



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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Study of the impact of the Kyoto Protocol on coffee trade and environmental quality in the coffee life-cycle

Background

1. This document contains a summary of a project proposal aimed at providing an overview of the rules, procedures and criteria that have been developed under the Kyoto Protocol for the Clean Development Mechanism (CDM) and Greenhouse Gas (GHG) market, in which emitting parties can offset their pollution discharges through investments in ‘carbon sequestration projects’ in developing countries.
2. It may be noted that the project proposal is defined within the context of the UNEP/ICO framework of studies on coffee, environment and international trade and that this proposal was presented to the Executive Board at its meeting in September 2003 (see Item 8.4, paragraph 37 of document EB-3853/03).
3. The project will be developed by EcoSecurities Ltd, an environmental investment and advisory firm specializing in services to facilitate innovative environmental finance solutions for forestry, renewable energy and other environmentally sustainable processes.

Action

The Board is requested to consider this project proposal and, if appropriate, to recommend approval by the Council for its submission to the CFC for funding under the “Fast Track” procedure.

Project Summary

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| Title of project: | Study of the impact of the Kyoto Protocol on coffee trade and environmental quality in the coffee life-cycle |
| Duration: | Nine months |
| Location: | EcoSecurities Duty Station in London, UK |
| Nature of the project: | The project proposal dwells on one provision of the Kyoto Protocol which allows participants to trade emissions and thereby creates a carbon sequestration market. One of the devised market mechanisms is the Clean Development Mechanism (CDM), in which emitting parties can offset their emissions through investments in emission reduction projects in developing countries. |
| Brief description: | The proposal will identify opportunities for emission reduction or carbon sequestration projects in the coffee life-cycle. This includes, for each potential opportunity identified, a) a brief feasibility analysis looking at Greenhouse Gas (GHG) mitigation potential, eligibility under the CDM, cost-effectiveness, minimum project size, technical and capacity constraints and market aperture, and b) a brief analysis of non-GHG environmental and socio-economic impacts. |
| Total cost: | US\$77,500 |
| Mode of financing: | Grant |
| Project Execution Agency (PEA): | EcoSecurities Ltd |
| Supervisory body: | International Coffee Organization |
| Estimated starting date: | N/A |

1. Introduction

In 1992 the United Nations Framework Convention on Climate Change was signed by 154 countries for the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous interference with the climate system”. This was followed by an agreement in 1997 known as the Kyoto Protocol, in which 39 countries established specific GHG emission reduction targets. In order to reach these targets in the most cost-effective manner possible, the Kyoto Protocol allows participants to trade emissions, thereby creating a carbon market. One of the devised market mechanisms is the Clean Development Mechanism (CDM), in which emitting parties can offset their emissions through investments in emission reduction projects in developing countries.

The CDM offers new opportunities to the coffee-producing sector to increase income streams and at the same time improve the environmental impacts of the coffee life-cycle. This comes at a welcome moment, since commodity prices for coffee had fallen to historic lows from which they have only partially recovered and, while the retail price has not fallen, the negative consequences have been felt most in the coffee-producing countries of the South. To a major extent, the impact of the low commodity price has been to greatly reduce farm or plot-level income streams, with a concurrent reduction in capital investment in land management and equipment. The implementation of greenhouse gas emissions reduction activities in producer countries and the transaction of resultant carbon value could therefore provide an important additional revenue stream for capital investment or increased income.

2. Work plan

In the context of the UNEP/ICO framework of studies on coffee, environment and international trade, research needs to be conducted into the potential relevance of the Kyoto Protocol, the CDM and the Greenhouse Gas (GHG) market for coffee production and trade and its environmental impacts. We propose to do this through an initial desk study, in which we aim to undertake the following activities:

1. Provide an overview of the political process of the Climate Change convention; of the rules, procedures and criteria that have been developed for the Kyoto Protocol and in particular for the CDM; and of the current developments in the Greenhouse Gas (GHG) market.
2. Identify opportunities for emission reduction or carbon sequestration projects in the coffee life-cycle. This includes, for each potential opportunity identified a) a brief feasibility analysis looking at GHG mitigation potential, eligibility under the CDM, cost-effectiveness, minimum project size, technical and capacity constraints and market aperture; and b) a brief analysis of non-GHG environmental and socio-economic impacts.

3. Present three case studies for selected opportunities identified in point 2. They will be used to demonstrate how the rules and criteria reviewed under Activity 1, and the feasibility and environmental impact analyses conducted under Activity 2 work out in practice.
4. Identify possible next steps to promote and facilitate CDM investments in the coffee sector.

3. Budget

The total cost for EcoSecurities' fees for the development of this work is shown below for each of the activities. All prices exclude travel expenses, which will be charged to the client separately. Where appropriate, VAT should also be added.

| Activities | Budget (US\$) |
|---|----------------------|
| Activity 1: Climate Change review | 20,030 |
| Activity 2: Analysis of opportunities and impacts | 26,700 |
| Activity 3: Case studies (3) | 16,020 |
| Activity 4: Identification of next steps | 2,700 |
| Coordination of study and consultations with ICO | 1,350 |
| Preparatory work (presentations, travel time) | 2,700 |
| Three meetings with ICO (with 2 staff) | 8,000 |
| Total | 77,500 |

Payment for services will be made along the following schedule:

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| On signature of contract: | 40% |
| On submission of first draft of report: | 30% |
| On submission of final report: | 30% |

Payment is due within 15 days of presentation of an invoice.

4. Schedule of activities

After signature of contract an initial meeting will be held at the ICO offices in London to discuss and fine-tune the activities, expectations and deliverables. The first draft of the report will be delivered within 3 months after this meeting and presented and discussed during a second meeting. After review of the draft by the ICO a third meeting will be held at the ICO offices to discuss the comments, any improvements to the draft and further research needs, should these be required. The final report will be delivered within two weeks after the second meeting. All meetings will be attended by two of EcoSecurities' staff (one each from our Energy and Forestry divisions respectively).

5. Conditions

This proposal is subject to EcoSecurities standard terms and conditions, and valid for a period of 3 months.

With regard to the above-mentioned services, all communications and information exchanged between the Parties will be conveyed in confidence. Confidential information between the Parties will not be used without the express consent of the originating Party.

6. EcoSecurities' Background

EcoSecurities is an environmental investment and advisory firm that specializes in services to facilitate innovative environmental finance solutions for forestry, renewable energy and other environmentally sustainable processes. With over two dozen professionals spanning legal, policy economic, technical and financial capacity through offices in the US, UK, Netherlands, Brazil and Australia, the firm is led by individuals who have been involved in the field since the first international emission reduction projects commenced. EcoSecurities has successfully advised clients on the transaction of emissions reductions to the World Bank Prototype Carbon Fund, the Netherlands ERUPT program, the private carbon reduction market and the international green certificate market. EcoSecurities has acted as advisors to various Governments, including Australia, the United Kingdom, Netherlands, Denmark, Costa Rica and Brazil as well as several UN and World Bank agencies, and has already carried out work in more than 50 countries worldwide.