



POLICY GROUP

**DRAFT
CARBON SEQUESTRATION LEADERSHIP FORUM
MINUTES OF THE POLICY GROUP MEETING OF 25 JUNE 2003**

Note by the Secretariat

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CARBON SEQUESTRATION LEADERSHIP FORUM
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Note by the Secretariat

Background

The inaugural meeting of the Policy Group of the Carbon Sequestration Leadership Forum was held on 25 June 2003 in Tysons Corner, Virginia, USA. Draft minutes of that meeting were developed by the Secretariat and circulated to CSLF Members. Comments by the Members have been received by the Secretariat and have been incorporated into the draft minutes which is provided with this Secretariat Note.

Action Requested

The Policy Group is requested to approve the minutes of its inaugural meeting.

Conclusions

The Policy Group is invited to note in the minutes of its meeting of 21 January 2004 that:

“The Policy Group approved as final the draft minutes of its inaugural meeting.”

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DRAFT
Carbon Sequestration Leadership Forum Inaugural Meeting
Minutes of the Policy Group

Ritz Carlton Hotel, Tyson's Corner, Virginia
25 June 2003

LIST OF ATTENDEES

Present:

Australia	John Ryan
Brazil	Jose Miguez
Canada	Gil Winstanley
China	Gao Feng
European Commission	Peter Horrocks
European Commission	Angel Perez Sainz
India	R. V. Shahi
Italy	Marcello Capra
Japan	Shigetaka Seki
Mexico	Mario Rodriguez-Nowtero
Norway	Odd Sverre Haraldson
Norway	Tone Skogen
United Kingdom	Brian Morris
United States	Carl Michael Smith

Observers:

South Africa	A.D. SurrIDGE
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CSLF Secretariat:

Barbara McKee
Miles Greenbaum
Ellen Clark
Mike Perper
Jeffery Price
Scott Miles

SUMMARY OF PROCEEDINGS

1. Convene Meeting and Welcome Delegates

The Policy Group was greeted and welcomed by Carl Michael Smith, Assistant Secretary for Fossil Energy, U.S. Department of Energy, and Chairman of the Policy Group. Annex A presents the Agenda for the meeting. Mr. Smith thanked all for attending and described the objectives and outcomes expected of the meeting.

2. Objectives and Expected Outcomes of this Meeting

The objectives and outcomes expected by Mr. Smith for the meeting included establishing a set of initial issues that could be discussed at future meetings, obtaining a consensus on the priority issues, reaching agreement on the venue for the next Policy Group meeting, and preparing a summary position for the final CSLF plenary.

3. Introductions and Delegate Perspectives

Each of the delegates was introduced and invited to express their perspective on the Carbon Sequestration Leadership Forum and the role of the Policy Group. These are quite extensive and are summarized in Annex B.

4. Review of Policy Group Functions and Discussion of Ground Rules

The Policy Group had a wide-ranging discussion on the Policy Group functions. It was agreed that these should be consistent with the CSLF Charter and that it needs to be the executive body of the CSLF. In that role, it will provide an overall framework for the operation of the CSLF by establishing Terms of Reference and Procedures. A number of specific functions of the Policy Group were discussed, notably, fostering collaborative R&D projects that reflect a consensus of members' priorities; establishing guidelines for collaboration and the reporting of results by both the Technical Group and the Policy Group; identifying potential issues relating to the treatment of intellectual property and other institutional factors; and assessing on a regular basis the progress of collaborative R&D projects and making recommendations on the direction of such projects.

5. Selection of Vice Chair

The United Kingdom nominated Italy for Vice Chairman; Italy accepted the nomination. Canada nominated Australia as a second Vice Chairman and this nomination was seconded by both Mexico and the United Kingdom. Australia accepted the nomination. Norway then proposed that the Vice Chairmen be elected through the next meeting, pending distribution of suggested procedures; Canada, Mexico, and the United Kingdom seconded this proposal. It was agreed that the U.S. would chair. Discussion also included the length of term for the Chairman and Vice Chairmen. There was also discussion of the possible role of a Secretariat. The Chair proposed that the Secretariat could develop recommendations concerning a leadership rotation schedule, provide support for the Policy and Technical groups as requested, arrange logistics for meetings, take and distribute minutes and notes, and receive, collate, analyze and communicate input from members. The Secretariat could also create and

maintain an informational web site, and work with interested countries in preparing drafts of analyses, position papers, procedural documents, etc. The Policy Group would be responsible for giving specific instructions on such matters to any agreed Secretariat.

6. Date and Venue of Next Meeting

It was agreed that:

1. The next Policy Group meeting will be held in Rome, Italy in late January, 2004; and,
2. Australia will host the next Ministerial meeting in September, 2004, in connection with the World Energy Congress.

