“Programmes for economic diversification in Non – Annex I Parties”

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A. Developed Country’s perspective on E.D.

- Economic diversification is not a separate process from economic development in general
- Economic development leads to diversification
- Economic diversification is a challenge which can not be achieved in isolation.

Linkage between E.D. & S.D.

- Economic Diversification is a component of Sustainable Development:

“Development that meets the needs of the present without compromising the ability of <u>future</u> generations to meet their own needs”

WSSD – Johannesburg 2002

World Summit on Sustainable Development has shown the way and programs for integrating the environmental dimension into development strategies, linking economic growth and environmental protection.

Adverse effects of CC

- Adaptation activities (covered by the provisions of the UNFCCC and Kyoto Protocol) can be supported through general development work
- ***Mainstreaming*** adaptation to climate change into sustainable development policies and plans of action

Response measures to CC

- Effects from the implementation of response measures (on terms of trade, international capital flows and development efforts) are difficult to quantify
- Not isolate these measures

Integration

- ✓ *Take advantages from the consequences of “climate impacts”*
- ✓ *Integrate climate change impacts into general development policies*

B. Programmes & Investments

The success of Direct Investments depends on the efforts of beneficiary Country to offer the right investment environment

Economic Development / Diversification in DCs

High relevance of ***enabling environments***:

- Legal framework
- Macroeconomic conditions
- Security
- Good governance

The private sector…

…need to find:

✓ a stable country
✓ infrastructure
✓ the integrity of the bureaucracy
✓ flexibility
✓ human capital

Environment as an opportunity

Developing Countries that want to attract investments for Economic Diversification / Development need to take their environmental regulation and control seriously

Italy - Programmes for Economic Diversification / Development

- Criteria pursuant to MEA and JPOI
- The perspective is not limitated to the UNFCCC and/or Kyoto Protocol
- Future investments supported by Italian Government will be focussed on sustainable development

The Sino-Italian cooperation program towards sustainable development

- Promotion of joint projects under the framework of Rio Conventions.
- Experimentation and testing of new innovative technologies that afterwards will be implemented gradually at national level (win-win opportunity)

Mediterranean Renewable Energy Program (MEDREP)

- Scope: to strengthen RE markets and services in DCs and in countries with EIT of the Mediterranean Basin.
- Objective: to implement RE projects able to generate “green certificates” and/or “Certificated Emission Reductions” (CERs) deriving from CDM projects.

C. Strategies for attracting Investments

Winner sectors (examples):

- ✓ expansion of climate-friendly energy sources
- ✓ in particular, the promotion of renewable energy sources
- ✓ development of climate-friendly technologies

OECs concerns

- ✓ Some Oil Exporting Countries see the Climate Change negotiations as something dangerous for their economies
- ✓ Capacity to response to future challenges: in the long term, need for “structural transformations”

Looking at the future

For the current commitment period, energy market conditions will not be altered by the (possible and desirable) implementation of Kyoto Protocol.

In the longer term (post 2020), with aggressive reductions, oil price may be affected. But it depends on policy choices

International Stabilization Fund

An insurance mechanism to help address losses arising from the implementation of response measures.

Stabilization funds are important initiatives used by countries to cushion their domestic economies from the sharp and unpredictable variations in oil prices and revenues.

Intergenerational equity

ISFs have been set up to ensure intergenerational equity.

Through these instruments, National Governments may implement long-term plans that balance the development needs of both the current and future generations.

The case of ITALY

- Italy after 2nd World War was a Developing Country without any natural resource, mineral wealth and oil reserve.
- Economic growth in 15 / 20 years.
- In the 21st century, Italy is a Developed Country that addresses new challenges coming from the international markets.

Italy must diversify its own economy to be *competitive* in the future.

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