

from the United Nations Framework Convention on Climate Change (UNFCCC) secretariat and the Asian Development Bank (ADB). In addition, the conference was attended by representatives of Japanese governmental bodies, research institutes, consulting organizations and private firms, including the Ministry of Economy, Trade and Industry (METI), the Overseas Environmental Cooperation Center (OECC), ERINA, ChuoAoyama PwC Sustainability Research Institute, M4U Advisory Service on CDM and Environmental Financing, and Climate Experts Advisory Services on Climate Strategies and others.

The objective of this conference was to disseminate the main results and achievements of a CDM study in China carried out over the last two years by the Chinese government and a team of researchers from China and overseas, in cooperation with GTZ, the World Bank and SECO. The study focused on the application of CDM methodology, preparations for CDM case studies, and prospects for China's CDM potential. The main presentation on the outcomes of the study was delivered by key professionals from Tsinghua University, with supporting comments being provided by international experts. High-ranking officials from the Chinese government and international organizations remarked upon the policy-related aspects of the study.

Prof. Liu Deshin, Deputy Director of GCCI, emphasized that government support is necessary in order to stimulate the market, noting that a proactive and sustainable approach is needed in applying CDM in China and stressing that the country should not miss the 1st commitment period for greenhouse gas reduction as set out in the Kyoto Protocol, i.e. 2008–2012. In addition, this study questioned the conventional wisdom that a sizeable pool of cheap carbon dioxide reduction options are available in China; nevertheless, it was revealed that the cost of greenhouse gas emission abatement in China is comparable with that in other countries, such as the USA and Russia etc. Mr. Othmar Schwank of the World Bank observed that, "there is no free lunch for CDM".

Further sessions focused on themes such as efforts to promote CDM through donor organizations and buyers; policies and institutional arrangements for CDM implementation; challenges and opportunities for CDM in China; and the industrial sector's views on barriers to and incentives for CDM. An interactive session that focused on overcoming barriers to CDM implementation in China was held, addressing the issues of identifying, preparing, financing and contracting out CDM projects, as well as international support for capacity building.

Mrs. Sun Cuihua, Division Director of the Office of the National Coordination Committee on Climate Change (NCCCC) at the Chinese National Development and Reform Commission (NDRC) explained about the general rules and approval requirements, as well as project development and implementation procedures for CDM projects in China. Interim measures for the management of CDM projects have been approved by the Chinese government, taking effect on June 30, 2004, the day before this conference. Mrs. Sun informed those present that the National CDM Project Board has been established under the auspices of the NCCCC, with a national CDM project

The Clean Development Mechanism (CDM) in China: Taking a Proactive and Sustainable Approach

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An international conference entitled "The Clean Development Mechanism in China: Taking a Proactive and Sustainable Approach" took place on July 1-2, 2004 in Beijing, China. It was organized by the Global Climate Change Institute (GCCI) of Tsinghua University of China and sponsored by the Chinese Ministry of Science and Technology (MOST), the World Bank, the German Society for Technical Cooperation (GTZ), the Swiss State Secretariat for Economic Affairs (SECO) and the Italian Ministry of Environment and Territory.

More than 250 domestic and international participants participated in the conference, including representatives

management authority to be formed under this Board later on. The NDRC is China's Designated National Authority and will approve CDM project activities in partnership with MOST and the Ministry of Foreign Affairs, based on the results of reviews conducted by the Board; it also has the authority to issue approval documentation on behalf of the Chinese government. Under the current rules, CDM project developers must be wholly China-owned or China-controlled enterprises in order to be approved by the Chinese government.

Representatives of the UNFCCC, the World Bank, the ADB, the UNDP, the Italian Carbon Fund and the KfW Carbon Fund outlined international and national initiatives aimed at promoting CDM project development and financing. To quote one example, the World Bank, in cooperation with OECD country funds, has established several carbon finance instruments, such as the Prototype Carbon Fund, the Community Development Carbon Fund, the BioCarbon Fund, the Netherlands Clean Development Facility, and the Italian Carbon Fund, with the aim of expanding carbon market development. Currently, a total of US\$400–450 million is managed by these funds. The Italian Carbon Fund was established with an initial endowment of US\$15 million from Italy's Environment Ministry and became operational in March 2004. This fund aims to buy emission reduction credits from both CDM and Joint Implementation (JI) projects. The KfW Carbon Fund, which has a target volume of 50 million euros, made its first announcement on purchasing emission reduction certificates from CDM projects on June 29, 2004 and will commence the acquisition of the certificates from JI projects in transition countries in few months' time.

Concerns about risks involved in financing CDM and JI projects given the uncertainty regarding the entry into force of the Kyoto Protocol were raised by several

participants. Mr. Holger Liptow of GTZ expressed his expectation that the Russian government would submit the bill on Kyoto Protocol ratification to the Duma by September 2004, which would lead to the Protocol entering into force by the end of 2004. Mr. Cao Feng of the Chinese Ministry of Foreign Affairs expressed his view that, although the USA has moved away from the Kyoto Protocol for the moment, it will eventually return to international climate change negotiations in the longer run, as climate change is a tangible phenomenon and the USA cannot deal with it without collaborating with the rest of the world (and vice versa).

In the concluding session, Mr. Lu Xuedu of MOST, who serves as a member of the CDM Executive Board, outlined his views on future Chinese activities to be conducted in collaboration with foreign partners. He highlighted the importance of enhancing national capacity for CDM implementation and promoting project cooperation between foreign investors and local partners by organizing workshops, dialogue, CDM fairs and the use of information available through the internet and other channels to introduce CDM projects. He concluded his presentation with a slogan: "Doing CDM in China—your best choice!" A report on this conference will be compiled and published by the organizers.

This conference was an informative and interactive event for both the local and international participants that provided an opportunity to learn and understand about the prospects and challenges of CDM application and implementation in China, along with government policies, strategies and practical undertakings. Moreover, it is hoped that it has contributed to building greater awareness among potential investors, project developers and the public not only in China, but also overseas.