



# Bridges Trade BioRes

*Biweekly news, events and resources at the intersection of trade and environment*

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## CLIMATE CHANGE

### ECJ Opinion Delivers a Blow to Aviation Emissions Plan Opponents

The EU's plan to extend its emission trading scheme (ETS) to aviation is fully compatible with international law, an official opinion of the trading bloc's highest court found last week. The opinion was issued in response to a high profile challenge by American airlines (see Bridges Trade BioRes, [11 July 2011](#)).

In the opinion released on 6 October, the European Court of Justice's (ECJ) Advocate General Juliane Kokott suggested that the EU's plan to extend the ETS to aviation does not interfere with the sovereignty of third countries and complies with all relevant aviation agreements.

The measure is “fully compatible with the provisions and principles of public international law,” including the International Convention on Civil Aviation (Chicago Convention), the Bilateral EU-US Open Skies Agreement, the Kyoto Protocol, and customary international law, Kokott concluded. The opinion does not discuss WTO law, where the WTO's dispute settlement system has exclusive authority.

The Advocate General's opinion has sparked strong reactions from international airlines. While an Advocate General's opinion is non-binding, the ECJ has followed them in approximately 90 percent of all cases.

The Air Transport Association of America (ATA) - a claimant in the dispute - quickly spoke out against Kokott's decision. “Our view that the extension of this unilateral, regional scheme to aviation violates international law is supported by more than 20 countries,” ATA stressed in a [press release](#).

The International Air Transport Association (IATA) also expressed their dissatisfaction with the opinion. “While the Advocate General believes that Europe is within its rights to move forward with this extra-territorial measure, that opinion is not shared in the international community,” Tony Tyler, Director General of IATA [said](#). It remains “an infringement of sovereignty and the Chicago Convention,” he added.

Though the opinion was in its favour, even the EU reacted only cautiously to the announcement. European Climate Action Commissioner Connie Hedegaard [welcomed the Advocate General’s opinion](#) and reaffirmed the EU’s “wish to engage constructively with third countries during the implementation.”

However, after Hedegaard met the EU’s Environment Ministers on Monday to discuss the objections of some EU member states and airlines, one source told BioRes that the ministers had also discussed the option of postponing the EU ETS’ extension to aviation. A number of countries continue to oppose the plan, as they see their competitiveness as airfreight hubs threatened.

“The aviation industry should be tackling climate change with engineers, not lawyers,” said Bill Hemmings, programme manager of environmental lobby group Transport & Environment.

After the Monday meeting, Dutch State Secretary of Infrastructure and the Environment Joop Atsma suggested in an interview with Dow Jones Newswire that the EU ETS “could still be altered after implementation to ensure that the new system doesn’t impact international competition.”

### **No breach of sovereignty**

In 2008, the EU decided to bring aviation into the EU ETS, effective January 2012. The EU directive mandates the inclusion of all flights to and from the EU, including those flight parts that take place outside EU airspace. Foreign airlines fear that this could hamper their competitiveness by making their flights prohibitively more costly.

In 2009, the US Air Transport Association (ATA), together with US airlines Continental and United, filed a complaint against these plans with the UK Supreme Court, which subsequently referred the issue to the ECJ.

ATA and others insist that the inclusion of air routes outside the EU’s territory creates an effect beyond the EU’s territory that they claim is in breach of the international law principles of sovereignty and the freedom of the high seas.

Kokott could find no such “extraterritorial effect,” but instead acknowledged that the approach pursued by the EU “reflects the nature as well as the spirit and purpose of environmental protection and climate change measures.”

“It is well known that air pollution knows no boundaries and that greenhouse gases contribute towards climate change worldwide irrespective of where they are emitted; they can have effects on the environment and climate in every State and association of States, including the European Union,” the opinion reads.

### **Discrimination argument also falls short, opinion finds**

The claimants had further argued that the measure discriminated on the basis of nationality, which was again dismissed by Kokott.

Interestingly, Kokott reviewed a related argument that has been made continuously by numerous countries. In these countries’ opinion, even if no distinction is made on the basis of nationality per se, the mechanism is nonetheless discriminatory, to the extent that it treats developed and developing countries alike despite the principle of common but differential responsibility recognised in the Kyoto Protocol.

Kokott turned this argument against the airlines, finding that the objectives pursued by the Kyoto Protocol and the United Nations Framework Convention on Climate Change (UNFCCC) – namely global climate protection – could only be achieved when all countries were treated equally.

She also found that the alternatives - the exclusion of foreign airlines or flights from a third-country - would actually result in considerable advantages for foreign airlines and long-haul flights, giving rise to unjustified discrimination.

Finally, ATA and the US airlines contend that the EU was under the obligation to refrain from undertaking unilateral acts, as per the terms of the Chicago Convention and the Kyoto Protocol.

The Kyoto Protocol calls upon states to engage in respective discussions under the International Civil Aviation Organisation (ICAO). Discussions at the ICAO have been ongoing for many years, with the EU pushing actively for a multilateral solution. Frustrated over the slow movement in ICAO, the EU eventually decided to move ahead on its own.

Kokott approved of that decision, citing the protocol's currently vague wording on the subject.

"If the parties to the Kyoto Protocol had wished the ICAO to have exclusive competence they could have been expected to express this with the requisite degree of clarity," she said.

### **Which laws apply?**

Above all, Kokott dismissed all of the North American airlines' claims on the basis that many of the agreements cited were no acceptable basis for examining the EU law's validity.

Although the EU is bound by the international agreements it has signed onto, not all agreements can be invoked by individuals. The only ones that can be invoked by individuals are those that are both binding upon the EU as an entity and also sufficiently precise and unconditional.

While the Chicago Convention is not binding upon the EU, despite all EU member states individually having signed onto the agreement, the Kyoto Protocol and most of the Open Skies Agreement – which the EU is bound by as an entity – failed to meet the latter requirement, Kokott found.

Finally, she stressed that even if these agreements were applicable, they still would not prevent the EU from including aviation in its ETS.

### **WTO implications?**

Though WTO law is never addressed before the ECJ, the ruling might nonetheless have great implications for events at the WTO. The same goes for other sectors that the EU could consider for inclusion in the scheme; first and foremost is the maritime shipping sector, for which some EU members have already suggested a global ETS without success at the International Maritime Organisation (IMO).

