

**Implementation of the Clean Development Mechanism CDM
in the ASEAN Energy Sector**

**Exchanging experiences and regional institutional capacity building (CDM-ASEAN)
Republic of the Philippines (ROP)**

Summary Status of CDM in the Republic of the Philippines

On October 16, 2003, the Senate of the Republic of the Philippines (ROP) ratified the Kyoto Protocol. Currently, ROP CDM status is that of 'capacity building' for public and private sectors entities. Funded by UNDP, this program is administered by the Environmental Management Bureau (EMB) of the Dept. of Environment and Natural Resources (DENR). The focal point agency is the Inter-Agency Committee on Climate Change (IACCC).

The Climate Change Institute (CCI), a unit of the Manila Observatory, Ateneo de Manila University, Quezon City, conducts the key capacity building consulting. Public sector capacity building is ongoing. Commencing in January 2004, private sector forums, with a wide array of corporate officials, have been held.

A public forum on the National Authority (NA) was also held by the DENR in March 2004.

The Royal Dutch Government provided funding to prepare for CDM activities, including the development of a framework for the NA. The objective of the first phase of this funding was to execute capacity building for the EMB, which is the Secretariat for the IACCC. In August 2003, its consultants recommended that the NA should be the current IACCC.

While decision-makers are reviewing the consultants' reports and comments from the public forum event participants, it is likely that the ROP will not be in a position to endorse projects until the end of 2004.

The IACCC received additional funding from the Dutch Government to develop the framework for the future NA. It now appears that the NA will, in fact, be the Department of Environment and Natural Resources (DENR) in cooperation with the IACCC and the Department of Energy (DOE). DENR and DOE, with some technical assistance from Department of Science & Technology (DOST), will act as the technical advisors on each proposal to the NA for CDM endorsement (depending upon the technical discipline requirement). These 3 agencies make up most of the government representatives on the IACCC panel. The DENR Secretary will remain in the post of Chairperson of the IACCC with the DENR as IACCC Secretariat.

DENR, through its Environmental Management Bureau (EMB), is working to advance the final NA implementation by the end of the current year (2004). DENR expects to endorse projects for CDM status by that time.

Climate Change Issues

ADB Climate Change Project (1991)

- ⇒ The ROP conducted vulnerability studies with ADB-approved consultants.
- ⇒ The outcome was a rapid assessment of the country's vulnerable sectors and areas to climate change (agriculture, water resources and coastal areas).

Prior to this study, the ROP received grant funding from the U.S.

U.S. Country Studies Program

- ⇒ U.S. AID initiated the 1990 National Emissions Inventory, the first of its kind in ASEAN area.

Enabling Activity on Climate Change (1998)

- ⇒ Sponsored by the GEF, the project aims to build the capacity of various government agencies to prepare the country's initial national communication to the UNFCCC
- ⇒ Facilitated the preparation of the **1994 GHG Emissions Inventory** and the reporting requirements pursuant to Art. 12 of the Convention
- ⇒ Conducted training courses on GHG inventory

GHG Abatement Awards (1998)

- ⇒ Following up on the initial National Emissions Inventory, the US AID, in conjunction with the international cooperative program of the US-EPA promoted an awards program intended to recognize companies that voluntarily reduce GHG emissions through activities such as energy efficiency; the first award was given last December 1998.

Shortly after the Kyoto Protocol (1998), the UNDP funded a program concerning "*Capacity Development on the Clean Development Mechanism*". One of the consultants for this study was PEI's Alberto Dalusung. This Study provided a brief background information on priorities and opportunities for CDM cooperation in the Philippines and examined the existing policy, program and legal framework and the project development and implementation processes. The potential for CDM highlighted energy efficiency programs, and a methane recovery project developed by PEI affiliate, Philippine Bio-Sciences Co. Inc. (PhilBIO).

Sustainable Development Priorities

In 1989, the ROP established Philippine Agenda 21 (PA21). PA21 crafted the first **Philippine Strategy for Sustainable Development (PSSD)**, which initially identified 10 strategies for sustainable development.

The PSSD was subsequently elaborated into the PA21 after the UNCED – Rio *Earth Summit* in 1992.

The principals articulated in the PA21 included the following:

- ⇒ Primacy of developing full human potential
- ⇒ Holistic science and appropriate technology
- ⇒ Cultural, moral and spiritual sensitivity
- ⇒ Self-determination
- ⇒ National sovereignty
- ⇒ Gender sensitivity
- ⇒ Peace, order and national unity
- ⇒ Social justice, inter- and intra-generational and spatial equity
- ⇒ Participatory democracy
- ⇒ Institutional viability
- ⇒ Viable, sound and broad-based economic development
- ⇒ Sustainable population
- ⇒ Ecological soundness
- ⇒ Bio-geographical equity and community-based resource management
- ⇒ Global cooperation

Climate Change Activities & CDM Initiatives

GHG Mitigation Assessment under the Asia Least Cost Greenhouse Gas Abatement Strategy (ALGAS)

- ⇒ In parallel with other ASEAN nation studies, ALGAS was launched in 1995 with GEF funding. All reporting and analyses was performed by UNDP in association with ADB-approved consultants.
- ⇒ GHG mitigation options in the energy, agriculture and forestry sectors reviewed.

