

D. Mitigating climate change through attracting foreign direct investment in advanced fossil fuel technologies

ECE, jointly with the DESA and the ESCAP (\$629,900)

Background

17. Mitigation of climate change will require de-carbonizing the global economy through the promotion of cleaner advanced energy technologies. Intergovernmental consultations at the fifteenth session of the Commission on Sustainable Development have confirmed that fossil fuels will continue to be the largest energy source in many developing countries in the coming decades. At the same time, countries underlined the importance of developing and deploying advanced energy technologies, which enable the use of these countries' energy resources in a compatible manner with climate change mitigation. The challenges are to attract the investment necessary to support the transition to a low carbon economy.
18. The sheer magnitude of required investment necessitates capital flows from foreign sources. Particular attention has been paid to foreign direct investment (FDI), which has many potential benefits, including financing capacity expansion without incurring debt, supporting technology and knowledge transfer, and acting as a catalyst for further capital inflows. Despite considerable efforts to attract FDI in the last several years, actual levels of such investment into the power and coal sectors in many countries with economies in transition have been moderate. Mobilization of the necessary capital resources will require an attractive investment climate — a business-friendly environment, favourable macroeconomic performance and a regulatory environment that is predictable, fair, transparent and efficient. It is critical to support the evolution of the economic, legal and regulatory frameworks that underpin an attractive investment climate while developing the financial skills of government and corporate officials and facilitating their interface with prospective investors.
19. In addition to renewable sources and energy efficiency, fossil fuel technologies such as coal gasification, underground coal gasification, coal liquefaction, could play an important role in meeting the growing energy needs of the countries with economies in transition. These technologies are more effective as well as more environmentally friendly. Together with carbon capture and storage technologies, they could make a critical contribution to the transition to low carbon economies. It is, therefore, critical that future infrastructure needs support sustainable development, and are incorporated into the investment framework.
20. The following developing countries and countries with economies in transition, which rely to a considerable degree on domestic coal and have expressed an interest in international sharing of experience in the development of their coal-based energy sectors, would be interested in participating in this project: Afghanistan, China, India, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Ukraine, and Uzbekistan. To the extent possible, a regional approach would be taken to optimize resources, encourage cross-fertilization, and build partnerships among regional and international experts.
21. ECE, the DESA and ESCAP will cooperate in the implementation of the project. Other partners will be invited to participate in the project as needed. ECE has prior involvement in this issue through the work of the ad hoc group of experts on cleaner electricity production from coal and other fossil fuels and the project "Capacity-building for air quality management and the application of clean coal combustion technologies in Central Asia", funded by the fourth tranche of the Development Account. In addition, ECE also has prior involvement through the work of the ad hoc group of experts on coal mine methane. The DESA has implemented several technical cooperation

projects related to cleaner coal technologies in China and Kazakhstan and also provided advisory services on clean coal technologies. ESCAP has also conducted a number of activities in energy and coal which would be conducive to this joint effort.

<p>Objective of the Organization: To enhance Governments' abilities to attract FDI into advanced fossil fuels technologies to support energy security and low-carbon sustainable development.</p>	<p>Summary budget (Thousands of United States dollars)</p>												
<p>Relationship to the strategic framework for the period 2010-2011 and the Millennium Development Goals: ECE subprogramme 5 (Sustainable energy); DESA subprogramme 4 (Sustainable development); ESCAP subprogramme 4 (Environment and development); Millennium Development Goal 7.</p>	<table> <tr> <td>Consultants</td> <td>174.0</td> </tr> <tr> <td>Travel</td> <td>60.0</td> </tr> <tr> <td>Contractual services</td> <td>156.9</td> </tr> <tr> <td>Operating expenses</td> <td>19.0</td> </tr> <tr> <td>Workshops</td> <td><u>220.0</u></td> </tr> <tr> <td>Total</td> <td>629.9</td> </tr> </table>	Consultants	174.0	Travel	60.0	Contractual services	156.9	Operating expenses	19.0	Workshops	<u>220.0</u>	Total	629.9
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Expected accomplishments of the Secretariat	Indicators of achievement
(a) Increased skills to develop and maintain an attractive investment climate to encourage FDI into the power sector to meet the growing demand for electricity and climate change goals in countries with economies in transition	(a) Increased number of regional, national and local officials who are able to design and implement effective legal/regulatory frameworks supporting FDI
(b) Improved cooperative relationships between energy policymakers in countries with economies in transition and investors	(b) Established network among regional officials in countries with economies in transition and with the investment community to encourage FDI into advanced fossil fuel technologies
(c) Increased skills to develop pre-feasibility studies on the projects in each targeted country	(c) Developed pre-feasibility studies for the advanced coal technologies projects in each targeted country for investors consideration