Inclusion of this sector in the EU ETS could raise similar questions to those from the current aviation case, particularly in terms of extraterritoriality and discriminatory unilateral action.

Thus far, opposing countries have refrained from bringing a dispute against the EU under the WTO's dispute settlement mechanism. In particular, the US has been mindful of not creating any precedent ruling that could impede its own possible future emissions control scheme, which might itself include unilateral measures.

However, since ATA has seemingly lost its bid at the European court, they could choose to intensify their lobbying efforts in Washington to achieve a formal WTO complaint. The US would then need to decide whether to support American airlines that suffer substantially from both high fuel costs and recession impacts or stand by US climate objectives.

ICTSD Reporting, "EU Climate Commissioner to Discuss ETS Airlines Plan with ICAO - Official," WALL STREET JOURNAL, 10 October 2011.

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## Panama Climate Meet Sets Stage for Outcomes in Durban

UN climate negotiators trudged forward on a range of issues at a major meeting earlier this month in Panama City, but slow progress on trade issues and the questions over the future of the Kyoto Protocol bode poorly for chances of finalising a robust package this year.

The chairs of the Ad-hoc Working Groups for Long-term Cooperative Action (AWG-LCA) and for the Kyoto Protocol (AWG-KP) asked the designated facilitators of dozens of negotiating sub-groups to produce text by the end of the 1-7 October meeting. The texts will provide the basis for final negotiations at the UN Framework Convention on Climate Change's (UNFCCC) end-of-year meeting this December in Durban, South Africa.

The AWG-KP discussions focused primarily on the second commitment period under the Kyoto Protocol, as the first commitment period expires at the end of 2012. While the decision countries will take in Durban as to the future of the Protocol still remains uncertain, negotiations nevertheless continued to advance on details of a possible second commitment period.

Parties worked on further clarifying the options concerning mitigation targets, the possible nature and content of rules for a second commitment period, and the role of a possible second commitment period within a balanced outcome in Durban. The group's revised chair [proposal](#) summarises the current picture.

### Talks on trade see little progress

Regarding trade issues, the discussions on so-called "response measures"- national policies or programmes aimed at reducing carbon emissions, such as implementing emissions trading schemes or regulating international transport -continued under various negotiation tracks but none with any real substantive progress.

The differences of position between developed and developing countries are marked; observers

note that neither group appears willing to budge until perhaps the final hour in Durban, when deals are made. The forum on response measures that is scheduled to resume in Durban, having begun in Bonn this past June, will be telling (see Bridges Weekly, [22 June 2011](#)).

Under the AWG-LCA, countries heatedly debated procedural issues, including whether last year's Cancun Agreement (Decision 1/CP.16) or the broader Bali Action Plan - the agreement from 2007 that launched the LCA negotiations - should define the scope of this year's negotiation. Negotiators at last December's Cancun COP were only able to advance certain pieces of the Bali Action Plan, and some countries are pushing hard for Durban to pull in the rest. A balanced package requires agreement on all elements, they say.

Parties in Panama negotiated in an all-encompassing "contact group," along with spin-off informal groups on adaptation, finance, technology, capacity building, shared vision, review of the global long-term goal, legal options, and diverse issues related to mitigation such as sectoral issues and response measures.

Nearly all of the informal groups produced text forwarded to Durban as a basis for further discussions. Parties also agreed to work inter-sessionally through email, submissions, and bilateral meetings to further streamline the process. For the most part, a huge amount of work still remains for Durban, especially balancing of issues. Undoubtedly, countries are carefully strategising and weighing their positions for how to play their cards in the Durban decision-making game.

On agriculture, discussions revolved around how to identify points of convergence around aspects of food security, trade, economic development, and poverty eradication. The facilitator provided a paper attempting to consolidate ideas into one text, and parties decided to eventually work on this basis while leaving room for additional input from submissions and from the Bonn facilitator's note.

Developed countries welcomed the progress made by the International Maritime Organization (IMO)

on international aviation and shipping at the 62nd session of the Marine Environment Protection Committee. Developing countries showed scepticism over the ability of the IMO to apply measures globally due to the majority rather than consensus decision. As for the text to serve as a basis for negotiation in Durban, the group finally agreed to compile the facilitator's note with the set of country submissions that would serve as a guide, but not as negotiating text, per se.

### Remaining issues for Durban

Resolving the issue of the Kyoto Protocol remains the most pressing question as Durban approaches. Increasingly, the future of the Protocol hinges on the possibility of the establishment of a future legally-binding agreement through the AWG-LCA negotiations, a position strongly promoted by the developing country Group of 77 and China. The issue, however, is entangled in a heated debate over the legal options for the extension, renewal, and/or carrying through of existing instruments.

Another key issue being tracked closely by observers is the kind of financial mechanism that Durban will produce and whether it will be accompanied by financial commitments and clearer indications of future financing sources. Developing countries repeatedly underline developed countries' failure to fulfil their past commitments and climate financing obligations.

Although advances are apparent under the Transitional Committee – set up this year to define the institutional structure and function of the new Green Climate Fund agreed to in Cancun – in negotiations, the tension between developed and developing countries is mounting especially on the question of short-term and long-term financing. Developed countries, who are bound under the UN convention to support developing country mitigation and adaptation with finance and technology support and who agreed at the Copenhagen COP to both short and long-term funding, are showing reticence on the long-term commitments. The ongoing global financial crisis continues to complicate this particular debate.

### Ambition gap

Parties to the UNFCCC will also be looking to bridge the growing “ambition gap,” brought on by the stagnant status of current negotiations. Some observers note increasing doubts as to whether the multilateral regime can keep temperature increases below 2 degrees Celsius – a goal that is dependent upon a range of crosscutting processes and instruments involved in current negotiations. Numerous parties and observers continue to emphasise that the pledges made by developed and developing countries as part of the Copenhagen Accord are insufficient in themselves to protect the 2 degree maximum increase and that more recent statements among developed nations are, in fact, further weakening this mark.

Other issues in the spotlight for Durban are the negotiations centring on developed country mitigation targets, the process of International Consultation and Analysis – which would serve as a watered-down approach to encourage compliance, and the process to review commitments in the future in light of new science and information. These issues, however, are unlikely to see resolve. The US continues to indicate that they will not up their ante unless the major developing countries – especially China – promise to do the same.

