

Cancún Memorandum on Sustainable Energies for Industries

Recommendations of the Low Carbon Economy Dialogue Forum

held in support of the activities of the Academic Sub-Committee of COP 16,

24 – 27 November 2010 in Cancún

The LCE Dialogue Forum was organised by the National Institute of Ecology (INE) & InWEnt – Capacity Building International on behalf of the German Federal Ministry for Economic Cooperation and Development and the Mexican Secretariat of Environment and Natural Resources. We, participants from Brazil, China, Egypt, Germany, India, Indonesia, Mexico and South Africa, discussed the challenges for small and medium sized enterprises as well as large industries to sustain growth while adopting environmentally friendly manufacturing processes. We identified a number of key factors to support transformative processes towards a low carbon energy use, especially focusing on the areas of energy efficiency and renewable energy. Here, we summarize key priorities that can inspire the discussions on National Appropriate Mitigation Actions (NAMAs) in the course of and after COP16 in Cancún. The priorities outlined below need to be explored against the backdrop of specific national circumstances.

Regulatory Frameworks

Regulatory reform to promote a sustainable transformation should be built into Nationally Appropriate Mitigation Actions (NAMAs) by developing countries. NAMAs should outline regulatory reform steps needed to achieve ambitious mitigation targets.

Energy efficiency improvements in industries can be achieved through

- the provision of tax incentives and rebates especially focusing on the demand side;
- the establishment of benchmarks in different industrial sectors based, e.g., on the creation of consistent methodologies for performance auditing;
- the establishment of Energy Audit Certification schemes to improve also measurement, reporting and verification (MRV);
- the setting of standards for certain process components and equipment (boilers etc.); and
- the development of guidelines on minimum energy performance standards.

The promotion of renewable energies can be facilitated, e.g., when

- Independent Power Producers (IPP's) have access to electricity grids. If there is a possibility to create a grid connection point, the burden of proof for refusing a connection site, in terms of both technical and financial feasibility, should be on the utility;
- sufficient incentive mechanisms are developed to attract renewable energy Independent Power Producers (IPPs) to enter the sector, such as the provision of a discount on the transport tariff for renewable energy; and
- subsidies for distributed generation of renewable energies are provided; and
- economically viable feed-in tariffs systems are considered.

As part of the overall regulatory framework, **financing mechanisms** deserve special attention. Generally, fossil fuel subsidies are a major distortion of the market that disadvantage the development of renewable energy as well as the improvement of energy efficiency and should be removed. In addition,

- carbon taxes can help level the playing field for sustainable energy use. Revenues from such taxes should be dedicated for renewable energy and/or energy efficiency programs or funds (nationally and as part of the international climate financing);
- subsidies or loan guarantees should be focused on pilot and demonstration projects;

- carbon markets including links and access to global emissions trading mechanisms markets such as the Clean Development Mechanism (CDM) can help renewable energy reach an internal rate of return making investment opportunities attractive for development;
- import duties and taxes for energy efficient technologies can be eliminated or, at least, reduced.

Institutionalizing sustainable energies in industries

In order to support the implementation of sustainable energy structures in industry, it is crucial to build appropriate institutional frameworks. This can, e.g. mean that

- an independent regulatory board is established, with distance from government, utilities, and IPPs, but still including all stakeholders;
- government bodies responsible for planning in the electrical infrastructure sphere take into consideration needs and challenges of renewable energy developers/IPP's in the short, medium, and long terms. In addition responsibility for monitoring and enforcing needs to be ensured;
- renewable energy developers and IPP's form an industry association which can help to integrate the critical mass and to create pressure for change and progress;
- National Energy Efficiency Agencies are set up that, e.g. coordinate relevant national stakeholders, improve the communication of energy efficiency solutions and encourage implementation of existing measures;
- National Energy Efficiency Action Plans are adopted and implemented, including sector specific targets and outlining the means of implementation; and
- sector-specific Technology Innovation Centers are established to develop capacities to innovate and to develop technologies as well as to accelerate technology transfer at the local and regional levels.

Capacity building

Strengthening capacity building efforts in industries is of key relevance and especially includes activities related to information gathering, training and awareness raising.

The **information base** can be improved by

- comprehensive data procurement, e.g. on the basis of regular national energy surveys
- the compilation of a national database on available sustainable energy technologies per sector and supplier; and
- the collection of success stories which are communicated through dialogue both between sectors (regulators, industry, government, etc.) as well as between countries, both developing and industrialized countries.

Training measures can be expanded, including

- training administrations about available options for sustainable energy use as well as the importance of and challenges faced by industries interested in implementing renewable energy measures;
- the qualification and accreditation of energy service companies; and
- the preparation and use of sector specific energy efficiency manuals.

Awareness raising efforts can be increased, e.g.,

- by preparing industry campaigns to offer companies the chance to communicate their activities to other stakeholders and the general public;
- by collecting, promoting and sharing success stories both in terms of public awareness, and best practice workshops on a sectoral basis.

For a more detailed overview on the Dialogue Forum, please see the documentation and the presentations available at www.lce-dialogue.org