Main activities

22. The main activities of the project will include:
- Developing a project baseline and a comparative analysis for each targeted country with regard to electric power infrastructure, advanced energy technologies, domestic and foreign investment, programmes and policies in place to seek and encourage investment and cooperation among participating countries;
 - Conducting a workshop within the region to allow for networking among officials of the region to exchange ideas, to deliver the results of the baseline study and comparative analysis, to educate officials on FDI into advanced energy technologies, and to work with officials in each country with a view to identifying changes to existing policy/legal/regulatory frameworks leading to a friendlier investment climate;
 - Conducting broad-based technical training workshops in the region to educate officials on technical and policy options for cleaner electricity production;

- (d) Providing technical assistance to national officials in each targeted country to formulate policies intended to create a strong and encouraging investment framework for advanced fossil fuel technologies;
- (e) Providing technical assistance to national experts in developing a pre-feasibility study on advanced energy project in each country (9 countries);
- (f) Organizing a major conference in the Eastern European/Central Asian region in cooperation with officials from the region, with the objective of bringing together officials from the region and major domestic and foreign investors to encourage greater investment flows into the power sector in countries with economies in transition.

D. Mitigating climate change through attracting foreign direct investment in advanced fossil fuel technologies		
Implementing entities: ECE with DESA and ESCAP		Duration: 2010 – 2014
Objective: To enhance governments' abilities to attract FDI into advanced fossil fuels technologies to support energy security and low-carbon sustainable development.		
Summary budget (Thousands of United States dollars)	Detailed budget (US dollars)	
Consultants	174.0	
Travel	60.0	
Contractual services	156.9	
Operating expenses	19.0	
Workshops	220.0	
Total	629.9	
	Consultants	
	<u>International consultants</u> (to be hired by ECE)	54 000
	International consultants for baseline studies and comparative analysis, and to deliver effective training modules at workshops and conference, and providing other technical assistance (in support of activities (a), (b), (c), (d), (e) and (f)). (4 work months x \$8,000 per month) and \$22,000 for consultants travel)	
	<u>National / Regional consultants</u> (four to be hired by ECE, four to be hired by DESA, one to be hired by ESCAP)	108 000
	National consultants for tasks of conducting primary research and review of baseline studies and contributions to comparative analysis, delivery of training workshops and conference in cooperation with international consultants, and support of country-specific activities (a), (b), (c), (d), (e) and (f). (4 work months x \$3,000 per month x 9 countries)	
	Program Evaluation: 2% of project budget	12 000
	Travel	
	(6 ECE missions + 3 DESA missions + 1 ESCAP mission) x (1 staff member per mission) by international UN staff for the purpose of kick-off meeting, conducting workshops and conference, in support of activities, and technical assistance in policy development (a), (c), (d), (e) and (f). (\$6,000 per mission) x (10 missions)	60 000
	Contractual services	
	9 Contracts (four contracts to be implemented by ECE, four contracts to be implemented by DESA, one contract to be implemented by ESCAP) to national entities to undertake a comprehensive pre-feasibility study on advanced fossil fuel technologies (in support of activity (e)). (\$15,000 x 9 countries)	135 000
	Contractual services in support of all activities (\$21,900)	21 900
	Operating expenses	
	<u>Communications</u> (60% for ECE, 30 % for DESA, 10% for ESCAP)	10 000
	In support of activities (a), (b), (c), (d), (e) and (f)	9 000

	<p><u>Supplies (60% for ECE, 30 % for DESA, 10% for ESCAP)</u> In support of activities (a), (b), (c), (d), (e) and (f).</p> <p>Seminars and Workshops</p> <p><u>Workshops (2 to be implemented by ECE, one to be implemented by DESA, 1 to be implemented by ESCAP)</u> (4 regional workshops) in the regions (in support of activities (b) and (c)). (\$1,500 per participant x 20 participants x 4 workshops)</p> <p><u>Seminar (to be implemented by ECE)</u> 1 conference (in support of activity (f)). (\$1,000 per participant x 100 participants)</p>	<p>120 000</p> <p>100 000</p>
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