



Policy Brief for GHG Emissions Reductions

Background

Less attention was given in the past to involving policy and decision making in greenhouse gases (GHG) reduction opportunities and consequent technical and financial support that can be utilized in national development plans. The purpose of this document is to provide practical recommendations and emphasize on the importance of policy and decision making for achieving significant national GHG reductions while maximizing the benefits from related opportunities.

The Climate Change Risk Management Program (CCRMP) was established in October 2008 under EEAA. The program is a comprehensive effort to help achieve the Millennium Development Goals, eliminate poverty and support environmental sustainability. CCRMP comprises four components, each equipped with relevant government institutions and UN partners, and tasked with the responsibility of implementing either mitigation or adaptation efforts with Clean Development Mechanism (CDM) being one of the focus areas.

The goal of the Clean Development Mechanism was to develop and expand efforts to reduce GHG emissions and incorporate clean technology into development plans. The Clean Development Mechanism Awareness and Promotion Unit (CDM APU) has been established since May 2009, under the CDM Component of the CCRMP as a unit within the Egyptian Environmental Affairs Agency (EEAA) to foster and promote CDM project development.

A SWOT analysis has been conducted for the CDM APU activities and areas of improvement. In addition, current challenges and untapped sustainability opportunities are being analyzed to identify possible opportunities to be targeted by the future unit activities. Some of the policy related recommendations of this analysis is presented below among other recommendations for reducing GHG emissions while achieving sustainable development.

Policy Recommendations

Linking National Development Policy with GHG Emissions Reduction Opportunities

While energy security and GHG reductions are two sides of the same coin, linking national development plans, especially those concerning energy efficiency and renewable energy, with GHG reduction opportunities is essential to leverage the International technical and financial support provided for Climate Change Mitigation and utilize International GHG reduction mechanisms in supporting national development plans. For example, current energy efficiency and renewable energy policy and plans should be linked with appropriate GHG reduction opportunities like Nationally Appropriate Mitigation Actions (NAMAs) and voluntary carbon market opportunities.



Establishing a dedicated Committee for incorporating GHG reduction targets and opportunities within existing and new national plans Reduction Opportunities

A dedicated GHG committee with a task force that have clear objectives and plans for incorporating GHG reduction targets and opportunities within existing and new national plans needs to be established. The committee can also recommend and revise existing policies and action plans to target both sustainable development and GHG emission reductions.

The core team for this committee can include the CDM APU team as well as representatives from all concerned Ministries besides affiliated and independent entities which play an important role in the sustainable development in Egypt. While achieving its previous mandate, the CDM APU resources acquired essential knowledge that would enable them to tackle GHG Reduction as well as other sustainability challenges / opportunities efficiently. The unit's team has successfully established strong partnerships with all key players and stakeholders in the carbon market in Egypt that can be built on towards achieving the new carbon committee targets.

The GHG Reduction task force shall coordinate between different parties and government entities to ensure considering GHG reduction opportunities in all plans and activities. for example, these entities can include: Energy Efficiency Unit (EEU), New and Renewable Energy Authority (NREA), Industrial Modernization Centre (IMC), Egyptian National Cleaner Production Centre (ENCPC), Environmental Compliance Office (ECO), Egyptian Green Building Council (EGBC), Egyptian Corporate Responsibility Center (ECRC), etc... Having access to government entities as well as the required technical knowledge, this committee can effectively incorporate GHG reduction targets and opportunities within current and future national development plans.

Utilizing regulations and financial benefit instruments for promoting sustainability and GHG Emissions Reductions

Utilizing legal and tax benefit instruments is necessary for implementing immediate and short term solutions for the GHG reductions and sustainability challenges in general. Reforms in existing regulations are a must in order to promote sustainable practices.

For example, changing the current building codes to consider green building practices in residential and commercial sectors; or enforcing energy management system (ISO 50001) application, and energy efficiency measures in industrial sectors are all necessary measures to achieve sustainable development. Consistent energy management helps organizations realize their untapped energy efficiency potential leading to benefiting from cost savings and significantly contributing to environmental and climate protection.

As a transitional stage, this can be partially achieved by providing financial incentives like tax exemption / reduction or subsidized loans for institutions or businesses that voluntary implement such measures.



