GEI is a Chinese non-profit, non-governmental organization established in Beijing, China in March 2004.

Our mission is to make conservation profitable and economic development ecologically sound by supporting conservation efforts with market-oriented solutions

# Contents


| | |
|---|---|
| International Board of Directors | 2 |
| Letter From the Director and Executive Director | 3 |
| About the Institute | 4 |
| Sustainable Rural Development Program | 5-7 |
| Energy and Climate Change Program | 8-11 |
| Biodiversity Conservation Program | 12-14 |
| Capacity Building Program | 15-16 |
| Partnerships Program | 17-19 |
| 2005 Financial Highlights | 20 |

# International Board of Directors

# Letter From the Director and Executive Director

Dear Friends,

2005 represented significant growth for the Global Environmental Institute as we more clearly defined our method of using market mechanisms to resolve environmental problems and developed pilot projects throughout China with increasingly tangible results.

Our Energy and Climate Change team's efforts saw the implementation of China's first Bus Rapid Transit systems; the introduction of Combined Heat and Power technologies to China's cement industry; and the completion of a comprehensive feasibility study on bio-diesel production in China. This work broadened GEI's efforts to research market-oriented solutions to fighting climate change and facilitate ecologically responsible energy investments.

*How can GEI more effectively work towards a world in which economic well-being is directly linked to ecological and social well-being, industry is accountable and clean, and rural communities flourish at the local level?*

Our Biodiversity and Conservation team focused on introducing forest conservation concessions and clean development mechanisms to the forestry sector in China through research, policy recommendations and the designing of pilot demonstration projects. These efforts strengthened GEI's work to improve biodiversity conservation by linking communities directly with conservation incentives provided by outside partners.

The Rural Development team further developed our multi-dimensional sustainable energy, organic farming and ecotourism development model through demonstration projects in Yunnan and Guangxi provinces, with feasibility studies expanded into Tibet and Sri Lanka. These projects introduced fundamental changes of organizational infrastructures for economic activities in rural areas and accomplished GEI's goal of achieving self-sustaining and ecologically sound rural development.

Our Capacity Building program focused on trainings for government leaders, policy makers, NGOs and journalists on issues including sustainable development, the new environmental impact assessment law, and public hearings, while our Partnerships program assisted international organizations with publications and research on environmental issues in China. Both of these programs improved the capacity of government and civil society in China and abroad to understand and tackle the economic, environmental, and social elements of environmental challenges in China.

New projects in 2006 aim to improve China's capacity to develop clean development mechanisms in industry, better regulate forestry-related enterprises, and to implement conservation incentive agreements to make community-level conservation possible and financially attractive. With your help, our efforts will continue to bring us closer to a world in which economic well-being is directly linked to ecological and social well-being, industry is accountable and clean, and rural communities flourish at the local level.

Sincerely,

Director: **Wang Wenxing**

Executive Director: **Jin Jiaman**

We aim to solve environmental problems holistically, through evaluation of their economic, environmental, and social elements.

# About The Institute

## GEI's Mission

GEI is a Chinese non-profit, non-governmental organization established in Beijing, China in March 2004. Our mission is to make conservation profitable and economic development ecologically sound by supporting conservation efforts with market-oriented solutions. We aim to solve environmental problems holistically, through evaluation of their economic, environmental, and social elements.

## GEI's Goals

- To integrate environmental and economic problem-solving in China by building local and international collaboration between government agencies, institutions, private enterprises and non-governmental organizations in addressing these issues.

*China has become crucial to global efforts to achieve ecological, social and economic stability.*

- To achieve self-sustaining and ecologically sound rural development by linking local communities directly with outside partners in such areas as biodiversity conservation, bioremediation, or organic agriculture.
- To mitigate global warming and increase energy conservation by commercializing environmental technology, fostering sustainable enterprises and developing innovative business and financing models.
- To develop the capacity of China's leaders and civil society to design, implement and enforce socially and ecologically sound development policy in rural, urban and industrial sectors.

## GEI's Approach

We at GEI have realized that the lack of sustainability of traditional environmental and poverty alleviation programs is often due to the absence of market incentives and the long-term profitability of projects. We have developed an approach which links primarily non-profit environmental conservation and community development initiatives with for-profit business management skills, market access channels, and the establishment of functional, self-sustaining businesses that last beyond the lifetime of our programs.

*Because of the size of the Chinese economy, a decisive move towards new sustainable business models, technologies and industries has a global impact—lowering costs and providing viable models for other developing nations.*

*We believe that formulating economically viable models and working across sectors of society is crucial to addressing China's rural and urban environmental dilemmas.*

GEI emphasizes economic viability in conservation efforts, promoting the adoption of environmentally sound practices and technologies and engaging the private sector as major stakeholders in our conservation projects. Furthermore, we promote a decision-making process that integrates environmental protection and economic development, short and long-term planning, and local and global interests. Our successful projects are followed with policy recommendations and media outreach for public education.

To achieve self-sustaining and ecologically sound rural development by linking local communities directly with outside partners in such areas as biodiversity conservation, bioremediation, and organic agriculture.

# Sustainable Rural Development Program

Our Rural Finance Initiative presents a new model for financing self-sustaining and ecologically sound development of rural areas in China and throughout the developing world. The model promotes sustainable development in rural communities by building a network of renewable energy (RE), organic agriculture (OA), and ecotourism (ET) ventures.

