The need to find a **universal/common vocabulary and a common language** in the climate change and rural development sectors
  - (i) between the private and public sectors, and
  - (ii) between the different Rome-based UN agencies.
- **The difficulties experienced** by the private sector in generating and purchasing carbon credits from **certain mitigation project types**, in particular in the agricultural and forestry sectors when it comes to Kyoto compliant carbon credits.
- The need to **increase the visibility of the Rome based agencies as a 'knowledge centre' or 'centre of excellence' for the agricultural, rural and land use sector to improve their support to and engagement in mitigation and adaptation measures** to also capitalize on the finance potentials in conjunction with rural development.
- The need for the **involvement of the senior management of the Rome-based UN agencies** to allow for concrete and long-term commitments by (some of) the agencies which go beyond participation in a working group.
- The need to ensure **sustainability of activities**, including financial sustainability.
- **Improvement of the framework conditions for carbon sequestration and conservation projects**, particularly in the forestry sector, to avoid further discriminations of related project types. For example, although governments can buy forestry CERs outside the EU-Emissions Trading Scheme (EU-ETS) and the same are prominent in the voluntary market, t-CERs and I-CERs from *reforestation* and *afforestation* projects are currently not eligible in the EU-ETS. Efforts and support to incorporate forestry credits into the EU-ETS and into the portfolios of compliance buyers will be necessary. Furthermore, the overall situation and framework conditions for forestry and other land-use projects now and post-2012 will have to improve – this is part of the ongoing and continued discussions at the international level.
- **Link of the development of mitigation and rural development projects to the question of sustainable energy production and supply.**
- **Creation of test cases and pilot projects for specific sectors or project types such as biofuels, methane or further sequestration/conservation projects** (e.g., cropland, REDD) with a view **to assist with the removal of barriers to allow the full use of mitigation and carbon credit generation potentials** in the agricultural, rural and land use sectors now and beyond 2012 (both in the voluntary and compliance markets). Visibility, knowledge and expertise, and (investment) security are key elements, which will appeal to buyers. Making the case(s), also visible and by involving other actors such as the private sector and research institutions, will contribute to attract the pedigree whilst security will be achieved or rather perceived as a result of concrete pilot projects, including a strong financial structuring.
- Taking into account that **carbon credits do not add significantly to the profitability of the project but become interesting and important when it comes to their liquidity**. This relates to the **cash flow being likely to be more attractive to investors than the internal rate of return (IRR)**.
- The **perception of the private sector that the climate change debate is mainly an academic one, a perception that has changed with the emerging GHG markets** and as a result of climate change related activities becoming profitable. To **continue and further expand this trend** into the sectors discussed in the context of this dialogue, **further incentives and assistance is required**.

- **Support for the development of adaptation activities**, including the identification of opportunities to engage the private sector through looking into viable options with a business case and/or combined mitigation and adaptation measures.
- **A structure is required for a facilitation platform that creates win-win situations and benefits for all involved parties**, including the timely and planned involvement of further parties (e.g. the UNFCCC Secretariat as an observer, Environmental Defense with technical expertise and other private sector players), and finally brings the private sector to potential projects or, vice-versa, the agencies to projects with potential development benefits with climate change mitigation and adaptation as the umbrella and link.
- **Taking into account** the use of **risk management tools** from the banking and insurance sector to identify, structure and screen relevant projects.

## Outcomes, conclusions and next steps

The expert dialogue concluded with the agreement by all participants that a common understanding between the different stakeholders (i.e., between the agencies and the other attending organisations, and among the agencies themselves) on working on, and engaging in the promotion of mitigation and adaptation activities to support rural development had been achieved. The dialogue on the promotion of investments in emissions reduction and rural development and the work on the elaboration of the necessary structure of a facilitation platform and related mechanisms in the form of a working group are to be continued.

Different stakeholders offered their respective strengths or capabilities needed to move forward with the initiative. EIB referred to the existing funding opportunities for climate change and the willingness to invest in projects and provide financial support for the development of projects, if needed and on the basis of concrete project proposals. Carbon buyer representatives expressed their interest in purchasing carbon credits from projects in the relevant sectors, pointing out the need for (technical) assistance for certain project types so that they are fully developed and existing barriers are removed to enter the GHG markets. Technical expertise with regards to technologies needed or methodological and other project development related work was also mentioned as aspects that would need to be taken into account but could be dealt with. IFAD mentioned it might consider pledging resources if certain concerns regarding limited, internal capacity building and resource constraints would be addressed, including the concrete identification of project opportunities in its portfolio to also convince senior management to move forward on climate change related projects and activities.