National Action Plan on Climate Change

- ⇒ As mentioned earlier, US-AID aimed a more encompassing program in 1998 for integrating climate change concerns into (a) the government's development plans and programs, (b) develop adaptation response to climate change impacts, (c) design mitigation measures which were "no regrets" in character.
- ⇒ The National Action Plan served as a framework plan for specific guidance on mitigation priorities.

Institutionalization of the GHG Inventory and Public Awareness (2001 – present)

- ⇒ An extension of the Project on Enabling Activity on Climate Change, which intends to maintain and enhance the capacity to prepare the national communication.
- ⇒ This project aims to undertake regular and systematic inventories of national GHG emissions.
- ⇒ This shall be realized through the conduct of several consultative conferences and Trainers' Training.

Promotion of Renewable Energy, Energy Efficiency and GHG Abatement (2002)

- ⇒ Implemented by the Department Of Energy (DOE) with ADB funding.
- ⇒ Intended to develop capabilities for promotion on renewable energy and energy efficiency and GHG abatement projects.

The Strategic Objective Agreement 5 (SOAG) or the Philippine Climate Change Mitigation Program (1998-2001)

- ⇒ Also implemented by the DOE in coordination with the Inter-Agency Committee on Climate Change (IACCC), the focal point agency for Climate Change.
- ⇒ The basic strategy is to slow down the growth of GHG emissions through the expanded use of clean fuels in power generation, and by improving the efficiency of power generation, distribution and use
- ⇒ SOAG established the **Climate Change Information Center (CCIC)**

Focal Point Agency: Inter-Agency Committee on Climate Change (IACCC)

- ⇒ Established 8th May 1991 by Presidential Administrative Order No. 220.
- ⇒ Coordinates the Philippines' climate-change related activities.
- ⇒ Prepares climate change policies and positions at the UNFCCC.
- ⇒ Chair: *Secretary*, Department of Environment and Natural Resources (DENR).
- ⇒ Co-Chair: *Secretary*, Department of Science and Technology (DOST).
- ⇒ Secretariat: Environmental Management Bureau (EMB), DENR.

Members of IACC

Department of Environment and Natural Resources (DENR)
Department of Science and Technology (DOST)
Philippine Atmospheric, Geophysical, Astronomical Services (PAGASA)
Department of Foreign Affairs (DFA)
National Economic Development Authority (NEDA)
Department of Energy (DOE)
Department of Transportation and Communications (DOTC)
Department of Agriculture (DA)
Philippine Network on Climate Change (NGO)

Climate Change Information Center (CCIC)

- ⇒ Assisting Agency to IACCC
- ⇒ Managed by Manila Observatory, Ateneo de Manila University
- ⇒ Formulated Draft Work Plan for the IACCC.

The Draft Work Plan is a consolidation of elements gathered through research, data gathering, interviews, consultations, meetings, seminars and conferences.

National Workshop, December 2002

Participants included:

- ⇒ Private Sector (especially developers & financiers of renewable energy projects) – *majority of workshop participants*
- ⇒ Government officials (especially members of IACCC)
- ⇒ Non-Governmental Organizations
- ⇒ Academe
- ⇒ Auditing firms and ISO certifiers.

Objectives considered at the Workshop

- ⇒ Presented the Draft Work Plan
- ⇒ Discussed the comprehensiveness, suitability and feasibility of the Work Plan
- ⇒ Solicited comments, suggestions and revisions to the Work Plan
- ⇒ Built consensus for endorsement of the Work Plan and potential funding for the Work Plan.

Revised Draft Work Plan

- ⇒ An outgrowth of the Workshop was the Revised Work Plan.
- ⇒ 5 Tasks Stressed in the Revised Work Plan.
 - ⇒ Conduct information & Awareness Raising Campaign.
 - ⇒ Strengthen the capacity of the policy makers
 - ⇒ Established the Internal Framework for CDM
 - Establish the CDM National Authority
 - Develop the capacity for the CDM National Authority.
 - ⇒ Strengthen the capacity of the public and private sector participants in the CDM Process.
 - ⇒ Develop the CDM Project Pipeline.
 - ⇒ Developed a CDM Task Force
 - ⇒ DENR
 - ⇒ DOE

⇒ Development Bank of the Philippines (DBP).

