

Asia-Pacific Partnership on Clean Development and Climate (AP6)

Collaboration the key to success

Briefing Note - May 2006

- *The most significant potential benefits of the AP6 relate to the Partnership's propensity for collaboration.*
- *Dissemination of knowledge under the AP6 could assist a number of countries in implementing comprehensive emissions monitoring and reporting systems.*
- *Information exchange under the AP6 may assist in the identification of new CDM projects and promote investment in projects.*
- *A number of potential obstacles and perverse outcomes could affect the ultimate success of the AP6.*

The Asia-Pacific Partnership on Clean Development and Climate (AP6), formed in July 2005, has been the subject of considerable criticism from numerous groups, and concern has been raised by many that it may replace the Kyoto Protocol. AP6 supporters have been equally vocal in their insistence that the Partnership is intended to 'complement', not replace, the Protocol, and that the Partnership offers many advantages absent from the Kyoto framework.

Numerous factors will determine the success of the Partnership in achieving its objectives; regardless, the AP6 presents the opportunity to establish an unprecedented level of collaboration among the most greenhouse-significant countries of the world. The benefits of this level of collaboration could be substantial for all parties involved.

AP6 Basics

- US, Australia, Japan, India, China and South Korea are members
- Represents 48% of world energy consumption and 48% of global greenhouse gas emissions
- No targets or timeframes
- Focus on technology development and deployment to achieve emissions cuts on a long-term basis
- Inaugural meeting held in Sydney, Australia in January 2006
- Assigned industry/ government taskforces must establish plans specifying immediate and medium-term actions to address climate change
- Taskforces met in Berkeley, California in April 2006

Benefits of collaboration

The main objectives of the AP6 are closely associated with technology development and deployment and while success in these areas will depend significantly on funding and favourable domestic policy environments, the effectiveness and efficiency of the individual public-private sector taskforces, especially in encouraging information exchange and collaboration, will ultimately determine whether significant progress is achieved under the auspices of the AP6.

Effective collaboration among the taskforces also has the potential to transfer knowledge on improving energy efficiency and cutting greenhouse gas emissions, as well as improve and introduce uniformity to measuring and reporting of greenhouse gases across industries and countries. In addition, effective collaboration among industrialised and

industrialising member countries could complement significant CDM opportunities in AP6 member countries.

Measuring and reporting

One of the greatest potential areas for improvement through collaboration under the auspices of the AP6 is monitoring and reporting of greenhouse gas emissions, particularly in India, China and South Korea.

These countries are rapidly industrialising and this is reflected in their growing greenhouse gas emissions. Adequate frameworks for quantifying greenhouse gas emissions are yet to be implemented by these significant emitters and comprehensive, accurate and uniform measuring and reporting methodologies are necessary to track energy use and greenhouse gas emissions.

This bottom-up approach to climate change action may also provide the opportunity and means for economic growth through industry rationalisation in many instances. Accurate and methodical monitoring and reporting of energy use and greenhouse gas emissions may highlight the inefficient nature of numerous facilities, particularly in China and India. This could facilitate closure of inefficient plant and result in overall improvements in energy efficiency and greenhouse performance across entire industries.

Opportunity: the Chinese cement industry

Currently, there are 12,000 cement plants in China, and the Government intends to close around 4,000 of them by the end of 2006.

Accurate and systematic monitoring and reporting frameworks would allow this process to be undertaken in a manner that is conducive to economic development, along with improvements to energy efficiency and greenhouse performance.

CDM opportunities

The AP6 brings together several significant potential CDM host countries and some major prospective partner countries; India, China and South Korea possess significant CDM potential; Japan intends to purchase substantial quantities of CERs to meet its onerous Kyoto target; the US is the largest absolute emitter of greenhouse gases in the world; and Australia has one of the highest per capita emissions levels. In addition, corporate and government awareness of climate change issues is growing in each of these industrialised nations.

Identifying potential project opportunities can prove a significant barrier to investment in the CDM, thus collaboration under the AP6 could help to bridge communication gaps that will assist in identifying and promoting investment in CDM projects. Equally, expectations of a considerable increase in interest in the CDM market during the first commitment period of the Kyoto Protocol could provide added incentive for collaboration on CDM projects under the AP6.

Caveats

While the AP6 clearly offers potential for productive collaboration on climate change issues, a number of obstacles and perverse outcomes could eventuate.

Firstly, assisting competitor countries and industries in improving greenhouse and energy efficiency practices may be perceived by some as a poor business move. Assisting competitors in these areas could effectively cut competitors' costs, and thus would be counterproductive to maintaining the assisting country's competitive position.

The AP6 could also complicate post-2012 climate policy negotiations. While intended to 'complement' the Kyoto Protocol, the AP6 adopts a very different approach to Kyoto. Both have their supporters and harmonising the two approaches could prove challenging, which could impede progress on developing long-term objectives for addressing climate change on a global scale.

E3 International was founded in response to the emergence of sustainability as a mainstream issue for business and a shift in the nature of environmental regulation – from traditional command and control measures to more subtle, more complex and more sophisticated approaches, often characterised by market based instruments and mechanisms.

Over the years it has grown into a niche advisory, solutions and services group working with major corporations in Australasia and Europe to support their responses to these developments – in particular to manage risks and capture opportunities.

E3 has a presence in Australia and Europe, with professional staff located in Brisbane, Sydney, France and UK.

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In addition, interest expressed in the AP6 by some major Kyoto signatories (such as Canada and the UK) has been regarded by some as an attempt to divert attention from Kyoto's more stringent 'targets and timetables' approach, while retaining the impression of active involvement in addressing climate change on a global level.

The Partnership remains very much in its early stages and it is too soon to pass judgment on where it might lead to. It also arguably cannot be viewed as a panacea for the world's greenhouse woes, which will require a multi-dimensional approach incorporating policy measures, market mechanisms and technology development. Importantly, however, the AP6 does provide a platform for collaboration between a unique combination of countries that will significantly influence the future direction of global climate change policy and indeed the future impacts of climate change itself.