Mandatory Reporting on GHG Emissions and Corporate Sustainability Performance

Some countries had enforced mandatory reporting on corporate sustainability and GHG Emissions like France, UK, Denmark, Sweden, Japan, Australia, and South Africa. For example, the UK government announced the introduction of mandatory GHG reporting, requiring around 1,100 of the UK's largest listed companies to report their GHG emissions every year. In 2006, Japan introduced the Mandatory Greenhouse Gas Accounting and Reporting System which requires specified entities which emit considerably large amount of GHGs to calculate their GHG emissions and report the results to the Government. Japan also mandates energy usage reporting for intensive energy consumers. France was the first country to make public reporting on Corporate Sustainability mandatory in 2001 and Sweden has made it mandatory to report Corporate Sustainability Initiatives for state owned companies according to the Global Reporting Initiative (GRI).

Enforcing sustainability / GHG emission reporting (Carbon Footprint reporting) at least for organizations with significant impact is unavoidable in order to provide a platform that measures the impact of these businesses on the economy and society. GHG reporting also provide means for setting sector wise targets and identifying solutions that can be replicated for reducing GHG emission reductions and environmental and social challenges faced by different organizations.

Enforcing reporting on Sustainability and GHG emissions would also align corporate responsibility and public reporting with the national development direction. GHG reporting helps businesses to review and sustain progress in reducing GHG emissions, achieve financial savings, and enhance corporate reputation. While companies will benefit from reporting on multiple areas (like cost reduction, effective risk mitigation, attracting better talent, access to capital, etc...), the whole society can benefit through improvement of quality of life and promoting sustainable economic development.

The Egyptian stock market index concerning Environmental, Social and Governance performance of listed companies (S&P EGX ESG Index) can be utilized to provide special incentives for companies that are annually included in the index due to their annual transparent disclosures on sustainability performance and encourage others to follow.

Promote Investment in Sustainable / Less GHG Emitting Projects

Promoting local banks and private equity investment in sustainable and less GHG emitting projects can be considered as one of the tools the government can utilize to reduce GHG emission and promote sustainable development with minimal cost. Individuals and private equity firms can be attracted to invest in sustainable less GHG emitting projects by waiving capital gains tax for investments above specific values in addition to reducing the income tax rate.

The "Green Funds" incentive scheme has been applied in the Netherlands and managed by national banks by waiving capital gains tax for investments above 55,000 Euros and reducing



income tax rate for green investments. Since May 2012, this benefit has been 0.7%, reduced from 1% in 2011 and 1.3% in 2010. In 2010 alone the scheme generated green investments of 6 billion Euros, with barely 150 million Euros cost to the country in tax incentives”.

Capacity Building and Awareness Raising Programs for Utilizing New Sustainable Development Opportunities

Sustainable development opportunities like Energy Management (ISO 50001), NAMAs, Green Buildings, Corporate Sustainability Reporting (CSR) Social Responsibility (ISO 26000), Low Carbon Transformation strategies (LCT), and Carbon Footprinting (CFP) can provide proper means for economic, social, and environmental benefits for many organizations and for the whole country. However, capacity building programs are required for these opportunities in order to raise the awareness of their importance and applicability in various sectors. The CDM APU can make use of their previous experience in promoting Clean Development Mechanism Projects within the Government sector in order to promote for such opportunities in the future while coordinating with respective entities that are active in these areas. Training programs can be provided for the promotional team (CDM APU and relevant Government and independent entities) by specialized consultants to prepare them for promoting and raising the awareness of such opportunities for both public and private sector organizations.

Development of a Voluntary Domestic Emission Trading System which in Future could be Linked with Other Systems

The current international Climate Change negotiations are being directed towards involving developing countries in the efforts to reduce greenhouse gases. In the United Nations 17th Conference of Parties (COP 17), a process to develop another legal instrument or an agreed outcome with legal force under the United Nations Framework Convention on Climate Change applicable to all Parties was agreed. This process should be completed no later than 2015 and should be adopted at the twenty-first session of the Conference of the Parties and should come into effect and be implemented from 2020.

As a first step towards preparing the country in advance to the outcomes of such commitment, introducing a voluntary emissions trading scheme within the country provides an effective policy instrument which proved to be successful, in combating climate change. This trading scheme can be implemented on both the national level between corporate or on the regional scale between countries. The scheme, which can be linked with other emerging international trading schemes, can reduce costs and provide incentives to reduce GHG emissions.

Disclaimer:

The views expressed in this publication are those of the authors. Reasonable efforts have been made to ensure that the contents of this publication are factually correct and properly referenced.

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Please see EEAA for the detailed reports

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