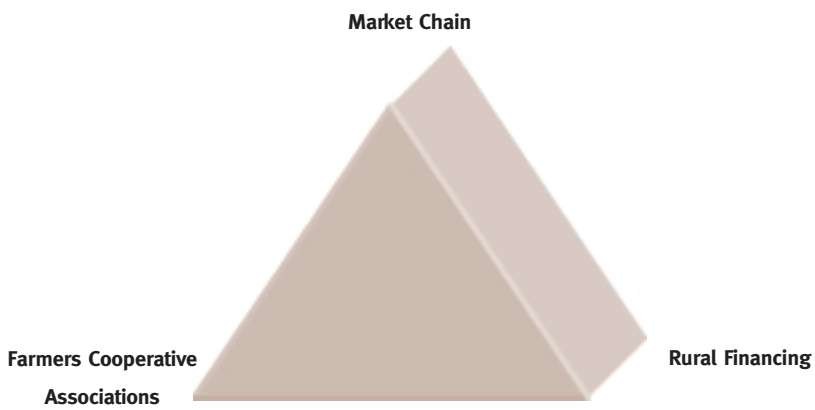
## Project 1
## China Rural Project

### Program Background and Approach

The development of the model for sustainable rural development involves identifying local sources of private capital while helping residents of rural areas come together to design, develop and operate their own business ventures.

Phase I of this Initiative involved rural financial capacity building, identification of project portfolios, and outreach to local and international financing institutions to support rural Chinese business ventures. Phase II, the Rural Finance Program, expanded activities to begin pilot projects in China's southwest Guangxi Autonomous Region and Yunnan Province, both of which are poor mountainous areas with great importance in biodiversity conservation. Demonstration projects have been launched in Changshui Village and Shitou Township in Yunnan Province and Rongshui Township in Guangxi Zhuang Autonomous Region.

The project model involves the formation of farmer cooperative associations, the creation of financing mechanisms to service rural markets, and the establishment of market chains for business ventures in target project areas. Through this model we aim to introduce fundamental changes to organizational infrastructures for economic activities followed with technical support in broadening financial and market channels in target project areas.



GEI project officer lectures in a greenhouse for organic vegitables.

**The outcomes of this approach are as follows:**

- Capacity building in sustainable rural areas.
- The establishment of farmers' cooperative associations.
- The creation of financial mechanisms to serve rural markets including the first guarantee fund in China to serve farmers.
- The establishment of a market channel for rural enterprises and farmers' cooperative associations.
- The provision of technical assistance in areas of renewable energy, organic agriculture and eco-tourism.
- The formation of strong relationships with government at different levels and the creation of conductive policy framework in rural finance.

**Progress in 2005**

- February 2005: GEI conducted training on the growing of greenhouse vegetables for local farmers in Changshui Village. Local farmers not only gained basic knowledge of greenhouse operations, they also constructed 3 mu of greenhouses with the assistance of technicians.

- April 2005: In order to help farmers in Rongshui County of Guangxi Zhuang Autonomous Region develop their bamboo industry, GEI introduced Zhejiang Fuda Bamboo Co. Ltd and Liangmian Zhen Co. Ltd to the Rongshui Township. The two enterprises established Yikang Fuda Bamboo Co. Ltd in Rongshui. With the support of the local government, the company began business operation in September 2005.

- June 2005: GEI organized training on eco-tourism for farmers in Shitou Township Yunnan. As a result of this training, 23 households formed the Laojun Mountain Eco-tourism Guide Cooperative.

- October 2005: GEI held a seminar on the Farmer's Cooperative Association and Fund Structure in Lijiang, Yunnan Province. Participants included experts from the China Academy of Social Science (CASS) and China Agriculture University (CAU); senior rural technical advisors of the Program; government officials from the Poverty Reduction Office; related village, township and county-level government organizations; a project officer from the Nature Conservancy (TNC); and farmers' representatives. Participants discussed goals and activities for the second stage of GEI's rural finance initiative project. As a result of this trip, GEI developed its integrated three-part model using 1) the farmer cooperative association, 2) fund structure and 3) market chain three-part model, with the help of CASS and CAU.

- November 2005: GEI and the Poverty Alleviation Office of Guangxi Zhuang Autonomous Region set up a five-year bamboo training framework to expand the bamboo industry not only in Rongshui County but also in four other counties in China. GEI will be a general organizer for this project.

- December 2005, GEI conducted field research in Tibet. Together with Tibet Aid Fund and TAR government, GEI will expand its project to Tibet with the establishment of an eco-agriculture farmers cooperative association. Meanwhile, GEI staff also conducted field research in the Aba Tibetan area of Sichuan Province in collaboration with The Mountain Institute. The pre-feasibility study report will be prepared soon.

## Project 2
## Sri Lanka Biogas Commercialization Project

The goal of this project is to relieve the threat of environmental damage caused by the region's livestock waste while promoting the latest biogas technology in Sri Lanka, developing a new model for commerce, and establishing an agricultural model in Sri Lanka based on environmental cycles.

### Program Background

Because Sri Lanka does not have its own oil resources, it must import all of its energy. It relies entirely on imported natural gas to satisfy its daily fuel needs. Because imported fuel is extremely expensive, most families cannot afford it, and therefore the majority of families in Sri Lanka continue to rely on fire wood for their daily energy needs. At the same time, the pollution caused by these families' livestock rearing is becoming a serious threat to the region.

A project paricipating farm in Kandy, Sri Lanka.

Sri Lanka's national legislation stipulates that all families that raise cattle must treat the manure and sewage produced. If it causes pollution they are subject to economic and legal repercussions. Existing biogas systems in Sri Lanka are highly outdated and inefficient, requiring large amounts of water, sand and gravel in processing. In a country like Sri Lanka that must import all of its cement, sand and gravel, constructing these biogas ponds is outrageously expensive. Those few families who have endeavored to build biogas tanks with the existing models shoulder heavy debt due to the high construction costs.

