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**UNIDO Intervention at COP 6****Mr. Angelo D'Ambrosio, Managing Director****Sectoral Support and Environmental Sustainability Division****Agenda Item. 9 (C) Statements by Intergovernmental Organizations**

Mr. President, distinguished Delegates, Colleagues.

Since COP 4, UNIDO's support for the Climate Convention intergovernmental process has focused on technology assessment, identification of capacity building needs and methodological work, particularly baseline setting for industrial energy efficiency projects.

We sincerely hope this work has been of use to Parties in their efforts to address the many aspects of the Buenos Aires Plan of Action. This morning, I will touch briefly on the two climate-response issues of technology transfer and sustainable development in the context of UNIDO's mission to help poorer countries avoid industrial marginalisation in a global economy.

Mr. President:

Developing capacity to introduce new climate-friendly technology is key to success in achieving the two objectives of Article 12 in the Kyoto Protocol, namely: -controlling the growth of greenhouse gas emissions; and helping to achieve sustainable development in project host countries. It is also essential to keep countries and companies moving along with today's open and competitive global industrial economy and avoid this way any possible

marginalisation.

In UNIDO, we are concerned, however, that these countries, with relatively few emissions currently available for reduction, will be bypassed by the CDM in favour of large industrial and energy conversion projects in countries with larger populations, more advanced economies and larger existing industrial bases. If this occurs, it will be an important opportunity lost to address the issues of social and industrial equity and sustainable development as well as detracting from the over all effectiveness of the climate convention. Without proper attention to the methodological aspects of the Clean Development Mechanism, its outcomes will not differ from those of normal investment flows, traditionally directed towards highest rates of return, which will result in an effective 'race to the bottom' in search for large scale projects in the predominately larger economies of the non-Annex I group. Clearly this is not acceptable for UNIDO, and it should as well not be acceptable for any other multilateral organization. Therefore capacity building, particularly in the poorer and least developed countries of the non-Annex I group has been firmly established in UNIDO as a priority.

We have recently completed the first stage of a new programme, which seeks to facilitate the introduction of energy efficient industrial technology eligible for CDM in Africa.

With our support, experts from business and industry in six African countries identified barriers to investment in energy efficiency improvements and to the effective utilisation of the CDM to achieve this goal.

We are now extending this programme to encompass other regions of the non-Annex I group

with the aim of being able to supply tailor made capacity building services to the industrial sector. In Africa we are moving to implementation of capacity building initiatives.

Mr. President:

As the Parties seek to finalize their decisions on the Kyoto Mechanisms, the issue of Sustainable Development looms large in the discussion. In UNIDO we define sustainable industrial development as development that balances a country's concerns for competitiveness, for social development and for environmental soundness.

Our technical cooperation programmes support the Climate Convention *environmental soundness* by cutting or avoiding industrial emissions of greenhouse gases and other pollutants. At the same time they impact favorably on social development aspects, such as job skills upgrading, and on industrial competitiveness.

Overcoming the existing barriers and creating and taking advantage of new business opportunities from the CDM and JI are essential if the Kyoto Mechanisms are really going to result in *sustainable development, poverty alleviation and commercially viable and certifiable* Greenhouse gas emission reductions in non-Annex I countries.

The identification of barriers and their removal through appropriate capacity building is an important facet of the CDM because of the need to ensure the long-term sustainability and dissemination of the transferred technology. Traditionally, technology transfer initiatives have centered on so-called 'black box' transfers where a technology is transferred without the requisite capacity building, such as local training resource utilisation, and adaptation to the

local environment. This has resulted in the relative failure of many such projects in the past to achieve the goal of sustainable development in the host countries.

Developing country industry, mostly small and medium sized enterprises, is, by virtue of its many constraints, slow in assimilating technology. This implies that the CDM has to address not only technology acquisition, but also the *capacity building* essential for *technology absorption*.

We at UNIDO believe this is a firm role for Governments and organizations such as the UN. Together we must raise awareness of climate change issues and the possible benefits of the CDM and JI. We must raise technology levels in local enterprises, particularly small and medium sized enterprises, and develop the capacity needed to create 'enabling environments' for the private sector to engage successfully in the Kyoto Mechanisms.

This pressing need in all developing countries hardly needs emphasis. However, the nature of the problem is difficult and it is hard to mount effective programs. Approaches must be proactive, providing high quality services, which identify the technological needs of small businesses and offer a whole package of assistance including technology demonstrations and advice on regulatory reforms.

In our opinion such initiatives and projects, which aim cut or avoid greenhouse gas emissions and which address social development and contribute to sustainable development in the host country, will not only help address climate change but may also help to protect developing country firms from being marginalized in the new global economy.