7. Review of Issues

Several issues were discussed during the first day of the meeting and these issues were reviewed by the Policy Group. The chair proposed that these issues should be addressed and discussed in detail by the Policy Group, with the purpose of determining the scope and objective of possible contributions of the CSLF to each of them. They include:

- Addressing the national and international legal issues, (including environmental regulations, London Convention, intellectual property provisions, trans-boundary issues) whether existing or proposed, to determine any barriers, legal mechanisms or opportunities for international cooperation;
- How to attract financing, create incentives and mitigate the risks for carbon sequestration projects, including addressing issues related to CO₂ emissions trading, storage, liability, reliability and health / safety issues;
- Shaping the public perception of carbon sequestration through outreach and awareness programs involving a diverse group of stakeholders (i.e. industry, environmental groups, local communities, academia, local governments and regulatory agencies); and determining how stakeholder participation will be implemented;
- Assessing factors that impact on the development and deployment of carbon sequestration technologies such as economic and environmental regulations, mechanisms for collaboration and stakeholder involvement, incentives and rewards for stakeholders, and establishment of standards, and limits and controls. This requires credible performance, monitoring, and verification;
- Actively involving developing countries within the forum, establishing technology transfer mechanisms including considering financing demonstration projects, addressing priority of sequestration compared to

other issues, and evaluating intellectual property issues specific to developing countries;

- Organizing the Policy Group, including setting up two task forces: a Stakeholders Task Force and a Legal, Regulatory and Financing Task Force. The Legal, Regulatory and Financing Task Force will prepare an inventory of global activities related to these topics.

8. Prioritization of Issues

Near Term Priority was defined by the forum as a 6 month timeframe. During this period, the Policy Group agreed to begin developing a process for stakeholder engagement; Australia, Mexico, the U.S., Canada, and the U.K. have agreed to address this initiative.

Mid Term Priority for the forum was defined as 15 months. During this timeframe, the Policy Group will research and discuss legal, regulatory and financial issues; Australia has agreed to lead this task with the help of the U.K., the U.S., and Canada. Other mid-term priorities brought to the table included finding the gaps that exist in current technologies and working with international forums on priority issues.

Long Term Priority was defined as 15+ months. No items were discussed for this timeframe.

9. Policy Group Consensus and Summary

The Policy Group agreed that there is a need for the Policy Group to approve proposals for priority items and to ensure that these are integrated with those of the Technical Group.

ACTION ITEMS

<u>Responsibility</u>	<u>Action</u>
Secretariat and Italy	Arrange for next Policy Group meeting in January in Rome
Secretariat	Draft Terms of Reference and Procedures for the CSLF
Secretariat	Set up administrative procedures for discussion by the Policy Group
Chairman	Set up two task forces: (1) Stakeholder Involvement and (2) Legal, Regulatory, and Finance
Legal, Regulatory and Finance Task Force	Inventory relevant legal, regulatory and finance activities
Secretariat	On an ongoing basis prepare and maintain integrated priority items list which has been approved by the Policy Group and Technical Group

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Annex A. Agenda

CARBON SEQUESTRATION LEADERSHIP FORUM
Policy Group Agenda
June 25, 2003

Time	Policy Group
11.30	Convene and Welcome <i>C. Michael Smith</i>
11.35	Objectives of this Session and Expected Outcomes <i>C. Michael Smith</i>
11:40	Introductions and Delegate Perspectives <i>Policy Group Delegates</i>
12.20	Review of Policy Group Functions and Discussion of Ground Rules <i>C. Michael Smith</i>
12.30	Working Lunch/Discussion <ul style="list-style-type: none">• Selection of Vice Chair• Review of Issues Emerging from Forum• Discussion of any Issues not Covered in the Forum• Consensus on Issues• Prioritization of Issues <i>Policy Delegates</i>
14.00	Date and Venue of Next Meeting <i>Policy Delegates</i>
14.15	Consensus Summary/Next Steps <i>Policy Delegates</i>
14:30	Adjourn <i>C. Michael Smith</i>

Annex B. Delegate Perspectives

Australia

Mr. John Ryan commented that the forum has identified four major issues that require attention: regulatory issues; public awareness; impediments to investment; and, intellectual property. He stated that the CSLF needs especially to address impediments to investment and application of sequestration technology. Mr. Ryan also stated that the Policy Group should be the driver for key policy issues, and the Technical Group should focus on carbon sequestration science and technology; however, both Groups must remain in close contact. Mr. Ryan's position is that the forum's function is not regulatory, but rather it is to analyze regulatory issues. Mr. Ryan believes that the forum should be operated similar to the Asian Pacific Economic Cooperation (i.e. with contributions from various countries and driven by its membership rather than the Secretariat). In addition, Mr. Ryan commented that the rotation term for chairmanship should be approximately two years; and, the group should create interim leadership positions to keep work flowing.

Canada

Dr. Gil Winstanley noted that the Policy Group would seem to have two key and distinct functions – one would be to handle matters pertaining to the governance of the initiative itself (such as systems and procedures for its functioning, priorities, decision-making processes, the role of the Secretariat, relations with other bodies, new members, and the like); and the second would be to explore policy issues related to the enhanced use of carbon sequestration technology – including the role of government in establishing an enabling policy environment, public acceptance and safety issues, priorities in relation to other technologies such as renewables, nuclear, etc. Canada in particular noted the importance of addressing regulatory issues and how to ensure benefits of carbon sequestration were internalized in market decisions so as to encourage investment in this technology; developing public and stakeholder understanding and acceptance of carbon sequestration; and communicating the results of efforts stemming from this forum. Other issues stressed by Canada included the importance of linking with, and not duplicating, efforts in other forums such as the International Energy Agency.