### GEI's Approach

This project builds on the experience gained from the successful implementation of GEI's Rural Sustainable Development Program in other regions throughout China. This involves establishing a channel for rural people to improve their standard of living by: establishing a rural joint venture companies; using efficient and appropriate technology to contain the polluting animal waste and turn it into methane gas for fuel; using the composted effluent from the biogas tanks to grow organic food; and selling the organic produce in the domestic and international markets. In addition, we will work with the Sri Lankan government to establish a fund for developing biogas and to promote this model throughout the country.

### Progress in 2005

- July 2005: Project Phase I started operation.
- August 2005: GEI signed the first MOU with the Ministry of Livestock of Sri Lanka to expand its renewable energy project according to the Rural Finance Program model.
- October 2005: Invited by GEI, Mr. SUN Jinshi, the Professor from the Agricultural University of China, visited our project sites in Sri Lanka.
- December 2005: GEI completed the Feasibility Study Report on Sri Lanka Biogas, and will assist the government of Sri Lanka in constructing 4 small biogas and 1 medium biogas project.

To mitigate global warming and increase energy conservation by commercializing environmental technology, fostering sustainable enterprises and developing innovative business and financing models.

# Energy and Climate Change Program

Through our Energy and Climate Change Program, we explore market-oriented solutions to fighting climate change and work to facilitate ecologically responsible energy investment projects.

Partners meet for comercialization.

## Project 1
## Energy Efficiency Financing: Clean Development Mechanisms for China's Cement Industry

### Project Background and Approach

The global cement industry is one of the main sources of heat-trapping carbon dioxide ($CO_2$) emissions. In addition, China is the largest producer and consumer of cement in the world. Improving the energy efficiency of cement production in China will therefore contribute significantly to global efforts to reduce greenhouse gas emissions and mitigate climate change.

The importance of improving energy efficiency and reducing $CO_2$ emissions has been gaining increasing attention from both the Chinese government and the cement industry. Many opportunities exist to improve energy efficiency by 10-30 percent or more by using low-cost, commercial technologies with high investment returns and short payback periods. However, these technologies have not yet been deployed on a large scale due to market barriers such as lack of access to financing for most small and medium-sized enterprises (SMEs) that provide sustainable energy services. The objective of this project is to explore financing mechanisms to promote energy efficiency and $CO_2$ emissions reduction in China's cement industry.

After much research into China's cement industry and energy consumption prospects that included policy, market and technology reviews, stakeholder meetings and case studies, GEI has identified a promising technology for the cement industry which would generate power from waste heat (Combined Heat-Power plants or CHP), thereby dramatically decreasing the overall power consumption required for cement production. This will be achieved through the establishment of a professional energy service company (ESCO or EMC) in the cement industry.

### Progress in 2005

- January 2005: Negotiated initial agreement with investors and set forth a timeline for the first power generation facility using waste heat in a cement plant to be completed in 2006. Other interested investors such as venture capital companies and private foundations have also been identified for investment after the project is underway.

- Ongoing: Working network for energy efficiency financing in the cement industry that includes investors, technical companies, cement plants, project builders, NGOs, and industrial associations domestically and internationally.

- Ongoing: Outreach and financing discussions with the World Bank's International Financing Company (IFC) as well as domestic investment institutions like China Electricity Investment Company and China National Machinery Import & Export Corporation.

- Ongoing: Cooperation with Tsinghua University and working plans for the CHP project to be a candidate for carbon-trading schemes under using Clean Development Mechanism (CDM) schemes. Includes further cooperation with the Japan Mitsubishi Integrated Research Institute, and developing a corresponding Project Idea Note (PIN).

## Project 2
## Commercial Demonstration of Small Combined Heat and Power

### Project Background and Approach

The rapid development of China's economy needs the support of a well-developed energy supply system. Energy demand has been growing rapidly at nearly 4 percent per year since the late 1970's and is now second only to the United States in both annual energy consumption and carbon emissions. Studies indicate that by improving energy efficiency and maximizing the use of natural gas, China could offset half of the total increased energy demand.

This project aims to advance the commercialization of small natural gas combined heat and power technologies (NG-CHP) in China's urban residential areas. These technologies have the capacity to significantly improve natural gas energy efficiency and thereby reduce greenhouse gas emissions. GEI aims to create a viable business model for NG-CHP projects based on the model of Energy Management Companies (EMC, known as ESCO outside of China). This requires a comprehensive assessment of available CHP technologies, their relevance for different situations and user groups, their relative costs and their market potential. Market information is then used for public outreach regarding CHP and presented to the government for policy recommendations.

As a civil society entity, GEI sees its role as a short-term catalyst for facilitating and nurturing business partnerships in the interests of the public by providing non-biased information. This project is bringing together key stakeholders to develop commercially viable CHP demonstration projects, which will be able to gain experience in overcoming policy barriers, service contracting, and financing. Ultimately, these stakeholders will form a business network that will stimulate the growth of a new NG-CHP market while reducing pollution and greenhouse gas emissions.

### Progress in 2005

- January-July: Case studies on constructed NG-CHP projects.

- January 2005: Identified potential NG-CHP pilot project clients in Shanghai, Beijing and Chongqing and visited these clients with the Chinese Future Cogeneration Benefits Company.

- March 2005: Identified an American ESCO to invest in NG-CHP projects in China.