How to resolve the question of equitably incorporating developing countries into the game in a “comparable” fashion while still upholding the Convention's principle of “common but differentiated responsibilities” – a principle that sets a firm distinction between the mitigation requirements for developed and developing countries – still eludes negotiators. Many observers claim it is a political question that countries need to clarify at the highest level for this multilateral process to truly advance.

Last week's Panama meetings were a continuation of negotiations that took place in Bonn, Germany over the summer (see Bridges Weekly, [22 June 2011](#)).



## More information

All texts now forwarded to Durban are available [here](#).

ICTSD Reporting.

## SUSTAINABLE AGRICULTURE

### EU's Green Farm Policy Proposals Spark Mixed Response

Plans to reform the EU's multi-billion euro Common Agricultural Policy with a more environmental focus were met with a mixed response from parliamentarians, farm groups, and civil society organisations last week, as the European Commission formally unveiled its [proposals](#) for agriculture in the post-2013 period – one month after drafts were leaked online (see Bridges Trade BioRes, [19 September 2011](#)).

Agriculture Commissioner Dacian Cioloş on 12 October told the European Parliament's committee on Agriculture and Rural Development that the bloc's new farm policy needed to be simplified so it could deliver on a range of policy objectives. These include making agriculture more competitive, protecting the environment, and supporting “harmonious” rural development across EU territory.

“The European Commission is proposing a new partnership between Europe and its farmers in order to meet the challenges of food security, sustainable use of natural resources and growth,” Cioloş said in a [statement](#). “The next decades will be crucial for laying the foundations of a strong agricultural sector that can cope with climate change and international competition while meeting the expectations of the citizen.”

Over the years, the EU Common Agricultural Policy has been widely criticised by taxpayers, consumer groups, aid agencies, and environmentalists, who argue that it wastes scarce resources, harms developing country farmers, and damages the natural environment. The criticisms

prompted a series of reforms that have slashed ‘coupled’ subsidies linked to farm output in favour of ‘decoupled’ income support, in the form of direct payments. The latter type of payment is considered to be less trade-distorting.

A [report](#) released in Brussels last week by the Organisation for Economic Co-operation and Development (OECD) noted that, over the 2008-10 period, farmers earned only 22 percent of their total annual receipts from government support – down from 39 percent annually in the 1986-88 period. The EU now had a unique opportunity to reform farm support, the OECD argued.

The Commission has said it now wants to ensure that these decoupled payments are more closely tied to the delivery of ‘public goods’ that the market alone will not provide – such as protecting high-value ecosystems, improving soil conservation, or safeguarding against climate change.

Europe's farm policy suffered from “a lack of credibility,” Cioloş told parliamentarians on the committee. “I seriously doubt that airports or golf clubs need any support under the CAP,” he added, pointing to some of the more egregious cases of poorly-targeted payments that might be avoided under new rules limiting support to “active farmers.”

#### Parliamentarians: wary response

Parliamentarian Albert Dess, representing the centre-right European People's Party, told the committee that his group was concerned that the new proposals would introduce more red tape and bureaucracy for farmers to deal with, without necessarily delivering environmental improvements. He nonetheless welcomed the emphasis on agricultural innovation in the Commission's proposals.

Meanwhile, Socialist parliamentarian Luis Capoulas Santos said he welcomed the focus on the environment, while arguing that this needed to be matched with an “adequate” budget. Noting that the Queen of England continued to receive large sums of money under current CAP arrangements, he argued that “we need to make

sure that we get the eligibility criteria absolutely right.”

A more critical response came from Liberal parliamentarian George Lyon, who told the committee that the proposals were “nothing more than greenwash.” He argued that a more comprehensive, more sustainable agricultural policy was needed to tackle new challenges such as climate change, but that on these grounds the Commission’s proposed package “falls dreadfully short.”

Green MEP Martin Häusling said that the proposals were a step in the right direction, but needed to go further. He argued that the Commission had missed an opportunity for more far-reaching reforms that would have tied agriculture more closely to environmental goals.

Responding to parliamentarians’ comments about bureaucracy, Ciołoş cautioned that the Commission would not be able to justify providing farm subsidies without any criteria. However, he stressed that new proposals sought to simplify the paperwork and red tape farmers will have to deal with.

### **Sour response from farm groups, civil society**

The plans have elicited a strong response from both farm groups and civil society organisations, on a range of topics.

COPA-COGECA, the EU’s main farm union body, criticised the plans in a [statement](#).

“We are concerned that the Commission’s proposals, which propose further mandatory environmental constraints on farmers, will not achieve this and will just add more costly burdens onto EU farmers,” said COPA President Gerd Sonnleitner.

A forthcoming [study](#) by Alan Matthews of Trinity College Dublin finds that greening measures in the Commission’s proposals could lower the bloc’s agricultural production potential by raising farm input costs by €5 billion, or around 2 percent. The study was commissioned by ICTSD, the publisher of Bridges Trade BioRes.

Environmental groups have also expressed disappointment with the Commission’s proposals. Ariel Brunner, head of EU policy at BirdLife Europe, [argued](#) that the proposal includes “a few glimmers of light,” such as protection of grasslands and introduction of farm level environmental focus areas. However, he said that these are “overshadowed by continuation of production subsidies for harmful production, and the possibility for Member States to shift money away from targeted environmental spending toward blunt income support.”

Development agencies were also sceptical of the plans. Olivier Consolo, Director of CONCORD, the European confederation of development NGOs, [observed](#) that “until now in the debates on the reform process, all EU institutions have made reference to take into account the principle that the CAP must seek to reduce its overseas impact through greater Policy Coherence for Development. Yet the Commission has not translated this into concrete measures in its proposals.”

Jack Thurston, co-founder of transparency campaign Farmsubsidy.org, told BioRes that the proposals were “a missed opportunity.” The Commission’s plans would leave EU agricultural policy as “principally a subsidy system for those that own farm land,” Thurston argued, “rather than the modern, flexible policy for sustainable land management and food production that Europe desperately needs.”

ICTSD Reporting.

## **SUSTAINABLE ENERGY**

### **Chinese Solar Subsidies Come Under Fire from US Lawmakers**

Chinese subsidies to solar panel producers are increasingly drawing attention from US lawmakers, as Washington deals with the aftermath of US solar panel maker Solyndra’s bankruptcy filing last month. At a news conference on Friday, Sander Levin – the top

Democrat on the powerful House Committee on Ways and Means – called for the US to step up and protect its solar industry from Chinese competition.

