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Environment, Nature Conservation
and Nuclear Safety



THE INTERNATIONAL **CLIMATE** INITIATIVE

of the Federal Republic of Germany

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FOREWORD BY THE FEDERAL MINISTER

Climate change is no longer a distant possibility, as global temperatures rise and extreme weather events mount. The impacts include drought, coastal inundation and loss of biological diversity. Addressing climate change is a shared responsibility of the international community. However, developing countries and countries in transition are particularly vulnerable. To buffer the unfolding effects of climate change, concerted international efforts are essential to curb emissions and preserve globally significant stocks and sinks of carbon. Mitigation and adaptation are complementary approaches to this end.

The German government's Climate Initiative, launched in 2008, is a practical example of how to provide financing. Auctioning certified emission reductions to German industry generates new and additional funding that is reinvested in ambitious national and international climate protection projects. For the Initiative's international component, up to EUR 120 million is to be deployed in 2009 for additional climate protection measures in newly industrialising and developing countries, as well as in the transition countries. The projects supplement Germany's existing bilateral development cooperation, which already makes climate protection a priority area with annual funding of approximately EUR 1 billion. The International Climate Initiative supports partner countries in line with their specific needs relating to all aspects of climate change – notably efforts to reduce emissions, improve capacity to adapt to the impacts of climate change, and conserve climate-relevant biodiversity.

In 2007 the international Climate Conference adopted the Bali Road Map, geared towards drafting a successor to the Kyoto Protocol's first commitment period post 2012. It outlines key approaches, including (i) emission reductions, (ii) climate change adaptation, (iii) financing mechanisms, and (iv) technology transfer for the benefit of developing countries and countries in transition. A new post-2012 agreement is expected to emerge from the Climate Conference in Copenhagen in December 2009. The availability of predictable and adequate additional finance will be pivotal to success in Copenhagen. The European Commission estimates that the total net incremental cost of mitigation and adaptation in developing countries could amount to EUR 100 billion annually by 2020. Vast as such sums may appear, the likely cost of inaction is far greater.

Industrialised countries have a responsibility to assist transition countries and emerging economies in slowing their rapid greenhouse gas emissions growth. The International Climate Initiative underlines Germany's commitment to contribute to the emerging post-2012 international agreement.

A handwritten signature in blue ink, reading "Norbert Röttgen". The signature is written in a cursive style.

Norbert Röttgen

**Federal Minister for the Environment,
Nature Conservation and Nuclear Safety**

THE GERMAN FEDERAL GOVERNMENT'S CLIMATE INITIATIVE

In December 2007 the German cabinet adopted the Integrated Energy and Climate Programme of the Federal Government (*Integriertes Energie- und Klimaschutzprogramm der Bundesregierung IEKP*). Within the context of this programme, the revenue from auctioning tradable emission certificates is incorporated into the budget of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), from where it is disbursed to finance climate protection measures. This scheme generated EUR 400 million for the Climate Initiative in 2008, and as much as EUR 460 million in 2009.

In 2008, EUR 280 million in total were invested within the national component of the Climate Initiative to cost-effectively tap available emissions reduction potential and advance innovative projects showcasing best practice in climate protection. Activities receiving support include, for example, climate protection projects in social and cultural institutions, the installation of micro-cogeneration units in private households and commercial facilities, the use of biomass for energy, and the deployment of renewable heat sources.

International component of the Climate Initiative

Since 2008, an annual volume of EUR 120 million has been available for the international component of the Initiative – the International Climate Initiative (ICI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety uses these resources to promote climate protection projects in developing countries, emerging economies and countries in the process of transition to a market economy, thereby complementing the existing international, multilateral and bilateral cooperation activities of the federal government. Projects assist partner countries in relation to climate change, meshing closely with the specific national strategies. ICI grants are eligible as Official Development Assistance (ODA).

Projects are carried out by a diverse array of institutions. Many are performed by the implementing organisations of the federal government, non-governmental organisations, universities and research institutions, international bodies and programmes, and the private sector.