- March 2005: Compiled a list of all NG-CHP vendors and relative consultant companies in China.

- July 2005: Drafted assessment of NG-CHP development potential in hotels. Hotels would give NG-CHP

equipment a high operation ratio and economic return due to their constant heat and electricity demands, urban environment and resulting emissions-reduction requirements, accessibility to the larger market, and inherent chain/group operative models ideal for NG-CHP market development and project reduplication.

- December 2005: Completed project report reviewing the whole project implementation process and analysis of the reasons for delay on commercial demonstration project construction. This included a review of Chinese CHP market potential; NG-CHP market share analysis; NG-CHP development policies and technical choices; analysis of current barriers to Chinese CHP; and NG-CHP development system designs. The report addresses the questions of whether the current problems of coal-fired CHP will affect NG-CHP, and explored anticipatory designs for the survival of NG-CHP corporations in a continuously changing market environment.

- Throughout year: Conducted a feasibility analysis of a planned NG-CHP project to be built in Beijing, with the cooperation of targeted clients, ESCOs and investors.

## Project 3
## Feasibility Study of Bio-diesel Commercialization in China

### Project Background and Approach

Bio-fuels are liquid fuels produced from biomass for driving traditional vehicles. Bio-diesel can be conveniently produced from certain oil-containing plants, as well as from animal fat and waste cooking oil. The production of bio-fuels encourages independence from fossil fuels and does not have to involve advanced technologies. For these reasons it can be an effective way of reducing rural poverty while relieving oil demand in urban areas.

Although China's limited arable lands cannot be spared to grow biomass for energy production, the country has vast hilly and mountainous areas in which there are many infertile waste fields that are ideal for growing oil-bearing nut plants for bio-fuel production. Furthermore, the planting of these nut plants can be combined with bio remediation projects aiming to combat soil erosion from deforestation.

The objective of this project is to foster faster progress in China on the development and commercialization of bio-fuel production to ensure energy security and reduce carbon emissions. It also aims to foster industrial-scale demonstrations of bio-fuel production in connection with poverty alleviation. With these goals, GEI has focused its initial efforts on researching the feasibility of bio-diesel production from two sources: cooking waste oil and Ma-Feng (Jatropha Curcas) trees. This involves literature research combined with field investigation to build knowledge of these two bio-fuel resources in China; networking and case studies; and information dissemination through seminars to raise public awareness and facilitate public-private partnerships in China.

### Progress in 2005

- March-August 2005: Conducted a literature review and found that the Ma-Feng wild tree species is already present in 8 Chinese provinces and particularly abundant in Sichuan, Yunnan and Guizhou provinces

- May 2005: Conducted study on waste kitchen grease and found that there are already a couple of small companies in China collecting waste grease and using it to produce bio-diesel. But a lack of formal bio-diesel standards makes it unmarketable. In addition, privatized unstable oil collection makes it less accessible for bio-diesel production. Further study is needed to better understand how these private oil collecting mechanisms could be directed toward manufacturing bio-diesel.

- June-October 2005: Conducted Ma-Feng feasibility study and found that while Ma-Feng trees are one of the lowest-cost resources in China, at present bio-diesel made from Ma-Feng tree nuts will not be competitive to petrol-derived diesel without some form of government subsidies or incentives, which are completely lacking in China.

- August 2005: Conducted case studies and made field visits with China's top expert on Ma Feng trees, professor Chen Fang of the Sichuan University's College of Life Science. Chen expressed interest in GEI's potential role in organizing farmers to grow the trees and thereby secure a supply of raw material for his planned processing facility.

- November 2005: GEI with NRDC and the Worldwatch Institute held an international seminar covering a variety of topics related to bio-diesel, including the global progress on bio-diesel, German and U.S. promotional policies, China's resource and land potential, Chinese government research, development and demonstration efforts, and bio-diesel production experiences by Chinese entrepreneurs. Participation in the seminar was unexpectedly high and active, indicating a growing interest of Chinese society in bio-fuels, and probably also revealing the lack of specific attention to bio-diesel so far when promoting renewable energy. The participants included academics, central and local government officials, company executives, investors, donors, and reporters. They represented a wide spectrum of professions, encompassing agriculture, forestry, energy, chemical industry, oil refinery, transportation, shipping, and environmental protection. It proved to be a successful public education event and a helpful networking opportunity for bio-diesel professionals.

- Seminar findings: The seminar learned that making diesel from oily plants is currently more costly than conventional diesel production. The biggest expenditure comes from raw materials, often constituting some 80% of the total production costs. To increase the economic viability of bio-diesel production, it is therefore crucial to find effective and efficient ways of organizing the growth, collection, transportation and handling of the resources.

- Seminar conclusions: To expand bio-diesel use, China needs to 1) establish product standards for the clean fuel, 2) adopt explicit financial incentives, and 3) work out commercial operation models for bio-diesel resource production.

- Ongoing throughout year: Developing plans for demonstration sites in Sichuan and other provinces and organizing rural communities to grow Ma-Feng trees and carry out the pre-processing of the seeds for processing facilities such as the one planned by professor Chen Fang. These demonstration projects will provide critical information to government agencies for devising effective bio-diesel incentive policies.


International Seminar on Promoting Bio-diesel Development and Application, Nov. 2005, Beijing.

To improve biodiversity conservation by linking communities directly with conservation incentives provided by outside partners.

# Biodiversity Conservation Program

The GEI forestry team actively promotes responsible forestry-related activities, especially focusing on forest stewardship responsibility of Chinese enterprises that import timber from overseas.