Levin, speaking at a news conference regarding China's alleged currency manipulation, insisted that "there has to be action taken on solar." One option, Levin suggested to reporters, would be to impose safeguard measures against Chinese imports of solar panels.

Safeguard measures are used to temporarily restrict imports of a product if a country's domestic industry is injured or threatened by an import surge.

Beijing has repeatedly come under fire in recent years for providing extensive support to its clean energy producers, which critics in Washington claim puts foreign competitors at a disadvantage. In June of this year, China brought to an end a controversial public fund for wind power manufacturing; the US had alleged that the subsidies were prohibited for being contingent on the use of local input (see Bridges Trade BioRes, [13 June 2011](#)).

The call by Levin to target Chinese subsidies comes in the wake of US solar panel maker Solyndra's bankruptcy filing in September.

The high-profile Solyndra collapse has caused some US observers to question the financial viability of green technologies, and led many to criticise the administration of US President Barack Obama for having provided the California-based company with over US\$500 million in a government guarantee – a guarantee that the company might not be able to pay back.

Until its bankruptcy filing last month, the company had been touted as an example of clean technology's potential in the US. Falling prices caused by Chinese exports have been blamed not only for Solyndra's downfall, but also for the bankruptcy filings of US companies Evergreen Solar and SpectraWatt.

Levin's comments come just over a month after US Senator Ron Wyden, a Democrat from the US

state of Oregon, sent a strongly-worded [letter](#) to Obama urging action on the subsidy issue.

"Please know that if your administration is unwilling to take the appropriate steps, with haste, I will advance a legislative effort, as provided by the U.S. trade remedy laws, to ensure that the American solar industry is not harmed by unfair trade," Wyden said.

However, Senator Orrin Hatch, the top Republican on the Senate Committee on Finance – of which Wyden is also a member – recently [refuted](#) the suggestion that China alone was to blame for Solyndra's downfall.

"Solyndra tried to make solar panels, but ran up their costs far higher than even domestic competitors," Hatch said. "Of course, the failure was blamed on China, but if you cannot even outcompete US companies, it wasn't foreign competition that ruined your business, it was simply a failed business model,".

### **Subsidy policies questioned on home front and at WTO**

Solar manufacturers have also taken up the call against China's domestic support policies, with some of these producers reportedly banding together to prepare a US trade complaint against China. According to Bloomberg, the case will soon be filed at the US Department of Commerce and the US International Trade Commission, and would be one of the largest targeting Beijing.

China's clean energy subsidies were also the subject of a [submission](#) made earlier this month by US Trade Representative Ron Kirk to the WTO. In the submission, Kirk identified nearly 200 subsidy programmes that the US claims China has failed to notify the global trade body, along with 50 Indian subsidy programmes.

"The situation was simply intolerable," Kirk said. "Every member of the WTO is required to come clean on its subsidy programmes on a regular basis."



Whether or not the US will actually pursue a WTO dispute on the subject was not made clear at the time of the USTR's announcement.

### China currency issue lurking in background

The solar subsidies controversy comes at a time of increasing Sino-US tensions regarding the US' growing trade deficit with China and an ongoing attempt in Congress to pass legislation targeting China's valuation of its currency.

A bill that would allow the US to impose duties on countries that undervalue their currencies has already passed the US Senate with bipartisan backing, and reportedly has widespread support in the House (see Bridges Weekly, [12 October 2011](#)). However, House Republican leadership is refusing to bring the currency legislation up for a vote, drawing harsh criticism from Democrats.

The White House has been reticent to get involved in the currency issue; however, the Senate vote has already drawn a strong rebuke from Chinese government officials, who have alluded to the possibility of a "trade war" if the legislation becomes law.

Proponents of the currency legislation insist that China's strict control of the yuan, also known as the renminbi, acts as an export subsidy that makes Chinese products cheaper than their foreign counterparts.

ICTSD Reporting; "Blame-China Imports Chorus Grows as Solyndra Falls," 28 September 2011; "Solar-Panel Imports From China Said to Face U.S. Trade Complaint," BLOOMBERG, 28 September 2011; "Unlike Solyndra, other California solar projects appear on track," LOS ANGELES TIMES, 15 October 2011; "200 Chinese Subsidies Violate Rules, U.S. Says," NEW YORK TIMES, 6 October 2011; "Dark clouds threaten solar makers' future," REUTERS, 16 October 2011; "Lawmaker urges action against solar panel imports," REUTERS, 14 October 2011.

## Proposed Sustainable Energy Trade Scheme Gets Traction at Copenhagen Meet

Several public-private collaborative initiatives, including a possible international agreement aimed at fostering trade in sustainable energy goods and services, were announced last week at a meeting in Copenhagen, Denmark. The 12 October Global Green Growth Forum (3GF), conceived and hosted by the Danish government, brought together an array of government representatives, over 50 global corporate leaders, and several leading civil society organisations.

The proposed Sustainable Energy Trade Agreement (SETA) – which aims to enable a rapid uptake in innovation, diffusion, and use of goods, services, and technologies in the non-fossil fuel energy sector – was proposed by three major think tanks: the Global Green Growth Institute (3GI), the International Centre for Trade and Sustainable Development (ICTSD - the publisher of Bridges Trade BioRes), and the Washington-based Peterson Institute for International Economics.

The initiative was launched as part of a package of other proposals on sustainable biofuels and civil aviation, global green public procurement, and energy efficiency, which are to be "progressed in international policy processes going forward, including those leading to the next Clean Energy Ministerial (CEM) in April 2012."

"Denmark, Mexico and Korea will feed these initiatives into high-level intergovernmental processes, negotiations and forums. As upcoming EU president, Denmark will take recommendations from 3GF to Rio+20 and the EU's green growth agenda. Korea and Mexico will help link outcomes to the G20. The Forum will present and promote key recommendations at the Climate Summit in Durban in late 2011," a 3GF press release [announced](#) after the event.

### Initiative draws support

Pia Olsen-Dyhr, Danish Minister of Trade and Investment, announced support for the initiative at a panel chaired by Ricardo Meléndez-Ortiz,

Chief Executive of ICTSD. The initiative was also explicitly endorsed by South Africa's Deputy Minister for Trade and Industry, Thandi Tobias-Pokolo, as a way forward "out of the mud" and "in response to the need to act on the imperatives of climate change and in face of stalemate in other processes."