Regional focus

The International Climate Initiative focuses its activities both regionally and thematically in order to heighten its impact, showcase its outcomes to the public and complement the efforts of other players in the field.

The International Climate Initiative concentrates regionally on major emerging economies. These countries have great abatement potential in view of their significant and particularly sharply rising greenhouse gas emissions, and they act as a model for their respective region. In addition, particularly innovative projects are supported in further countries and regions. Adaptation projects are funded primarily in regions which are particularly vulnerable to climate change; projects concerned with valuable carbon sinks in high biodiversity regions also receive support.

Thematic focus

The International Climate Initiative supports projects in the following areas:

I Emissions reduction

- Promotion of energy efficiency and renewable energies
- Substitution of refrigerants that also contribute to global warming
- Reduction of emissions in the transport sector
- Formulation and implementation of national and local emissions reduction strategies
- Testing innovative project-based mechanisms (CDM/JI) as well as local carbon markets and emissions trading systems

II Adaptation to climate change

- Implementation of selected components of national and regional programmes for adaptation to climate change

III Conservation of climate-relevant biodiversity

- Sustainable use, conservation and restoration of globally significant carbon sinks, habitats and climate-relevant biodiversity
- Fostering synergies between climate protection and biodiversity conservation.



I EMISSIONS REDUCTION

Funding provided by the Climate Initiative in the field of emissions reduction enables the transition towards a low-carbon economy. Assistance goes to measures that facilitate access to technologies and know-how, improve policy settings in partner countries and implement renewable energy and energy efficiency activities on the ground. In pursuit of the goals of a low-carbon economy and sustainable energy supply, the International Climate Initiative concentrates above all on the following:

a) Improving energy efficiency

In developing, emerging and transition countries, potential energy savings amount to 30 – 90% of present energy consumption. Improving energy efficiency in commerce and industry, in the transport sector, in private households and in public facilities is therefore a priority for the Initiative. Such measures can cut greenhouse gas emissions, reduce local air pollution, improve people's quality of life and strengthen national economies. The keys to improving energy efficiency are providing knowledge for policy-makers and market players such as small and medium-sized enterprises (SMEs), and triggering investment, for instance in buildings.

b) Developing renewable energies

Many of the less developed countries have great potential to utilise renewable energies, but tap only a small part of that potential. The Initiative supports pilot projects that hold particular promise for the development of low-carbon, decentrally organised energy supply systems. In addition, consultancy is provided on how to develop an enabling setting, and support is given for conducting studies of renewable energy potential and drafting energy action plans.

c) Reducing F-gases (fluorocarbons) which have a harmful impact on climate

Due to increasing use of refrigeration and air-conditioning technology F-gas emissions are on the rise. The International Climate Initiative therefore also promotes showcase projects for converting such systems to natural refrigerants.



Project I/1

TREE - Transfer Renewable Energy and Efficiency

Transferring renewable energy and energy efficiency know-how for decision-makers and engineers in developing and emerging countries

Implementation: Renewables Academy (RENAC) AG

Context: There is often a lack of knowledge at various levels about what constitutes an enabling policy setting for formulating and implementing sustainable energy supply. In the private sector, there is a lack of awareness about opportunities and areas of application for climate-smart technologies and services.

Approach: The aim of the project is to effect a transfer of knowledge, in response to specific needs, on the issues of renewable energies (RE) and energy efficiency (EE) for decision-makers and engineers in developing countries and emerging economies. This builds a robust foundation for CO₂ emissions abatement in partner countries. In addition to running courses, project activities include setting up a training centre and a virtual learning platform. The training and advice on offer is intended as a means of supporting both policy and private sector decision-makers in the practical implementation of measures to support climate-friendly patterns of production and consumption. The focus is on being better able to identify potential for RE and EE, developing political and economic strategies for deploying RE and EE, and contributing to their increased implementation. Experiences gathered in Germany with regard to the conditions and incentive systems needed to develop RE and EE markets feed into this process. Knowledge is also conveyed regarding key non-technological issues such as profitability, financing, legal requirements, market launch strategies and incentive systems.