## Project 1
## Conservation Concession Policy and Clean Development Mechanisms for Forest Recovery

### Project Background and Approach

*Without appropriate and sustainable livelihoods for China's rural inhabitants, biological conservation remains an empty slogan.*

Conservation concession is an innovative approach to public-private partnerships in conservation and involves a contractual partnership between the national government and non-governmental sector (such as an institution, a private business, or a community) whereby the non-governmental entity manages State-owned land for purposes of ecosystem and biodiversity conservation. This emerging approach is being increasingly adopted in Central America, South America, New Zealand and Indonesia.

Through this project, GEI aims to introduce innovative sustainable forestry finance tools with a clear understanding of the current context of the institutional setting, policy incentives, and community structures of the forestry sector in China. The project's approach involves introducing the concept and experience of conservation concession from the United States, Brazil, Peru and other countries to China and explaining the sustainable use of forest resources to achieve both environmental and economic sustainability. In addition, introducing Clean Development Mechanisms (CDM) into the forestry sector and initiating a process in China toward a full concession law. Finally, it involves encouraging the Chinese government to transfer its role from traditional operator to active supervisor in forest management.

### Progress in 2005

- April 2005: Drafted policy recommendation to the National People's Congress.
- April 2005: Conducted pre-feasibility study on Clean Development Mechanisms (CDM) for reforestation and sustainable forest use.
- April 2005: Project completed

*With 21 percent of the world's population, China has only 7 percent of the world's fresh water and cropland, 3 percent of its forests, and 2 percent of its oil.*

## Project 2
## Feasibility Study for the Implementation of Forestry Conservation Concessions and Sustainable Development in China


GEI consultant WU Fengshi addresses Carbon Trading at the National Forestry Administration's training program on the Clean Development Mechanism.

### Project Background and Approach

Conservation concession, a promising new policy tool for the protection of ecologically significant State-owned land, is a contractual partnership between the national government and a non-government actor-an institution, a private corporation, or a community-whereby the non-government actor manages state-owned lands for purposes of ecosystem and biodiversity conservation. GEI intends to introduce the conservation concession initiative in the Amazon region of Peru as a successful case to concerned government officials. The purpose is to create a window for innovative approaches to establish new natural reserves and expand existing natural reserves in the developing area of the Law for Natural Reserves.

The Conservation Incentive Agreement project introduces an innovative financing mechanism for establishing and expanding protected areas, and provides a sustainable source of funding for protected area management and monitoring. It is one of our efforts to address China's environmental issues from a global perspective by introducing the best practices worldwide. In conducting this project GEI operates as an "open lab" in China to encourage inter-agency, international collaboration and collaboration between government agencies and civil society, including enterprises. In addition, we work collaboratively with different government agencies and specialists from various fields to push forward the project and to provide solution-based project designs. In this way, we are able to develop holistic approaches incorporating market studies, technical support, financing scheme, and business plans in preparation for the pilot project implementation. When successful, the experience gained from the pilot project will then serve as the basis for policy recommendations.

Approach:

- Detailed research has been conducted on the concept of the conservation incentive agreement; its worldwide application; and the first law related to the conservation incentive agreement-the Peruvian Law on conservation concession;
- GEI has involved concerned officials from the State Forestry Administration, the State Environment Protection Administration and the National People's Congress in its round table meeting and workshops to inform them of the concept of conservation incentive agreements;
- GEI has actively promoted the concept of the conservation incentive agreement in workshops organized by the National People's Congress and publications of the National People's Congress.

### Progress in 2005

- April 2005: Collected and compiled information on conservation concession and drafted policy recommendations to the National People's Congress.

- May 2005: Organized a round table meeting to engage the concerned stakeholders from the State Forestry Administration, the State Environment Protection Administration and academic institutes in the discussion

of the conservation concession concept. Incorporated input from different parties to draft a policy recommendation submitted to the National People's Congress.

- May 2005: GEI presented its research results in the International Workshop on Developing Protected Area Law in China organized by the Environment and Resource Protection Committee, National People's Congress.

- July 2005: Published the article on conservation incentive agreements in the Journal of China's Forestry 2005, 9B, Vol. 595, P39-40.

- August 2005: Located and translated the Peruvian Regulations on Conservation Concession into Chinese and included it in the recommendation to the National People's Congress.

GEI's forestry project team discusses the feasibility of implementing Conservation Concession in China, May 2005.

- September 2005: Organized an international workshop on conservation concession: invited Dr. Richard Rice from Conservation International and Mr. Brian Hayum from Amazon Conservation Association to China to further the key decision-makers' understanding on conservation Concession.

- October 2005: Posted a short introduction to the conservation incentive agreements concept on the GEI website.

- November 2005: Collaborated with Dr. Richard Rice from Conservation International and the Conservation International China field office on drafting the proposal to Blue Moon Fund and the Conservation Stewardship Program (Conservation International) to develop a pilot project on conservation concession.

- December 2005: Submitted the policy recommendation on including conservation incentive agreements in the Protected Area Law and included the policy recommendation in the Proceedings of the International Forum on Environmental Legislation and Sustainable Development.

- December 2005: Initiated a GEI and CI collaborative project on the Conservation Incentive Agreement pilot project in China.


GEI holds a seminar on conservation concession in Beijing, September 2005.

To develop the capacity of China's leaders and civil society to design, implement and enforce socially and ecologically sound development policy in rural, urban and industrial sectors.