Ditlev Engel, President and CEO of Danish wind turbine producer Vestas, "fully endorsed" the undertaking. Meanwhile, Gary Hufbauer of the Peterson Institute made the case for a plurilateral approach "that may be started by a few and follow the path of WTO's successful Information Technologies Agreement (ITA) or stand alone." Several event participants also highlighted the pressing need to ensure that policy frameworks on trade support the enormous scale-up of renewable energies.

SETA evolved out of an initiative led by Michael Liebreich, Chief Executive of Bloomberg New Energy Finance, and the Renewable Energy Global Agenda Council of the World Economic Forum's (WEF) Global Redesign Initiative in October 2009. It was then taken as a recommendation by the Forum to the Korea G-20 Summit in 2010.

Since then, ICTSD – in co-operation with several partners – has developed the analytical case for it, with consultations being held with governments and other stakeholders in settings including the WTO, UNFCCC, and WEF.

### **Greenhouse gas emissions context**

Globally, as the Intergovernmental Panel on Climate Change (IPCC) has noted, energy supply is the largest single source of greenhouse gas emissions. The challenge to de-carbonise production and economic activity comes at a time of rapid expansion in energy demand, and in a context in which half of the world's population currently has no access to modern forms of energy.

Energy supply and use is responsible for 75 percent of global greenhouse gas emissions (GHG); estimates from the International Energy Agency (IEA) placed such emissions at a record

high of 30.6 Gigatonnes (Gt.) in 2010 alone, making the targets set by the international community to limit climate temperature rise to a maximum of 2 percent extremely difficult to meet.

Indeed, for the "pathway to be achieved, global energy-related emissions in 2020 must not be greater than 32 Gt. This means that over the next ten years, emissions must rise less in total than they did between 2009 and 2010," the IEA [notes](#).

Non-clean energy sources - i.e. fossil fuels - currently account for about 80 percent of emissions worldwide, and existing infrastructure and projects in construction are estimated to already lock-in to 2020 approximately 20 percent of those emissions.

The geographical distribution of GHG emissions is highly heterogeneous, as is energy consumption. While they only host a fifth of the world's population, 40 percent of emissions continue to be generated in OECD countries, and 40 percent of energy demand is located there.

Meanwhile, 75 percent of the growth in emissions in 2010 came from an energy-deficient developing world that is experiencing long-term economic growth trends.

### **UN push for energy efficiency, sustainable energy access**

The UN has declared 2012 as the International Year of Sustainable Energy for All, and its Advisory Group on Energy and Climate Change – composed of major energy companies and UN agencies – has recommended universal access and a 40 percent increase in energy efficiency in the next 20 years. Researchers say that if these recommendations are implemented, this could reduce global energy intensity by 2.5 per cent per year, approximately double the historical rate.

Cutting energy-related emissions in half by 2050 would require deep de-carbonisation of the power sector. This reduction in fossil fuel use would need to be offset by sustainable energy; the largest increase, according to the World Bank's [2010 World Development Report](#), would have to come from renewables.

To increase the share of low-carbon energy from 13 percent as of present to 30-40 percent by 2050 would imply an effort of enormous magnitude, the World Bank report shows. Over the next 40 years, it would imply deploying annually an additional 17,000 wind-turbines (producing 4 megawatts [MW] each), 215 million square meters of solar photovoltaic panels, 80 concentrated solar power plants (producing 250 MW each), and 32 nuclear plants (producing 1000 MW each).

ICTSD studies estimate that even though most countries in the world, developed and developing, are significantly engaged one way or another in innovation and the manufacturing and/or assembly of components needed for renewable energy, these markets are heavily distorted by tariff and non-tariff trade barriers.

A number of other trade-related policies, including subsidies, can be supportive or perverse in constructing the robust and efficient markets needed for such a rapid scale up in renewable energies. Green technologies generate significant local jobs both in the installation phase and during the long-term lifetime (20 years for some technologies such as wind power) service and maintenance phase. Local manufacturing also benefits, as the backward linkages in these production chains use components from local sources, including the services and transportation sectors.

Experts see investments in renewables as a primary way for non-fossil fuel producing countries to increase foreign direct investment and savings in foreign exchange. Renewable technologies by definition make use of free sources such as solar, wind or geothermal.

A determined effort, specific to the clean energy sector, is necessary to address barriers to scale, and to equip the world with the governance and policy mechanisms it urgently requires in the transition to a low-carbon economy, proponents of the initiative argue.

ICTSD Reporting.

## FORESTS

### US Swaps Debt with Indonesia to Preserve Borneo Forests

The US and Indonesia have struck a seldom seen debt-for-nature exchange deal aimed at helping to protect rapidly declining forest cover in Indonesian Borneo. The deal will divert US\$28.5 million intended to repay Indonesia's debts to the US into a fund for improving local land use techniques. The forests are widely known as critical habitats for a wealth of unique and endangered species as well as their ability to keep carbon out of the atmosphere.

The new fund will apply to three targeted districts in Kalimantan, the Indonesian part of Borneo. Berau and Kutai Barat in East Kalimantan Province and Kapuas Hulu in West Kalimantan Province are considered hotbeds of threatened biodiversity and carbon-rich tropical forest. Experts say local governments, which are largely responsible for land use regulation, are better suited to applying the funds effectively than provincial or national governments.

Under the plan, the three district governments will receive periodic grants from the fund in order to direct development to already degraded lands. The fund will also support efforts to improve land-use planning and management of protected areas, as well as other projects aimed at preserving intact forests.

The debt-for-nature swap is authorised under the US Tropical Forest Conservation Act (TFCA), which is intended to divert foreign debt to the protection of critical forest habitats. It is the second such deal for the US and Indonesia, building on a similar effort on the island of Sumatra in 2009.

#### Indonesia attracts sustainability investment

The island of Borneo – which is shared between the countries of Indonesia, Malaysia, and Brunei – has attracted much attention from international environmental groups in the past. The island is

home to orangutans, clouded leopards, “pygmy” elephants, and myriad flowering plants, yet it has lost a dramatic amount of forest cover in recent decades.