Project 1/2

Switching from halogenated to natural refrigerants in supermarkets - South Africa

Implementation: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

Context: Emissions caused by unavoidable leaks from conventional refrigeration systems not only contribute to depleting the stratospheric ozone layer but also, due to their extremely high global warming potential, play a major role in warming the Earth's atmosphere. While natural refrigerants are available as a substitute, they are still viewed with some scepticism. So far no company in South Africa has risen to the challenge of implementing sustainable refrigeration technology.

Approach: Opportunities for eliminating the use of halogenated refrigerants (CFCs, HCFCs, HFCs) harmful to the climate are to be demonstrated using the example of a supermarket chain in South Africa. Facilities with natural refrigerants (hydrocarbons, ammonia, CO₂) are to be brought into use, which operate without fluorinated refrigerants harmful to the ozone layer and to the climate. Replacing

thoroughly inefficient air-conditioning systems with modern, electricity-saving systems also makes a tangible contribution towards improving the strained electricity supply situation in the country. The aim of the project is, on the one hand, to demonstrate the technical feasibility and superiority of such systems and, on the other, to develop an attractive model for investment. One possibility for this may be the development of a new CDM methodology which, in addition to saving energy, also generates Certified Emission Reductions (CERs) for the saved emissions of fluorinated refrigerants regulated under the Kyoto Protocol (HFC-404a and HFC-134a). The additional income from CERs can considerably speed up the modernisation of commercial refrigeration plants. Insights gained from an evaluation of the project will be applied to transferring the environmentally-friendly refrigeration technology to other supermarkets in South Africa as well as to other African countries.



Project 1/3

Energy efficiency and renewable energy - China

Implementation: KfW Entwicklungsbank

Context: Climate protection in China is a key element of the global struggle against climate change. China has enormous potential to boost energy efficiency and increase the contribution of renewables. 'Green Financing' programmes implemented by the banking sector can contribute significantly to this effort. Such programmes are hardly known or implemented in China so far.

Approach: The Export-Import Bank of China (EximBank), one of the major state-owned policy banks in China, is supported by a tailor-made credit line to introduce specific lending products for energy efficiency investments in industrial enterprises and for renewable energy investments. This is combined with comprehensive training measures for bank staff to support the introduction of the new product and to build Green Financing capacity in the bank. There is also an intensive exchange about the experience with Green Financing programmes implemented by KfW Entwicklungsbank in Ger-

many and the possibility of transferring them to China. EximBank has approved the first loans within the renewable energy component of the programme.

These are provided for electricity generation from biomass, applying an innovative technology adapted to locally available biomass (e.g. rice husks and straw). Examples of eligible energy efficiency investments include the replacement of inefficient industrial boilers and the utilisation of residual heat and pressure.

The programme successfully mobilises EximBank's own resources for climate protection. In fact, the funding provided under the International Climate Initiative is leveraged twice, once by KfW Entwicklungsbank and once by the Chinese EximBank. Thus, on average, significantly more than 50 times the volume of the initial public funding will be invested in energy efficiency and renewable energy sources.



II ADAPTATION TO CLIMATE CHANGE

The 4th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) published in 2007 made it clear that adaptation to climate change is essential for preventing or at least reducing threats to humans and the environment. The United Nations Climate Conference held on Bali in December of the same year underscored the fact that increasing weather extremes and ever more frequent environmental disasters present special threats to the developing countries.

It is precisely these countries – whose material adaptive capacity is in most cases small – which are already the most severely affected by instability and climate change impacts. The latest World Development Report published by the World Bank ('Development and Climate Change 2010') confirms that it is the poorest people in the world who endure the worst consequences and bear the greatest costs of climate change. Intensified adaptation measures are thus a part of the Bali Action Plan.