China

China

Mr. Gao Feng generally agreed with the forum Charter and the views expressed by the other countries on financial concerns, administrative issues within the forum, legal aspects, intellectual property rights and confidentiality and availability of documentation (to delegates vs. the public). Mr. Feng also noted that technology applied in developing countries could become an issue for the forum in the future.

European Commission

The representatives from the European Commission (EC) had a number of comments regarding the function of the Policy Group as follows: The main purpose of the Policy Group is to discuss governance and policy for the forum rather than sequestration policy; that the Policy Group should set terms of reference for the forum; defining and clarifying in greater detail the scope and objectives of both Policy and Technical Groups; that the Policy Group should initiate working links with other organizations (e.g. IEA) avoiding duplication of work; and, that the main purpose of the forum is to facilitate development and implementation of technology. The EC representatives also expressed that the Technical Group should report to the Policy Group, accepting guidance and decisions. Other issues mentioned by the EC representatives included: international property rights and funding; the need to establish relationships between working groups and the Secretariat, including communications and interface; the need to write a process for establishing forum projects which includes both on-going work and new initiatives. The EC representatives proposed that any country willing to do work in the carbon sequestration field be allowed to join the CSLF without delay. Questions addressed to the Policy Group for discussion were how consensus building will be accomplished and the proposed appointment and rotation of chairs and vice chairs.

India

Mr. Shahi proposed that working groups/subcommittees be formed to discuss each key issue identified. It is Mr. Shahi's opinion that the purpose of the Policy Group is to create overall policy framework, structure, rules, regulations and procedures for the forum. He stated that there needs to be close interaction between the Technical and Policy Groups. He also asked how new membership to the forum will be determined.

Italy

Italy

Mr. Marcello Capra observed that the forum needs strong interaction with non-governmental stakeholders, that the Policy Group should request technology evaluations from the industrial sector, and that the interaction between the Policy and Technical Groups should be analyzed in preparation for the next meeting. Mr. Capra also inquired about what kind of potential contribution each country could be expected to give.

Japan

Mr. Shigetaka Seki raised the following issues that need clarification: One was the relationship between the Policy Group and the Technical Group. Any policy issues such as Intellectual Property Rights (IPR) and the relation with other international conventions has rich technical details which may not be

appropriately discussed at the level of the Policy Group. The Policy Group may want to instruct the Technical Group to consider some technical issues associated with such policy issues. Second, the relationship with other cooperative activities such as those under IEA Implementing Agreements needs to be clarified. Third, technology mapping should be addressed by the Technical Group, and IPR and regulatory issues need to be decided upon.

Mexico

Mr. Mario Rodriguez-Nowtero made the following overall observations regarding the forum: That stakeholder participation in the process is critical; that the forum Charter should be refined and refocused in future years in terms of consensual decision making, regional representation and/or revolving leadership; that the forum should avoid government intervention – assuming that industry, academia, etc. will do the majority of the work; and that the primary purpose of the forum be to facilitate development of technologies that are cost-effective. Regarding forum administrative activities, Mr. Rodriguez-Nowtero commented that the purpose of the forum needs to be further defined, and he addressed the following questions to the group: What kind of financial requirements should be established for participation in the forum, and should non-governmental sectors be allowed to participate?

Norway

The representatives from Norway suggested that the Policy Group should direct the focus of the Technical Group; however, the Technical Group should have input regarding its priorities. Norway observed that cooperation between international bodies is necessary for the forum to be successful. The representatives suggested that: A 'status report' from each country should be done immediately, a work plan and terms of reference for the Policy Group needs to be completed, and a process to initiate projects should be created. In addition, Norway raised several questions. How will the forum map ongoing activities? Should the forum enter into legal issues? What is the role of the financial institutions within the forum? How will networks be developed?

United Kingdom

Mr. Brian Morris indicated that it is very important for the Policy Group to take the lead, providing direction and terms of reference for the forum including legal, environmental (specifically, CO₂ leakage) and public perception issues. Mr. Morris discussed the need to create a 'work program' that includes goals and objectives. He also mentioned the need to establish good working relationships with other organizations such as the International Energy Agency.

United States

Mr. Smith noted that the term for the chairmanship needs to provide enough time for projects to make progress. Further, he mentioned that the Policy Group is in

a facilitating position; its function is to provide leadership to the Technical Group to develop and transfer technology. Mr. Smith commented that the CSLF should be kept small enough in number to be workable, and that the current invitees represent all corners of the world. He noted that the CSLF is a unique entity that has been brought together around the common objective of solving technology problems. He also recommended that the CSLF form a viable working structure by using task forces; for example, intellectual property, stakeholder involvement and regulatory issues would be appropriate subjects for task forces.

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