According to US-based environment group The Nature Conservancy, Borneo lost an average of 850,000 hectares (2.1 million acres) of forest per year between 1985 and 2005, leaving only half of the island’s forest cover intact today. The rapid expansion of oil palm plantations, illegal logging activities, and mining have all contributed to the staggering losses, according to the group.

Deforestation has also added to concerns over the island’s mounting carbon emissions. Borneo’s peatlands, like its forests, act as major carbon sinks. The traditional land-clearing method of burning peatlands has reduced the land’s ability to absorb carbon emissions, sending clouds of black smoke over much of the region as far as Singapore. According to The Nature Conservancy, 60 percent of Indonesia’s emissions derive from forest loss and land conversion. .

Indonesia’s renowned biodiversity and land-use challenges have placed it on the frontline for international forest conservation efforts (see Bridges Trade BioRes Review, [July 2011](#)). The Nature Conservancy and WWF each contributed US\$2 million to the US debt-for-nature deal. In May 2010, Norway signed a US\$1 billion deal with Indonesia to put a two-year moratorium on new logging permits for primary forests and peatlands, implemented this year (see Bridges Trade BioRes, [30 May 2011](#)). Indonesia receives additional forest aid from the UK and Australia and has been a key participant in bilateral and multilateral REDD+ initiatives.

### **Indonesian President Pledges Sustainable Economic Growth**

The US debt-for-nature deal and other international aid-for-conservation efforts have been important factors in Indonesia’s sustainable development strategy. Recently, Indonesian President Susilo Bambang Yudhoyono dedicated his last three years in office to preserving the country’s forests.

“We must change the way we treat our forests, so that they are conserved even as we drive hard to accelerate our economic growth,” declared President Yudhoyono to an audience of 1,000 attendees at the Forests Indonesia Conference on 27 September, an event hosted by the Center for International Forestry Research (CIFOR).

President Yudhoyono repeated a 2009 pledge to maintain 7 percent economic growth while cutting Indonesia’s greenhouse gas emissions by 41 percent by 2020, a dual goal that relies substantially on foreign investment. According to the Environmental News Service, forest industry watchers project that up to US\$30 billion could flow from developed to developing countries each year to help mitigate deforestation and carbon emissions, including funding through REDD+.

ICTSD Reporting; “US and Indonesia Announce \$28.5 Million Debt Swap To Protect Borneo’s Tropical Forests,” THE NATURE CONSERVANCY, 29 September 2011; “US, Indonesia sign \$30m debt-for-nature swap,” AGENCE FRANCE-PRESSE, 29 September 2011; “Indonesian President Vows to Protect Rainforest,” ENVIRONMENT NEWS SERVICE, 4 October 2011; “Indonesia pays \$28.5 million debt to US through forest protection deal,” LINCOLN TRIBUNE, 3 October 2011.

## **IN BRIEF**

### **Australian Vote Paves Way for Carbon Tax**

Australia’s controversial carbon tax bill took another step closer toward becoming reality, with the country’s lower legislative house narrowly passing the Clean Energy Bill in a vote on Wednesday, 12 October. While beleaguered Prime Minister Julia Gillard celebrated this victory, the opposition party is already planning the repeal of the tax.

The Clean Energy Bill has successfully overcome its biggest challenge in a narrow vote of the Parliament’s lower house. With 74 votes in favour

of the bill and 72 against it, Australia now appears to be on its way towards pricing carbon emissions. The next and final step will be the mid-November vote of Australia's upper house, the Senate. But with the government and Green senators appearing to have the requisite numbers to ensure a vote in favour of the scheme, the bill seems likely to become law next month.

Observers note that Gillard is putting her minority government's future at risk by breaking her electoral promise and going ahead with one of the most drastic economic reforms Australia has seen in over a decade. The plan to price emissions faces strong opposition from the country's coal industry, retailers, and the general public (see Bridges Weekly, [7 September 2011](#)).

Opponents say the scheme will lead to coal mine closures, job losses, and increased costs of living. Australia's export competitiveness is also a point of concern, with costs for the mining sector predicted to reach A\$25 billion (or US\$25.48 billion, at today's exchange rate) by 2020, according to the [Minerals Council of Australia](#).

Protests did not come to an end after the lower house took its decision. Carbon-tax opponents disrupted Gillard's question time after the vote, shouting "democracy is dead" and "no mandate" from the public galleries. Nearly 70 demonstrators were expelled from the House of Representatives.

Opposition leader Tony Abbott of the Liberal Party, who opinion polls predict will win elections in two years, pledged he would scrap the carbon tax.

"We can repeal the tax, we will repeal the tax, we must repeal the tax," Abbott said. "This is a pledge in blood. This tax will go."

#### **Government, environmental groups laud the vote outcome**

Despite strong protests, the government and environmental groups celebrated the outcome of the vote as a success.

"Today's vote is historic for the millions of Australians who, in the face of well-funded scare

campaigns, have tirelessly urged successive Australian governments to take action on climate change," Australian Foundation chief executive Don Henry told reporters.

Australia is the world's biggest coal exporter, and while it is only responsible for 1.5 percent of global emissions, its strong dependence on coal for electricity generation makes it the developed world's biggest per capita polluter. Gillard expects 160 million tonnes of carbon to be cut by 2020 under scheme. The carbon tax is therefore central to the government's plan to curb carbon emissions by 5 percent of 2000 levels by 2020.

"Today is a significant day for Australians and the Australians of the future who want to see a better environment," Gillard said before the Parliament's vote.

Supporters also hope that the carbon tax will help in reaching a global emission reduction agreement at climate talks in Durban, South Africa, in December.

Australia's five hundred biggest polluters will see a carbon tax of A\$23 per tonne imposed on their emissions from 1 July 2012. The carbon price will then increase by 2.5 percent a year in real terms for the following three years before turning into an emissions trading scheme with a floating price in 2015. The country will be joining the European Union and New Zealand who already have national emission trading schemes in place; the EU has already publicly backed the Australian scheme (see Bridges Trade BioRes, [19 September 2011](#)).

Several measures will accompany the Clean Energy Bill to compensate the worst-affected industries and households. Billions of dollars will be used to provide export-exposed industries with free emission allowances, to encourage investment in clean and renewable energy, and to help the struggling steel industry. The bill will also provide compensation for households through tax cuts and increased government pension payments.