# Capacity Building Program

Through our Capacity Building Program, we aim to improve the ability of government and civil society in China and abroad to better understand and tackle the economic, environmental, and social elements of environmental challenges in China. This involves curriculum development for trainings and workshops, outreach and roundtable discussions and linking international experts with Chinese leaders, policy makers and activists to share experiences of innovative environmental problem solving.

## Project 1
## Sustainable Development Training for High-Level Decision Makers

The Central Party School signs MOU with GEI, July 2005.

### Project Background and Approach

Despite significant development in China's environmental policy in recent years, the majority of government leaders and decision-makers still lack the training and the background knowledge necessary to implement and develop China's environmental policy in a meaningful way. This project aims to develop China's leaders' capacity to handle and construct environmental policy.

The project involves six main activities: (1) The incorporation of sustainable development policy in existing state training of newly appointed local government leaders in the Central Party School/Academy of Administration of the State Council leading to the preliminary design of a training program on Sustainable Urban Development; (2) Conducting a Train-the-trainer module in Europe to a pilot group of trainers from the Central Party School/Academy of Administration staff; (3) Delivery of a pilot training course to a selected group of future Chinese governors, mayors and high level public officials; (4) Identification of the best practices of sustainable development from the United States and Europe, and the adaptation and transfer of their operational models; (5) Analysis of the conditions for the extension of this pilot capacity building initiative and consultation with relevant Chinese authorities in charge of local leaders professional training; (6) Dissemination of project results across all government trainings and the continued training and transfer of best practices after officials have taken office.

The trainings focus specifically on market-based environmental public policy, sustainable energy, sustainable rural development and urban environmental planning. They give priority to regulatory and economic policy, market mechanisms and business models for an effective support of environmental technology markets as well as fostering changes in citizen consumption patterns. This kind of capacity building is crucial for building a sustainable urban environment in the face of pressures created by China's rapid urban development.

### Progress in 2005

- July 2005: Reached a cooperative agreement between GEI and the Central Party School to develop a training program on "Market-Based Approaches to Sustainable Environmental Development." In the project's next phase, GEI and the Central Party School will create a think-tank on sustainable development policy.

- August 2005: Formed a Project Management Unit. July 2005: Located potential training hosts of Phase I, such as The Forestry and Environmental School of Yale University and Stanford University.

- November 2005: Selected 8 teachers of CCPS as the trainers for the train-the-trainer program.

- December 2005: Signed a Cooperation Memorandum with The Bio-Politics and Environmental Policy Research Center, which will assist with launching the train-the-trainer phase of the project and conduct trainings for teachers to go abroad in January 2006.

## Project 2
## China Public Hearing Advocacy Training Program: Improving the Capacity of NGOs and Media for Participation in Environmental Public Hearings and Training Program on Environmental Impact Assessment & Environmental Journalism

### Project Background and Approach

The purpose of this project is to develop training modules for NGO's and journalists in order to improve the capacity of the public to participate in public hearings for environmental protection, advance the growth of environmental journalism and forward the cooperation between civil society and media in China. The modules focus on three areas: A) Environmental Journalism; B) EIA Study and How NGO's Can Effectively Participate in Environmental Public Hearings; C) The Role of Media and Civil Society in Driving Public Participation in Decision-Making on Environmental Projects.

Specifically, the project aims to teach NGO's how to use the new EIA Law; to increase local NGO capacity for organizing communities affected by large-scale development projects to participate in public hearings mandated by the EIA Law; to educate journalists on EIA and the resulting public hearings in order to enhance their ability to cover any news related to EIA and public participation in environmental decision-making

The project involves developing modules for trial basis in order to gain experience and then implementing them in regional trainings across the country. The goal is to provide NGO's with the tools they need to initiate their own trainings for the public, organize their own public hearings, and serve as tools for the environmental protection in their other work so that the trainings continue beyond the lifetime of GEI's project. In this way, GEI aims to work as a catalyst for NGOs and the media to generate public participation and information dissemination about new environmental policy.

### Progress in 2005

- April-June 2005: Invited experts and professors to develop 13 standard courses to be used to educate NGO staff and journalists. These courses were classified into three training modules.

- June-July 2005: Two of the course modules were implemented though the Journalist Salon and GEI's NGO network in Beijing. Drawing on experience in implementing the two trainings in Beijing, the courses were then revised and improved.

- August 2005: To increase the project's impact, 120 sets of the revised training materials were published to support implementation of this training in future regional trainings throughout China.

- September 2005-May 2006: Implementation of the training modules through conferences in Tianjin (Sept 2005), Nanjing (November 2005), Chengdu (March 2006), Shanghai (May 2006), and Kunming (July 2006). Each of these trainings includes 30 local environmental NGO reps and 20 journalists from local media, using one of the three Modules developed.

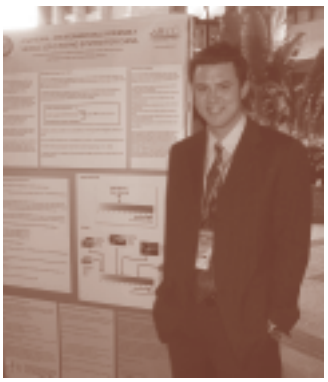
To integrate environmental and economic problem-solving in China by building local and international collaboration between government agencies, institutions, private enterprises and non-governmental organizations in addressing these issues.

# Partnerships Program

Through our partnerships, GEI provides a platform to assist international NGOs in developing their environmental protection efforts in China and at the same time provides a link for Chinese organizations and leaders to interact with and learn from efforts of those outside of China. This program works to integrate environmental and economic problem solving in China by building local and international collaboration between government agencies, institutions, private enterprises and non-governmental organizations in addressing these issues.

