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**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?
IMPLICATIONS FOR STRATEGY- MAKERS**

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**Exporting Environmental Services –
Ecuador and the Carbon Market**

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EXPORTING ENVIRONMENTAL SERVICES - ECUADOR AND THE CARBON MARKET

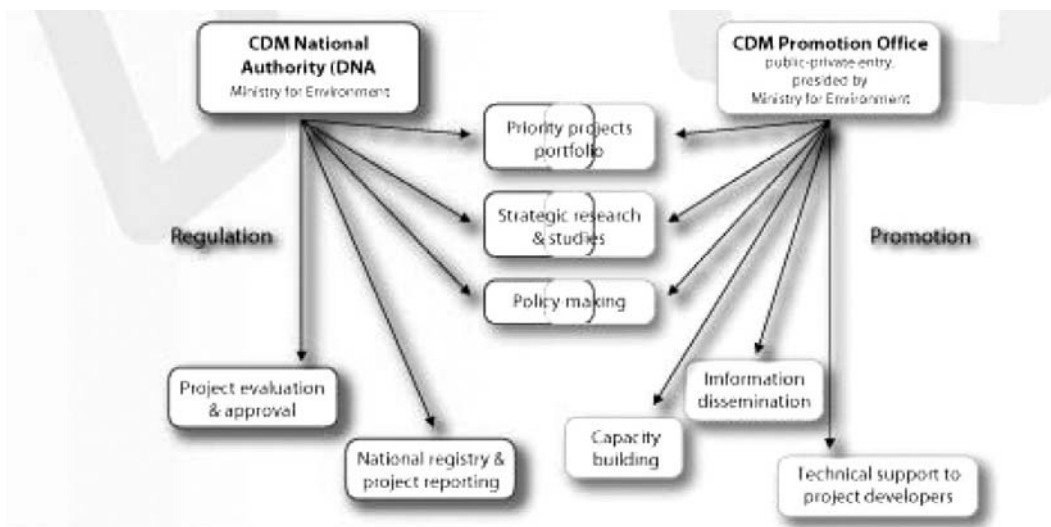
Nowadays, Ecuador is working hard to become a reliable country to offer environmental services and to be able to export those services, to take advantage of the new and constantly growing carbon market.

Unambiguous Political Commitment

- Ecuador ratified the UN Framework Convention on Climate Change in November 1994 and ratified the Kyoto Protocol in December 1999.
- The National Climate Change Committee (NCCC) timely agreed in 2001 on the policy and institutional framework for enabling and supporting the participation of national stakeholders in the international carbon market. The NCCC is Ecuador's highest-level multisectoral platform in charge of outlining national policies & measures for addressing climate change adaptation & mitigation.
- The National Sustainable Development Council (NSDC) encourages effective mainstreaming of carbon policy into sector and local development policies & strategies. Hence the use of carbon trading mechanism has been officially labeled by the NSDC as a priority instrument that assist economic resources mobilization for sustainable development targets.
- Ecuador has adopted Memoranda of Understanding on CDM collaboration with Canada and the Netherlands and is discussing similar framework agreements with other Annex 1 Parties, this acknowledging the key role of bilateral cooperation for promotion of carbon offset project.
- Along this line, Ecuador also joined the World Bank/Carbon Funds' Host Country Committee and, through the national CDM entities, collaborates with every multilateral carbon fund engaged in Ecuador.

Installed Institutional Capacity

- The National Climate Change Committee (NCCC) has set clear-cut distinctive institutional arrangements for the CDM. Regulation and promotion functions have been separated, so as to enhance the heterogeneous range of capacities and skills that are required for tackling carbon trading challenges and to prevent potential conflicts of interest along the project development and registration stages.
- The Designated CDM National Authority (DNA), embedded in the Ministry for Environment, timely adopted its CDM project approval system. While ensuring transparency and efficiency of the project evaluation cycle at the national level, the DNA furthermore provides procedures and requirements that are consistent with the evolving international CDM rules and modalities.
- In addition, a public-private CDM Promotion Office (CORDELIM) was established with the core mission of disseminating information, building local capacity and, at the request of project developers, providing support along the CDM project cycle.
- Both DNA and CDM Promotion Office have been engaged in institutional and technical capacities development programmes, supported by UNEP/RIS0's CD-4-CDM Global Project and CAF's Latin American Carbon Fund.



The Ecuadorian DNA

Ecuador's designated CDM National authority (DNA) is the Ministry of Environment. Authorized representative of the DNA is the Minister of Environment, while the technical DNA coordination has been assigned to the Ministry's Climate Change Unit.