ICTSD reporting; "Anti-carbon tax protesters interrupt Julia Gillard during question time," THE AUSTRALIAN, 12 October 2011; "Tony Abbott



makes a 'blood pledge' to repeal carbon tax after it passes lower house," THE AUSTRALIAN, 12 October 2011; "Australia parliament passes divisive carbon tax," BBC NEWS, 12 October 2011; "Australia's carbon tax plan passes biggest hurdle," REUTERS, 12 October 2011; "Australia's Carbon Tax Closer After Key Vote," WALL STREET JOURNAL, 12 October 2011.

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## China Timber Imports from Canada, US Surge in 2011

Chinese imports of softwood lumber and logs from Canada and the US are on pace to double over 2010 by the end of this year. Overall sales are expected to reach a record US\$2.6 billion if the trend holds from the first seven months of 2011. Chinese demand for lumber is soaring just as US consumption wavers in the wake of the housing slump, prompting many North American sawmills to shift exports toward Asia.

Chinese demand for North American timber is growing rapidly, according to forest industry journal [Wood Resources Quarterly](#). According to the report, China imported 18 percent of its lumber from North America in 2010, up from only four percent in 2005. The report forecasts that Chinese imports will now grow an average of at least 10 percent per year until 2015.

The rapidly expanding Chinese market for wood products is easing the blow of reduced US housing starts, which are not expected to recover until at least the end of 2013, according to the Canadian Press. North American lumber producers have faced record sales declines in the past few years due to the US housing slump. As a result, sawmills in both Canada and the US have shifted their focus to Asia, with 30-40 percent of their total output now exported to China and Japan.

Canadian producers in British Columbia have been especially hard-hit. The mountain pine beetle has decimated lumber yields for the past 15 years in Canada's highest timber exporting province. Declining supplies contributed to increased export prices for commercial producers, prompting

Canada to shift to public sources of timber. In response, US trade officials in January asked a London arbitration court to penalise exports from British Columbia, alleging the timber was under-priced. According to the Economist, sales to the US have declined 58 percent from their peak.

Canada's sales have recovered in spite of climbing timber prices due to increasing Chinese demand. China's urbanisation efforts have triggered a housing boom in cities across the country. In addition, Canadian technical aid to revise building codes and train workers has increased Chinese expertise in timber-constructed homes, the Economist reported. British Columbian softwoods have accounted for the largest increase in shipments to China during the past year.

ICTSD Reporting, "U.S., Canada Lumber Exports to China May Double to Record," BLOOMBERG BUSINESSWEEK, 5 October 2011; "Canada lumber exports to China expected to reach US\$1.2 billion in 2011," CANADIAN PRESS, 5 October 2011; "If you go down to the woods: You'll find a Chinese surprise," ECONOMIST, 3 March 2011.

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## EVENTS AND RESOURCES

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### Events

If you would like to see your event listed here or are interested in finding out more about publicising your event through ICTSD, write to [biores@ictsd.ch](mailto:biores@ictsd.ch). For a more comprehensive list of events for the trade and environment community visit the [BioRes online calendar](#).

### Coming up in the next two weeks (17-31 October)

17 October, Singapore. ASIA PACIFIC: SUSTAINABILITY LEADERSHIP FORUM. This conference aims to bring together private and public sector leaders for discussions on co-operation in the clean technology and sustainability sectors, cost-effective solutions for going green, and developing new business models

to sustain innovation. For more information, please visit the event [website](#).

17-19 October, Beijing, China. CGIAR SCIENCE FORUM 2011. This event, organized by the Consultative Group on International Agricultural Research (CGIAR) aims to bring together scientists, practitioners, policy makers, and funding agents to examine emerging challenges, identify key research issues, and form new partnerships to address them. This year's forum will focus on new opportunities to adapt the agricultural research landscape to meet emerging challenges, such as: giving consideration to ecological efficiency in future agriculture; making agriculture and forestry net sinks of carbon and not sources; enabling agriculture to prosper with fewer non-renewable inputs; and developing innovative approaches for a low-carbon agriculture that mitigates climate change. More information is available on the CGIAR [website](#).

17-19 October, New York City, US. THE INTERNATIONAL CONFERENCE ON CLIMATE SERVICES. This event, organised by the Earth Institute at Columbia University, aims to initiate a dialogue between experienced climate information providers and those who currently use or wish to use such information. The objective of the ICCS is to ultimately establish a climate services pilot programme or network, with support from an international set of partners with experience in the implementation, design or use of climate information and services. The hope is that the conference will engender expressed commitments from conference participants. More information is available on the ICCS [website](#).

17-19 October, Bali, Indonesia. WORLD RENEWABLE ENERGY CONGRESS 2011. This event, organised by the Indonesian Renewable Energy Society, aims to bring together over 1,500 participants, including senior government officials, legislators, scientists, researchers, educators and academics, senior business executives, developers and professionals, bankers and fund managers, and NGOs in the field of renewable energy and energy efficiency. More information is available on the event [website](#).

18-20 October, Montreal, Canada. ICAO AVIATION AND SUSTAINABLE ALTERNATIVE FUELS WORKSHOP. This workshop, hosted by the International Civil Aviation Organisation (ICAO), aims to provide a forum for discussions on sustainable alternative fuels for aviation. The event will bring together representatives from states, financial institutions, fuel producers, and operators for a dialogue on access to financing for sustainable alternative fuels projects. Other topics include legal and regulatory frameworks to ensure the availability of these sustainable fuel supplies, along with the state of the global harmonisation of life cycle analysis methodologies. For more information, or to register, please visit the event [website](#).

19 October 2011, Addis Ababa, Ethiopia. TRADE & THE GREEN ECONOMY. The United Nations Economic Commission for Africa (UNECA), International Centre for Trade and Sustainable Development (ICTSD), and the United Nations Environment Programme (UNEP) are jointly hosting a side event in the context of the Rio+20 Regional Preparatory Meeting for Africa, to discuss what a transition to a Green Economy means for trade in Africa, identify key trade opportunities and challenges for Africa, and contribute to the Rio+20 discussions in the African region. The side event will bring together governments, regional organisations, civil society groups, intergovernmental organisations, and other stakeholders in the region, to exchange perspectives on some of the key issues surrounding trade and the Green Economy. A series of presentations on various aspects of trade and Green Economy will be followed by an open discussion on the theme. For more information, and to RSVP, please contact [Natalia Cubilla](#) by 16 October.