Task: Capacity Development for

Capacity Building for CDM Project Development

Capacity Building for Senior National Policy-Makers

Objective: Sensitize senior level policy makers on the benefits of CDM and generate their support for Philippine CDM Programs.

- ⇒ Developed consensus among senior level government officials to participate in CDM capacity building program, CDM Champions. Currently, there exist a senior-level cross-departmental coordinating body.
- ⇒ Proposed Activities for Executives: Briefings for cabinet-level officials, Executive summaries of CDM benefits, and a workshop on CDM Framework.

Task: Capacity Development for

Capacity Building for Mid-Level Policy-Makers

Objective: Develop the capacity among mid-level policy makers to formulate a regulatory (legal, financial, technical) framework for CDM.

- ⇒ Existence of a cadre of mid-level policy makers and government representatives to support the CDM framework.
- ⇒ Regular briefings on KP and CDM framework have been ongoing for several years at DENR and other departments and agencies.
- ⇒ Commenced in late 2003, with mid-level workshop for DENR policy makers.
- ⇒ Training Materials have been distributed to mid-level officials at DENR, DOST and DOE.

Capacity Building for Private Sector, particularly Project Developers

Objective: Promote the benefits of CDM and generate their support for Philippine CDM Programs from private sector stakeholders, particularly project developers.

- ⇒ Offered through the UN funding by Development Bank of the Philippines (DBP) to strengthen the capabilities of small and medium size enterprises in understanding and developing CDM type projects with emphasis on the sustainable development aims of the ROP. Activities, starting in early 2003, include the following:
 - ⇒Public briefings on CDM Benefits
 - ⇒Seminars/Workshops
 - ⇒CDM Operational Framework
 - ⇒Project Design Document
 - ⇒Baseline Formulation
 - ⇒GHG Accounting

- ⇒Monitoring Plan Formulation
- ⇒CDM Financial Packaging.

Capacity Building: Investment Promotion for CDM Project

Objective: Promote the establishment of a national office to promote investment in CDM type projects.

- ⇒ Establish a National Office of CDM Investment Promotion Office
- ⇒ Serve as a linking agency among private developers, public officials and other stakeholders, particularly prominent community-based NGOs.
- ⇒ The CDM Promotion Office would provide promotion for the projects, facilitation with feasibility studies and promotion of CDM investment missions.

Capacity Building for NGOs, Local Communities, Academe & Research Institutes

Objective: Promote capacity building for these diverse, mostly community-based groups in identifying, formulating, developing and executing CDM Projects,

- ⇒ Roundtable discussion on CDM, sponsored by the Philippine Network on Climate Change & WWF-Philippines, 17th September 2002
- ⇒ Consultations on Entities, which can validate, monitor, and certify CDM projects, sponsored by CCIC, 12th November 2002.

Capacity Building for a CDM National Authority

Objective: Support the establishment of a national and institutional framework to assess and validate CDM projects; that also facilitates monitoring, verification and certification of emission reductions.

- ⇒Specific project on developing the institutional, operational and regulatory framework for CDM including:
 - Establishment of the CDM National Authority
 - Project conducted by the Inter-Agency Committee on Climate Change
 - Project sponsored by the UNDP and funded by the Dutch Government.
- ⇒ Assist NA to define regulatory, legal, technical and financial guidelines for CDM projects.
- ⇒ Assist NA to set clearly defined national, sectoral, project baseline parameters for CDM projects.
- ⇒ Training Workshops for NA staff for validation, monitoring, verification and certification of emission reductions.

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⇒ These activities have been ongoing from 2002 through 2003. New funding is required to ensure the continuation of additional capacity building for 2004.

Capacity Building for Project Financiers

Objective: Strengthen the capabilities of the financial sector to identify and provide financing for CDM projects.

- ⇒ Promotion of Seminars on CDM opportunities for the financial sector
- ⇒ Forums on the range of funding sources for CDM projects
- ⇒ Forums on the range of financial schemes and packages for CDM projects.
- ⇒ Seminars on CDM for DBP mid-level officials from head office, regional offices and branches; October 2002 through present.

Development of a CDM Project Pipeline

Objective: Create a pipeline of CDM-eligible projects that are attractive to potential CDM investors and that are approved by the CDM National Authority.

- ⇒ During last half of 2003, several project information notes have been accepted by the IACCC for evaluation (as the current proxy for a future NA).
- ⇒ The immediate steps are to promote projects that meet certain criteria to be representative of the types of projects that the NA will endorse in the near future. To achieve near term goals, the following services are being promoted:
 - Technical assistance to identify and develop CDM projects
 - Assistance to identify and source funding for CDM projects
 - Published national portfolios of validated CDM eligible projects.

End Report
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