Main objective of the DNA is to implement and manage a streamlined regulatory frame in line with both, rules and procedure governing the CDM under the Kyoto regime as well as national development policies, objectives and priorities. Basic functions of the DNA are:

- Evaluation and National approval of carbon offset project activities for the purpose of validation and registration under the CDM, including issuance of authorization for participation in the CDM.
- Follow up on approved and registered CDM project activities, including reporting system on project performance information in regards to CERs production and sustainable development impacts.

The DNA has adopted efficient procedures for managing projects participant's requests for National Approval Letters and, if required at early project design stages, Endorsement Letters.

The Ecuadorian CDM Promotion Office – CORDELIM

The National CDM Promotion Office, CORDELIM, is a public - private entity established per ministerial decree of the Ministry of Environment. Its Board of Directors comprises the Ministry of Environment of Energy and Mines, private sector associations and the Ecuadorian environmental NGOs network.

CORDELIM's mission is to promote and facilitate access of national stakeholders to the CDM and another innovative carbon trading instruments, encouraging the ultimate goal of attaining carbon offset projects that both mitigate global warming and contribute to national sustainable development.

Task of CORDELIM are both sector-specific and cross-cutting. They encompass:

- Disseminating information and knowledge related to carbon certification and trading.

- Fostering local capacity development so as to expand availability of carbon management skills and expertise.
- Facilitating information and advice on methodological issues derived from rules governing the CDM.
- Providing tutorials and technical assistance to project developers and participants, particularly alongside early stage of CDM project identification and development.
- Promoting a pipeline of feasible carbon offset projects.
- Stimulating policy making with relevant decision – makers, in order to eliminate barriers and shape an enabling environment for CDM implementation

CORDELIM's Role: Serving as a Local Platform for CDM Market Development in Ecuador

CORDELIM has shown to be a key partner for both national and international agents engaged in developing CDM projects in Ecuador:

- CAF's Latin American Carbon Fund and UNEP/RISO's CD-4-CDM Global Project have granted assistance for institutional and technical capacities development programs.
- CORDELIM has worked in partnership with a broad range of multilateral organizations, bilateral cooperation agencies, and other carbon market players. It joined forces for implementation of specific CDM related activities: training & promotion events, analytical & methodological assessments and in particular, project incubation & development.
- Last but not least, it has teamed up with other Andean CDM Offices in strategic promotion initiatives, paving the way for a broad participation of the region in global emissions trading.

Carbon Offset Project Opportunities in Ecuador

Clean energy systems

Ecuador's energy matrix is quite clean due to a significant share of hydroenergy. But the recent growing demand has been covered with an increased participation of fossil fuel fired plants in the national electric grid. Here the CDM has already shown to be a key element for reverting current tendencies and taking advantage of exceptional renewable energy sources and natural gas reserves.

Offset options in Ecuador include:

- Renewable energy, in particular run-of-river hydro and wind energy
- Biomass: rice husk, sugar cane & palm oil residues
- Fuel/switch in diesel/fuel oil fired plants

Clean industrial processes

Energy and waste rationalization measures are crucial for increasing productivity and competitiveness of key Ecuadorian economic branches, while at the same time improving environmental management and contribution to local socio-economic development. Such measures are striking CDM eligible options, which provide for carbon compensation prospects to be further fostered.

Offset options in Ecuador include:

- Oil production: gas flaring reduction & associated gas utilization
- Agroindustry: Co-generation & methane avoidance in residues disposals
- Animal waste management: biogas recovery for energy uses

Clean urban development

Local governments and communities in Ecuador face urban development challenge due to steady population growth and raising consumption and production patterns. Solutions for solid waste management, wastewater treatment and public transportation are pending priorities taken up by many Municipalities. Incorporation of carbon finance incentives via CDM constitutes an opportunity for overcoming financial limitations and pursuing a climate-friendly alternative that improves both local and global environment.

Offset options in Ecuador include:

- Landfill gas recover
- Biogas extraction in wastewater treatment system
- Fuel and technology switch in public transportation system

Sustainable forestry development

Ecuador has an enormous potential for forestry activities due to its diverse ecosystem, from rainforest to high mountains and interandean valleys to coastlands. It offers outstanding conditions for carbon sequestration projects. Moreover, afforestation/reforestation projects designed in accordance with CDM rules have positive environment effects, while they involve significant social benefits for rural livelihoods.

Offset options in Ecuador include:

- Restoration of degraded/abandoned land
- Community-based A/R activities as part of conservation strategies
- Agroforestry systems