## Project 1
## Partnership with the Auto Project on Energy and Climate Change (APECC)

### Project Background and Approach



Attending International Conference in Hong Kong.

The Auto Project on Energy and Climate Change (APECC) is an initiative taken to tackle energy problems by promoting energy efficiency in the automobile industry. GEI has hosted APECC's China program since May 2004, providing financial and technical support for all of its projects.

The program aims to promote stringent fuel efficiency and vehicle emission regulations and policies in China; conduct policy research and provide recommendations on reducing oil demand and greenhouse gas emissions from motor vehicles; promote clean, efficient vehicle technologies; advise China on oil replacement strategies and conduct research on hydrogen and alternative fuels; provide research and recommendations on the future of personal use vehicles and transportation demand management; build capacity on maintaining a transportation database in China; build capacity in management of mobile source emissions in China's mega cities; and promote and host international exchange on automotive energy and climate research.

This involves maintaining two related websites with outreach information and transportation databases; publishing a monthly newsletter covering news and reports about the auto industry, energy and pollution in China; conducting research and implementing demonstration projects in collaboration with other civil society entities, investors and government organizations.

### Progress in 2005

- Throughout Year: Monthly Newsletter.
- Throughout year: Climate Change and Automotive research reports and news posted on project websites (www.autoproject.org.cn and www.greencarchina.org).
- January 2005: Collaborated with US Energy Foundation and China Automotive Technology Research Center to establish energy consumption standards for China.
- March 2005: Collaborated with SEPA and the Vehicle Emissions Control Center to establish the green car rating system in China.

- May 2005: Conducted research and developed model recommendations for private auto ownership and transportation demand management.

## Project 2
## Partnership with the Worldwatch Institute

### Project Background and Approach


State of the World 2005 Chinese Edition is published in Beijing, China, July 2005.

One of the cornerstones necessary for sustainability in China is the development of an independent, non-governmental research and information capacity that is able to assess and analyze national and global trends in environmental technology, resource use, and policy. The Worldwatch Institute (WWI) with its global network of partner organizations is well positioned to play a role in helping China develop that capacity. It is equally important that Chinese trends, policy developments, and innovations be broadly shared with the rest of the world-awakening opinion leaders to the importance of China, and spurring the kind of information exchanges, technology transfer, and financial investment needed to achieve sustainability. Lessons learned in China will have wide and important application in a range of developing and industrial nations. China's ability to pursue a more sustainable development strategy is essential both to China's future and to the ecological future of the planet.

WWI has extended and strengthened its work in China via a partnership with GEI in a two-year effort to develop the two organizations' combined capacity to communicate the latest facts and ideas to Chinese policy circles. GEI works with the Worldwatch Institute and its global network of research institutions and NGOs to build global visibility of three focus areas: 1) Energy, 2) Transportation and 3) Agriculture and Forestry. The partnership involves two broad aims:

1) The establishment of an international research and information dissemination facility that collects, analyses and shares key information on issues of environmental sustainability with a broad Chinese audience, including government decision-makers, non-government organizations, industry, academia and media.
2) Develop and disseminate information on Chinese trends, policy development and innovations, and spurring the kind of information exchanges, technology transfer, and financial investment needed to achieve sustainability.

### Progress in 2005

- July 2005: Published WWI's State of the World 2005 in China through Hebei Press.
- July 2005: Created and filled the new GEI position of Communications Officer to work with WWI.
- August 2005: Created and filled two one-year research fellow positions at WWI to work on China.
- September 2005: Compiled WWI website materials to be built into a Worldwatch China website in English and Chinese.
- September 2005: Provided assistance to some China related content in WWI's State of the World 2006.
- October 2005: Launched "China Watch" website to report on energy, agriculture, population, water, health, and the environment in China.
- October to November 2005: Prepared and organized the International Seminar on Bio-diesel Development and Application in Beijing, with WWI being one of the organizers.

- October 2005: Donated State of the World 2005 Chinese Edition to libraries in selected universities in China on behalf of GEI and WWI.

- September to December 2005: Negotiating with candidate publishers to publish WWI's State of the World 2006 in China.

## Project 3
## Bus Rapid Transit Systems

### Project Background and Approach

Traffic congestion is becoming a major problem in many Chinese cities, pressing the need for sustainable, efficient public transportation systems. Bus Rapid Transit (BRT) systems are an efficient, high-speed and cost-effective transportation method being considered by several Chinese cities. But despite increased interest in BRT, Chinese cities face a lack of technical capacity to plan and implement effective systems. Thus, it is critical to establish a BRT program that can bring international experience with BRT development to enhance the capacity of Chinese research and urban planning teams to expand BRT in China.

The aim of this partnership is to act as a bridge between the local BRT technical teams in different cities and foreign BRT experts to establish a BRT technical network for the development of Chinese BRT systems. This involves collaboration with transportation groups, researchers and government entities in China and abroad to draft BRT implementation guidelines, hold BRT conferences, as well as launch initial BRT lines in various cities including Beijing, Kunming, Hangzhou, Jinan, Shanghai and Xi'an.

### Progress in 2005

- January-July 2005: Invited six Brazilian experts over several months to develop a BRT system master plan and BRT detailed design in Jinan.

- May-June 2005: Organized a series of workshops focusing on sustainable transportation systems through China. In the workshops, we invited experts to give presentations to local BRT teams about BRT planning and design And to help solve some problems the local teams met in their work on BRT project implementation.

- March-April 2005: Began BRT construction in Jinan with the help of an extensive, newly launched BRT team with a five year plan to develop a comprehensive BRT network in the city.