The International Climate Initiative is pursuing the following goals in the field of adaptation:

- Developing institutional capacity as well as implementing sub-components of suitable national and regional adaptation programmes
- Developing and testing climate insurance instruments
- Ensuring the conservation, restoration and sustainable use of habitats of particular importance to adaptation (e.g. climate protection function of mangroves)
- Implementing integrated project approaches, including water resources management, optimised land use and sustainable biomass production, and preventive healthcare.



Project II/1

Meeting the challenges of climate change – Micronesia

Implementation: The Nature Conservancy and the Micronesia Conservation Trust Fund

Context: Small island states are particularly affected by the impacts of climate change. These islands are at risk due to global sea-level rise, the destruction of coasts and near-coastal areas, freshwater scarcity on the islands, and the spread of alien species driven by rising temperatures. In response, the heads of state of the Republic of the Marshall Islands, the Republic of Palau and the Federated States of Micronesia and the heads of the Micronesian territories of the United States (Guam and the Commonwealth of the Northern Mariana Islands) have signed the ‘Micronesia Challenge’. The ‘challenge’ is to effectively conserve at least 30% of the inshore marine areas and 20% of the soil and land resources by the year 2020.

Approach: Co-financed by the International Climate Initiative of the BMU, the project makes it possible to implement sub-components of the ‘Micronesia Challenge’ in designated protected areas in the above three Micronesian states. This is done by, among other things, bringing together the competent authorities and stakeholders and establishing an ecological network.

Within the context of the project, agreements have been concluded with local stakeholders on the conservation of their habitats, and diverse target areas identified. These include the Yela bog woodland site in the Federated States of Micronesia, which is endangered by the retreating coastline and intensifying land use. Further protected areas are the Northern Reefs of the Republic of Palau, which are particularly affected by coral bleaching and the ensuing dieback. The Woja community living on the Majuro Atoll (Marshall Islands) will suffer freshwater scarcity in future because of inadequate water resources management.

Activities conducted within the ‘Micronesia Challenge’ not only help local people to carry out specific projects, but also foster socio-ecological sustainability across the entire region.



Project II/2

Insurance instruments for adaptation to climate change - China

Implementation: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

Context: Across China, on average more than 20% of the entire agriculturally utilised area is affected by severe storms, which results in serious harvest losses. Other sectors of the economy are also at risk from mounting storm damage caused by climate change. In this situation, developing and introducing insurance against the financial risks of extreme weather situations is gaining importance. The Chinese insurance sector does not, however, have the know-how needed to develop modern weather insurance policies.

Approach: The purpose of the project is to demonstrate the development and introduction of sustainable weather insurance instruments in two pilot regions. This is being done in close cooperation with the future clients, with the Chinese insurance sector

regulator, the Chinese weather service and Chinese and internationally operating insurance companies. Although interest is great worldwide, little experience is as yet available with weather insurance in newly industrialising and developing countries.

Successful pilot schemes are currently operating in Mexico, India, Malawi and Mongolia. Every further pilot project thus contributes to an improved understanding of the complex issues surrounding this instrument. The project further contributes to the professionalisation of the Chinese insurance sector and supports under-developed rural areas.



III CONSERVATION OF CLIMATE-RELEVANT BIODIVERSITY

The conservation and sustainable use of ecosystems, specifically in their function as carbon reservoirs and sinks, is a further priority of the International Climate Initiative. The 9th meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD) held in May 2008 launched ‘Life-Web’, an initiative designed to establish a global network of protected areas and thus of habitats. Climate-related projects serving biodiversity conservation also receive support from the ICI.

As noted by the 2006 Stern Review, reducing global deforestation and forest degradation is a cost-effective way to reduce CO₂ emissions. The International Climate Initiative thus provides particular support for projects that harness synergies between the conservation of forests and other habitats, biodiversity, ecosystem services, climate change mitigation and adaptation.