19 October 2011, Addis Ababa, Ethiopia. OPPORTUNITIES FOR AFRICA FROM TRADE IN GOODS AND SERVICES: SUPPORTING THE TRANSITION TO A LOW CARBON FUTURE. This event, jointly organised by ICTSD and the United Nations Economic Commission for Africa (UNECA) will focus on opportunities for Africa in trade in environmental goods and services (EGS) in advance of the United Nations Conference on

Sustainable Development (UNSD) Regional Preparatory Meeting for the Africa Region. This dialogue will focus on environmental goods and services (EGS) trade in African nations and the potential impact that a transition to renewable energy sources could have on reducing environmental degradation, improving public health, and supporting sustainable socio-economic development. Specific questions will delve into EGS export and import opportunities; effective participation in the Doha EGS talks at the World Trade Organisation; and strengthening Africa's negotiating capacity through trade and environment ministries. More information, including registration details, is available on the event [website](#).

19-20 October, Washington, US. UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE (UNEP FI) GLOBAL ROUNDTABLE. This event, organised by UNEP-FI, aims to act as an exclusive platform where the global financial sector will have an opportunity to define what it expects to achieve at the RIO+20 Earth Summit. Themes will include climate change, greening the manmade environment, and building capacity and transferring knowledge. The roundtable will connect CEOs; heads of sustainability departments; risk departments and business units from the banking, insurance and investment sector; and high-level representatives from the ministry of environment, energy, and finance. More information is available on the event [website](#).

27-28 October, Bangkok, Thailand. ASIA-PACIFIC CLIMATE CHANGE ADAPTATION FORUM 2011. The Adaptation Forum 2011, organised by the Regional Climate Change Adaptation Knowledge Platform for Asia (Adaptation Knowledge Platform) and the Asia Pacific Adaptation Network (Adaptation Network), aims to provide a unique opportunity to share frontline findings and innovations, opportunities and challenges in mainstreaming climate change adaptation into development. Organisers say the forum will draw adaptation practitioners at global, regional, national, and sub-national levels, including government representatives, researchers, NGOs, international

organisations, and the private sector. The format will be a diverse range of plenary and keynote sessions, panel discussions, roundtables, and exhibitions. More information is available on the event [website](#).

31 October - 4 November, Montreal, Canada. SEVENTH MEETING OF THE CBD WORKING GROUP ON ARTICLE 8(j). This is the seventh meeting of the Ad Hoc Open-ended Working Group on Article 8(j) and Related Provisions organised by the Secretariat of the Convention on Biological Diversity (CBD). The agenda includes items on: mechanisms to promote the effective participation of ILCs in the work of the Convention; an in-depth dialogue on ecosystem management, ecosystem services and protected areas; and several tasks of the multi-year programme of work on the implementation of Article 8(j), including a strategy to integrate Article 10 with a focus on customary sustainable use as a cross-cutting issue into the programmes of work and thematic areas of the Convention. Further details are available on the CBD [website](#).

### Other Upcoming Events

8-10 November, Geneva, Switzerland. AD-HOC EXPERT MEETING ON THE GREEN ECONOMY: TRADE AND SUSTAINABLE DEVELOPMENT IMPLICATIONS. Hosted by the United Nations Conference on Trade and Development (UNCTAD), in collaboration with UN Department of Economic and Social Affairs (UN DESA) and the UN Environment Programme (UNEP), this event will focus on the conditions needed for making the transition to a green economy. Key topics for discussion will include political and economic feasibility of this transition, technology and finance, investment in global supply chains, and more. Event organisers hope that these discussions will serve to elaborate recommendations for contribution to the United Nations Conference on Sustainable Development (UNCSD, or Rio+20) in June of next year. More information is available on the event [website](#).

15 November, London, UK. CARBON MARKETS FOR THE POOR: A CONTRADICTION IN TERMS? The Universities of East Anglia and Sussex are hosting

a panel discussion and public debate on whether or not the commitment to carbon markets as a central response to climate change is the correct approach. Amid evidence of double-counting of emissions reductions and a failure to deliver sustainable development benefits in developing countries, the panel will investigate the question, is the Kyoto Protocol's Clean Development Mechanism (CDM) worth saving? The event will be of interest to policy practitioners, climate change professionals, those involved in carbon markets, and NGOs and academics. More information, including panel composition and moderator, is available on the event [website](#).

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## Resources

If you have a relevant resource (books, papers, bulletins, etc.) you would like to see announced in this section, please forward a copy for review to the [editor](#).

REFORMING EU FISHERIES SUBSIDIES. Published by WWF (October 2011). This joint discussion paper investigates the effectiveness of the EU's 2002 Common Fisheries Policy (CFP) reforms, which aimed at reducing fleet overcapacity through fisheries subsidies. The collaborators find that the EU subsidies have been ineffective, with consequences for both society and economy. The report concludes that the European Commission and EU decision-makers have an unparalleled opportunity in the ongoing CFP reform process and the preparations for the next EU budget period of 2014-2020 to take necessary steps to increase resource efficiency and halt biodiversity loss by 2020. WWF joined with Greenpeace, Oceana, OCEAN 2012, BirdLife Europe, and Seas at Risk to produce the report. The full report is available on the WWF [website](#).

LEARNING FROM NORWAY - A REVIEW OF LESSONS LEARNED FOR REDD+ DONORS. Published by the Centre for Environment and Sustainability (Focali Report 2011:03). This report aims to provide potential REDD+ donors with an analysis of a number of factors to take into account in investment decisions. Focus lies on issues especially relevant

for public donors such as governments, less for private investors. The lessons are drawn from the Norwegian experience of investing in REDD+ by means of a review of the recently released evaluation of Norway's International Climate and Forest Initiative, presented in a number of reports published by Norad. The report investigates issues including the phased approach, Payments for Environmental Services (PES), donor coordination, and others. More information is available on the Focali [website](#).

LETTING THE MARKET PLAY – Corporate Lobbying and the Financial Regulation of EU Carbon Trading. Published by Carbon Trade Watch and Corporate Europe Observatory (October 2011). The European Union is changing its rules on how carbon is traded in response to a series of fraud cases and the financial crisis. This report looks at how finance sector lobbyists are trying to influence this process, and concludes that there is a need to “de-financialise” climate policy. More information is available on the Corporate Europe Observatory [website](#).