The group decided to continue as a working group from now on with the co-organisers of the expert dialogue, i.e. FAO, the GM and EcoSecurities, continuing to propose and coordinate the next steps. Robert Tippmann was asked to act as interim focal point for the time being to ensure the continuation of the processes in the short term. As a first step, the working group and its objective will be announced at the UNFCCC CoP 13 in Bali, Indonesia, during a side event and through other means of communication. In early 2008, another meeting of the group will be held in addition to regular conference calls that will be used as a way of communicating among the members of the group. Potentially, such a meeting could be held in conjunction or as part of the 3<sup>rd</sup> Global Conference on Social Responsibility, 15-17 February 2008, in Portugal with the main theme being 'Growth Models to Combat Climate Change and Alleviate Poverty'. In addition or alternatively, representatives from the agencies offered to hold and host regular meetings at each agency following a rotation principle.

## Next steps

The following next steps have been agreed:

- 1) Creation of a webpage and related email-list to communicate among the group as well as to post relevant information or material.

Lead: FAO (Luc Dubreuil)

- 2) Announcement of the initiative or rather the working group at the CoP in December in Bali and ad-hoc meeting of those members of the group that will be in Bali.

Lead: FAO (Luc Dubreuil), Alejandro Kilpatrick (GM), Robert Tippmann (EcoSecurities)

- 3) Organisation of the next meeting and/or conference call(s), including an agenda.

Lead: Robert Tippmann (EcoSecurities)

As one of the next steps the group will also discuss when and how to approach potential new collaborators and partners, particularly those that expressed interest in the initiative but were unable to attend this meeting. Apart from the UNFCCC Secretariat and Environmental Defense the following organisations expressed their interest in the initiative and the outcomes of the meeting: Bayer CropScience, BP Biofuels, Forest Re, Generation Investment Management, HSBC, RAG, Rio Tinto, Shell, Shell Foundation and Syngenta. Synergies with other relevant leadership initiatives such as the private sector partnership 3C – Combat Climate Change – A Business Leaders’ Initiative will be looked at in a second phase.

## **Annex I**

### **Programme**

**08.30-09.00** Registration and coffee

**09.00-09.10** Welcome and opening

- › **Mr. Christian Mersmann, Managing Director, The Global Mechanism**
- › **Mr. Robert Tippmann, Head of Policy Advisory Services, EcoSecurities**

**09.10-09.15** Key Note – The role and offers of international organisations

- › Joint message by the Rome-based UN agencies on their complementary roles and strengths with a view to promoting rural development initiatives and how they will contribute to the identification of climate change mitigation and adaptation opportunities  
**Elizabeth Barsk-Rundquist, Director Strategic Programmes, The Global Mechanism**

**09.15-10:00** The role of financial institutions

- › Investing in climate change mitigation and adaptation – the EU and the Climate Change Financing Facility (CCFF) and other financing instruments of the EIB  
**Harald Jahn, EIB**
- › The financial services sector: integrating climate change risks and opportunities into investment decisions – products, services and tools to promote climate change related investments  
**Dirk Kohler, Global Sustainable Development Project/Carbon Re on behalf of UNEP FI's Climate Change Working Group**

**10.00-10:45** The role of private sector players such as carbon buyers, technology providers and agribusinesses - What can the private sector do and offer?

- › Views, expectations and potential contributions of a carbon buyer  
**Hiroshi Tomita, Japan Carbon Finance**
- › Views, expectations and potential contributions of agribusinesses  
**Sumalee Khosla, EcoSecurities**
- › Views, expectations and potential contributions of technology providers  
**Bernardo Lazo, Ecomethane**

**10.45-11.15** Coffee break

**11.15-13.00** How to operationalise the initiative based on public-private partnerships? First proposals and identification of crunch issues

- › Past, current and planned activities of the Rome-based agencies with a view to the identification, development and implementation of climate change related activities  
**Representatives of FAO, IFAD, WFP, The Global Mechanism**
- › **Open discussion and Q&A:** A panel consisting of the speakers will initiate a discussion on key issues, including questions from all participants, related to the

establishment of an initiative on investing in emissions reduction, rural development and energy supply. This will lead to a moderated, open and interactive dialogue on specific issues to be further discussed during the afternoon sessions.

**13.00-14.00** Lunch

**14.00-15.30** Open discussion and brainstorming

- › Key elements of a facilitation platform and mechanisms to identify, develop and implement climate change mitigation and adaptation projects  
**Robert Tippmann, Head of Policy Advisory Services, EcoSecurities**  
**Alejandro Kilpatrick, Programme Coordinator, Strategic Programme on Climate Change and Environmental Services, The Global Mechanism**

Moderated and facilitated discussion rounds and brainstorming sessions on crunch issues:

- › identification of project opportunities from agencies portfolios and through their activities;
- › project development (incl. financing and technology aspects); and
- › implementation (incl. generation and sales of carbon credits).

**15.30-16.00** Coffee break

**16.00-17.30** Continuation of the open discussion and brainstorming

**17.30-18.00** Closing session

Conclusions, action plan and next steps

**18.00-19.00** Reception

## ***Annex II***

### **List of participants**

<b>Company / Association</b>	<b>Name</b>	<b>Surname</b>	<b>E-mail</b>
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