- June-July 2005: Collaborated with the World Bank on a BRT proposal in Xi'an.

The inaugural trip of the Bus Rapid Transit in Beijing starts operation.

- July 2005: Held a workshop and invited several Brazilian BRT experts to discuss a BRT plan for several Chinese cities including Jinan and Chongqing.

- Ongoing throughout year: Drafting Chinese BRT Implementation Guideline to help other cities plan and design BRT systems more easily.

- Ongoing throughout year: Communication with other cities interested in BRT.

- Ongoing throughout year: After the successful launch of the first pilot BRT in Beijing, we are continuing to promote the next two BRT corridors in the city. Under the support of decision makers, the local technical teams are now making detailed plans of BRT in other areas. Before 2008, there will be about 200km of BRT corridors in Beijing.

# 2005 Financial Highlights

## Condensed Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2005

### GEI - China
### Program Activity

### Summary-2005

| Program | Revenue & Begin Balances | Expenses | Balances | Budget |
|---|---|---|---|---|
| RFI - year1,2 | $ 282,062.58 | $ 263,225.28 | $ 18,837.30 | $ 639,881.86 |
| Sri Lanka | $ 37,500.00 | $ 23,129.80 | $ 14,370.20 | $ 37,500.00 |
| EE-CDM | $ 1,755.41 | $ 1,733.96 | $ 21.45 | $ 90,000.00 |
| CHP | $ 64,059.06 | $ 59,937.71 | $ 4,121.35 | $ 116,000.00 |
| Bio-fuel | $ 36,600.00 | $ 30,215.88 | $ 6,384.12 | $ 47,000.00 |
| Forest-CDM | $ 31,130.78 | $ 31,035.76 | $ 95.02 | $ 120,000.00 |
| CEPF | $ 20,000.00 | $ 20,349.82 | $ (349.82) | $ 20,000.00 |
| High level training | $ 190,000.00 | $ 42,770.10 | $ 147,229.90 | $ 275,000.00 |
| Auto & climate | $ 9,448.04 | $ 7,358.60 | $ 2,089.44 | - |
| WWI | $ 34,777.00 | $ 29,782.08 | $ 4,994.92 | $ 34,777.00 |
| BRT | $ 22,643.13 | $ 22,643.13 | - | $ 50,000.00 |
| Public Participation | $ 16,000.00 | $ 10,330.13 | $ 5,669.87 | $ 20,600.00 |
| CDM-Tsinghua | $ 8,443.52 | $ 3,195.21 | $ 5,248.31 | - |
| **Total** | **$ 467,474.27** | **$ 545,707.46** | **$ 208,712.06** | **$ 1,450,758.86** |

**GEI Staff**

WANG Wenxing, Director General
JIN Jiaman, Executive Director
ZHANG Rongping, Chief Operations Officer
FU Wei, Accountant
Lila BUCKLEY, Assistant to Executive Director
QIN Mei, Communications Officer
CHEN Zhiping, Program Director of Sustainable Enterprise Development
WANG Aimin, Program Officer of Sustainable Forestry Program
FU Huahui, Capacity Building Program Officer
CHEN Shiping, Energy and Climate Change Project Officer
CUI Nanying, Sri Lanka Project Assistant
CHEN Mingjie, Forestry Program Assistant
SHI Ximai, Sustainable Rural Development Project Assistant
HUANG Di, Sustainable Rural Development Project Officer - Tibet Office
LI Shuang, Sustainable Rural Development Project Assistant - Tibet Office
Nimalamu, Sustainable Rural Development Project Assistant - Tibet Office
Cirenluobu, Sustainable Rural Development Project Assistant - Tibet Office
HAN Haicui, Lijiang Project Assistant
BAI Jie, Administrative Assistant

**Advisors**

Ms. WANG Yanjia
Tsinghua University
Area of Expertise: Energy and Climate Change

DU Xiaoshan
Chinese Academy of Social Sciences, Rural Development Institute
Area of Expertise: Finance

DENG Yiyou
National Intellectual Property Right Bureau
Area of Expertise: Legal

QIAN Jingjing
National Resource Defense Council
Area of Expertise: Science and Technology

CAO Hua
Tsinghua Venture Capital Management Institute
Area of Expertise: Finance and Policy

WANG Yi
Chinese Academy of Science, Policy Management Institute
Area of Expertise: Policy

XU Jintao
Chinese Academy of Science, Institute of Geography
Area of Expertise: Forestry Policy

LI Liyan
Office of National Coordination Committee for Climate Change
National Development and Reform Commission (NDRC)
Area of Expertise: Energy and CDM

**Partners**

**Governments:**
National People's Congress Environment & Resources Committee
State Environmental Protection Agency
State Forest Agency
The Central School of Communist Party
Office of National Coordination Committee for Climate Change,
National Development and Reform Commission (NDRC)
Local Governments

**International Organizations & Academic Institutions:**
International Network for Bamboo and Rattan
Energy Foundation
Worldwatch Institute
Tsinghua University
China Agriculture University
Chinese Academy of Social Sciences
Chinese Academy for Environmental Planning
Conservation International
The Nature Conservancy - China Program
South-North Institute for Sustainable Development
MOSAICO
Auto Program on the Energy and Climate Change - China Program

**Enterprises:**
Transision Energy Company
Beijing Organic Food Co., Ltd
Tsinghua Venture Capital Management
Environment Energy & Enterprise Ventures Private Limited (e3v)
Cummins Inc. Shanghai
Zhejiang Cement Company
Yongan Company