

Swiss AIJ Pilot Program

Background

At the Second Conference of the Parties to the UNFCCC (CoP2) in July 1996 Switzerland announced their intention to participate in the pilot phase for AIJ. A Secretariat running the day-to-day operation of the Swiss AIJ Pilot Program (SWAPP) starting working full time in April 1997, and the Interministerial Committee for AIJ/JI (IC-AIJ/JI) that has decision-making responsibility for SWAPP approved of an official *Program Overview* for SWAPP at its first meeting on 22 May 1997. The Program Overview provides information on the objectives, activities and management structure of the Swiss program, the key elements of which are reported on below.

Objectives

Given the current status of the international AIJ pilot regime and taking into consideration national circumstances, needs and resources, the objectives of the Swiss AIJ Pilot Program are:

- ultimately, to contribute to reducing GHG emissions and implementing the UNFCCC;
- to assess the potential for and the cost-effectiveness of the AIJ/JI instrument within the framework of Swiss climate policy;
- on the basis of AIJ investment projects, to contribute to the development of credible methodologies for determining and verifying emissions reductions achieved through AIJ projects;
- to implement exemplary AIJ projects that clearly demonstrate real, additional environmental benefits, as well as local benefits to the host country (demonstration of "best practice" AIJ projects);
- to promote the transfer of technologies to limit GHG emissions with a view to encouraging private sector investment; and
- to devise, evaluate and implement potential incentive mechanisms to encourage private sector AIJ transactions.

Switzerland hopes to play a significant part in setting the standard for quality AIJ projects by capitalizing on its technology and know-how resources and responding to the priorities of host country partners.

Activities

The Swiss AIJ Pilot Program is designed to function on a flexible, "learning-by-doing" or "project-by-project" basis and will encompass a broad range of activities:

Government financing of AIJ projects

The Swiss government aims to provide financial support for the AIJ component of at least four investment projects during the pilot phase. In most cases, these projects will be identified through bi- and multilateral channels already in place for Swiss government cooperation with developing and Central and Eastern European countries. For this reason, an open "call for proposals" from the private sector is not envisioned.

Designing incentives for private sector investment

One of the main objectives of the SWAPP is to encourage private sector investment in the AIJ component of GHG reduction projects (*e.g.* in the form of co-financing), even though the most obvious incentive – crediting – is explicitly denied during the pilot phase. Initiating a dialog with

private actors to develop the necessary incentives is a priority for 1997.

Exploration of investment funds for AIJ/JI

The Swiss government is currently considering the possibility of contributing to dedicated international investment funds to finance AIJ projects and is seeking ways to support AIJ projects via financial intermediaries (*e.g.* bilateral, "green" venture capital funds).

Contribution to methodological progress

In addition to the implementation of AIJ investment projects under the Swiss Program and in cooperation with partner (host) countries, an effort will be made to find operational solutions to the various methodological challenges associated with the AIJ/JI instrument. Actions might include studies by consultants or NGOs, support for methodological workshops, reviews of experience with AIJ or case studies of existing projects ("simulation studies").

Capacity-building activities, networking and information

The AIJ pilot phase, by nature, will be a learning experience for all participants, and capacity-building activities will be an integral component of the SWAPP. Domestically and together with potential host countries, the targeted dissemination of information concerning the AIJ pilot phase, the JI instrument and the Swiss AIJ Pilot Program to the private sector and NGO communities is a high initial priority.

Implementation

As we do not envision general solicitation of project proposals from private sector developers, decisions on project approval will be taken on a case-by-case basis by the IC-AIJ/JI. Transparent procedures for project approval, monitoring, reporting and verification will evolve during the pilot phase. The following project selection criteria and programmatic focus – along with the "uniform reporting format" adopted by the SBSTA in March 1997 – will serve as a basis for decisions on Swiss activities within the AIJ pilot phase:

Programmatic focus of the Swiss AIJ Pilot Program

Given the objectives of the SWAPP and taking into account time and resource constraints during the pilot phase, the SWAPP will concentrate on AIJ investment projects that:

- limit emissions caused by energy production and end-use (*e.g.* fuel-switching to low- or no-carbon fuels, renewable energies, enhanced energy-efficiency);
- can be easily monitored and verified (*e.g.* focus on projects that result in significant CO₂ reductions; no sink enhancement projects);
- have demonstration character in the sense that (i) the estimated emission reductions are credible & robust and (ii) the project can potentially be replicated;
- are "no regret" (multiple benefits) and relatively cost-effective.

Project selection criteria

The Swiss AIJ Pilot Program has adopted the same basic criteria as those approved by CoP1 in April 1995 for projects during the international AIJ pilot phase (CoP1 decision under agenda item 5(a) (iv)). During the pilot phase, Switzerland will strive to find credible and user-friendly approaches to operationalizing these criteria, taking advantage of previous and ongoing analytical work performed by other programs, institutions and individuals.

Program management

An Interministerial AIJ/JI Committee (IC-AIJ/JI) carries decision-making responsibility for the SWAPP. In particular, the IC-AIJ/JI must approve AIJ projects and all reports to the UNFCCC

concerning the SWAPP. The IC-AIJ/JI includes representatives from the Swiss Agency for Development and Cooperation; the Federal Office of Environment, Forests and Landscape (the lead agency for climate policy in Switzerland); the Federal Office of Energy and the Federal Office for Foreign Economic Affairs, which chairs the body.

A small secretariat coordinates the day-to-day operations of the Swiss AIJ Pilot Program and serves as a contact for all information regarding the SWAPP. The secretariat is also responsible for developing guidelines and procedures required within the framework of the SWAPP, for assisting with the preparation of AIJ projects and for tracking their implementation.

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