The International Climate Initiative is pursuing the following goals with regard to the conservation of climate-relevant biodiversity:

- Ensuring the conservation, restoration and sustainable use of ecosystems that are globally significant carbon sinks; thus also
- Contributing to the CBD’s global ‘LifeWeb’ Initiative for protected areas
- Supporting the REDD Readiness process (Reducing Emissions from Deforestation and Forest Degradation) initialized at the 2005 Climate Conference in Montreal
- Helping developing countries to build capacity and develop methodologies in the field of REDD (e.g. for greenhouse gas monitoring).



Project III/1

Atlantic Forest Conservation Fund – Brazil

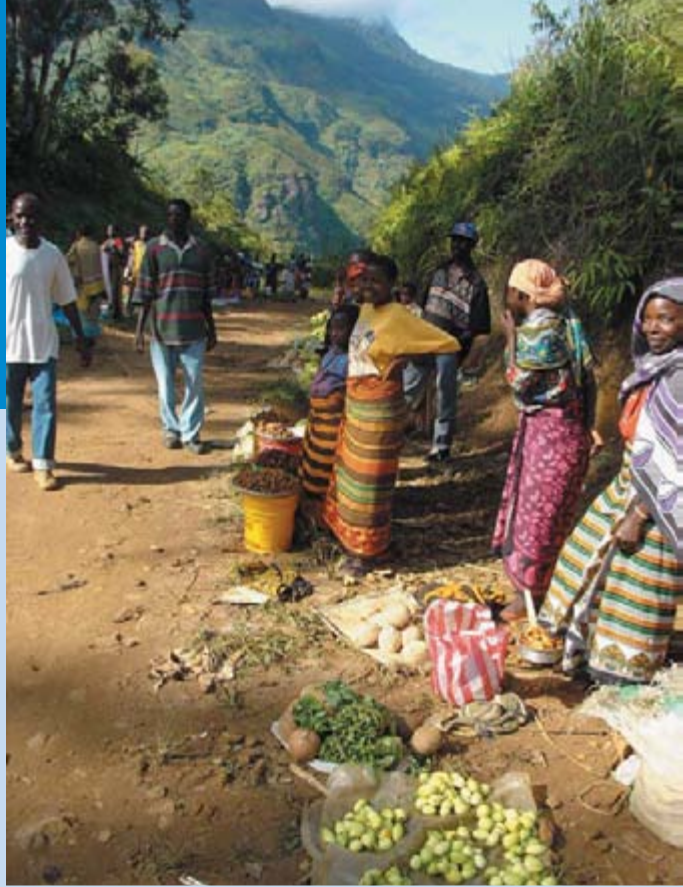
Implementation: KfW Entwicklungsbank

Context: The Atlantic Forest once covered almost the entire Brazilian east coast. In the course of the colonisation and economic development of what is now Brazil's most populated and industrialised region, huge tracts of the forest were felled. The remaining forests are a major carbon sink. They make up only 27% of the original forested area and are still exposed to further deforestation, degradation and fragmentation. This is jeopardising an important carbon sink of global significance and the freshwater supply of millions of Brazilians. Due to its great number of endemic species and the severe pressure it is under, the Atlantic Forest is considered one of the world's most important biodiversity hotspots.

Approach: With funding from the International Climate Initiative, the Brazilian biodiversity foundation Funbio set up the Atlantic Forest Conservation Fund (AFCoF) in 2008. The objective of the fund is to promote conservation, sustainable use and resto-

ration in the Atlantic Forest regions. To achieve its objectives, the fund supports the expansion and consolidation of the protected areas system, the adoption of sustainable agricultural practices, the implementation of reforestation projects and the development of systems of payments for environmental services. Applicants include public authorities at federal and state level as well as several non-governmental organisations.

The project builds on the long-standing and successful activities of German development cooperation for the conservation of the Atlantic Forest. It is closely linked to recent public policies of the Brazilian federal government, which aim to preserve the remaining forests and to significantly increase forest cover. Furthermore, the project supports Brazilian efforts to meet the country's international obligations within the context of the Convention on Biological Diversity.



Project III/2

Conserving mountain forests - Tanzania

Implementation: United Nations Development Programme, UNDP

Context: The Eastern Arc Mountains, a chain of mountains in Kenya and Tanzania, are an important carbon sink. Due to the great diversity of flora and fauna they host, the mountains are also recognised as a global biodiversity hotspot. Yet biodiversity in the region is endangered by agriculture, stubble-burning, fires, logging and over-harvesting. The Tanzanian government has already taken action to conserve the unique biodiversity of the region. A network of protected areas covering almost 30% of the land has been set up and further sites have been added. However, additional support is needed to fully implement the conservation measures.

Approach: The project aims to strengthen the capacity of the forest conservation unit set up by the Tanzanian authorities. Training provided to forest rangers on practical aspects of forest management under climate change is a part of these activities.

The project also involves providing logistical equipment for the units responsible for the nature reserves as well as renovating buildings and erecting new ones. Within the nature reserves, methods of appropriate cultivation are being introduced that give the people sustainable management alternatives and promote carbon storage.

Carbon measurement plots are being set up to improve the monitoring of carbon sinks. By engaging in new forms of management, the communities living in the surroundings of the nature reserves can reduce their dependence on forest resources. The project thus contributes both to helping people adapt to climate change and to maintaining carbon sinks and their biodiversity.

INSTITUTIONS AND PROCEDURES

Projects receiving funding from the International Climate Initiative are integrated within the climate strategy of the respective partner country. Projects are executed by competent partners on site. Project proposals can be submitted by implementing organisations of German development cooperation, and by non-governmental and governmental organisations, universities and research institutes, private-sector companies and multilateral development organisations.

International Advisory Group

The Initiative's international Advisory Group brings together experts from international financial institutions, academia, civil society and the private sector. Meeting once a year, the Group advises the ICI on the identification of project types, activity areas and ways to harness potential for cooperation and synergy. In addition, the panel debates the further evolution of the Initiative and discusses best practice, feeding this back to further important players and multipliers in the climate policy arena. The international membership of this body reflects the complex range of interests that exists at international level and enables multiple, cross-sector perspectives to emerge for the innovative financing of future climate protection measures.

Results monitoring and evaluation

Regular reviews of the effectiveness of the measures promoted constitute an important part of the International Climate Initiative. Efficient project monitoring, together with systematic evaluation when each project concludes, generates knowledge helpful for the further development of the Initiative.

Greenhouse gas monitoring, a specific form of results monitoring, checks the mitigation impact of every project in both qualitative and quantitative terms. This has the further effect of building monitoring capacity – a valuable resource for greenhouse gas abatement and broader sustainable development.



Information on project funding

Projects funded by the International Climate Initiative are selected in a two-stage procedure. In the first stage, project outlines submitted by applicants are appraised. In the second stage, applicants who have submitted promising project outlines are requested to submit a formal application for funding. The funding decision is taken on the basis of the final assessment of that application by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

Details on the application procedure are available here:

http://www.bmu-klimaschutzinitiative.de/en/home_i.

This website also publishes profiles of projects which have already received funding, as well as information on the ongoing development of the International Climate Initiative.

For all further queries, please contact:

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ABBREVIATIONS

AFCoF	Atlantic Forest Conservation Fund
BMU	Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety)
CBD	Convention on Biological Diversity
CER	Certified Emission Reductions
CDM	Clean Development Mechanism
CFCs	chlorofluorocarbons
EE	energy efficiency
F-gases	fluorocarbons
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (German Technical Cooperation)
HCFCs	hydrochlorofluorocarbons
HFCs	hydrofluorocarbons
IEKP	Integriertes Energie- und Klimaschutzprogramm der Bundesregierung (Integrated Energy and Climate Programme of the Federal Government)
ODA	official development assistance
IPCC	Intergovernmental Panel on Climate Change
Ji	Joint Implementation
RE	renewable energies
REDD	Reducing Emissions from Deforestation and Forest Degradation
SME	small and medium enterprises
UNDP	United Nations Development Programme

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