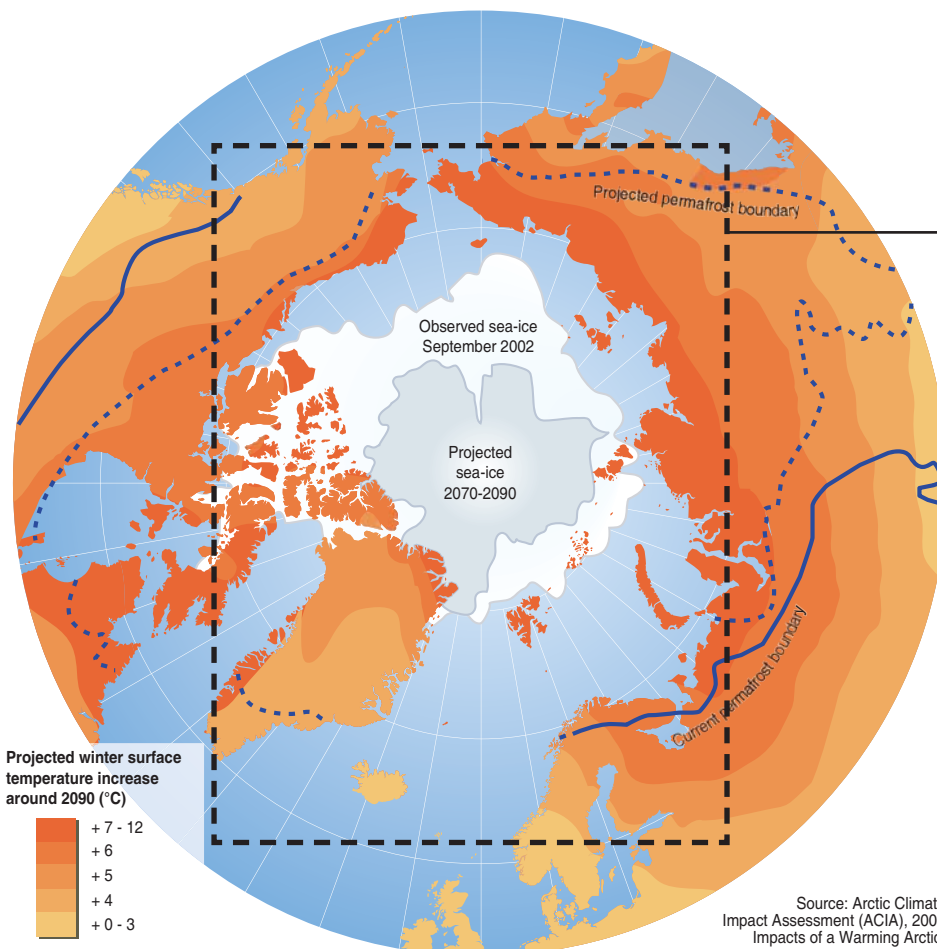




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**On the cover:**

*Climate change scenario for the end of the century. A figure from GRID-Arendal's Vital Arctic Graphics.*

Source: Arctic Climate Impact Assessment (ACIA), 2004  
Impacts of a Warming Arctic.

# 2004: The year in review

The cornerstone in the operational strategy of GRID-Arendal is to maintain a close partnership with the United Nations Environment Programme (UNEP). We take very seriously our role as an Official UNEP centre. A key part of our work focuses on supporting and strengthening UNEP's technical capacities in providing high-quality information products and services based on credible science-based environmental knowledge.

During the year we took great satisfaction in assisting and facilitating the renewal of the international agreement that governs our formal links with UNEP. It covers a new five-year period and was signed in early January 2005 by UNEP's Executive Director, Klaus Töpfer, and the Norwegian Minister of Environment, Knut Arild Hareide.

Much of our professional expertise in 2004 has been focused on products and services for international environmental conventions. As the focal point for the UNEP Shelf Programme, which was initiated in the UN General Assembly, GRID-Arendal has been preparing for delivery of key technical services to developing countries under the UN Convention on the Law of the Sea (UNCLOS). In supporting UNEP's contributions to the Climate Change Convention we have provided a number of awareness raising and training activities that fall under Article 6 of that Convention. Our visual communication expertise was highly recognized in the production of "Vital Waste Graphics" for the Basel Convention, and in successful fund raising for the production of graphics, maps and tables for the Millennium Ecosystem Assessment. Furthermore, GRID-Arendal has been recognized as a major player in supporting UNEP's focus on environment and security and in the continuation of our pioneering capacity building efforts.

As UNEP's Key Centre on Polar Environmental Assessment and Early Warning issues with particular focus on the Arctic, we organized an Arctic Seminar in November, in collaboration with the Centre for International Climate and Environmental Research, Oslo (CICERO) and the University of the Arctic. This seminar explored how UNEP can best support and broaden global understanding for the findings of Arctic environmental assessments and early warning activities. Major production activities during the year focused on "Vital Arctic Graphics". Another milestone was the recruitment of Joan Eamer, Head, Biodiversity and Ecosystem Science, for the Northern Conservation Division of Environment Canada, as Head of our Polar Programme.

Hosted by GRID-Arendal, the Global Virtual University, established under the auspices of the United Nations University, made substantial progress in developing its operational strategy at its Oslo meeting in February. The Master-level Global Environment and Development Study programme at the Agder University College in Norway has now been approved for academic accreditation.

After last year's disappointing funding shortfalls, it was encouraging that financial improvements were made in 2004, although still short of our annual goal. Efforts are being made to increase multi-year programme funding.

After a restructuring of our staffing, we have now been able to recruit four new staff, including two female professionals.

Plans have been developed for renovation of the UN House, our future headquarters in downtown Arendal. Ready for use mid-2006, the building will have an eco-renovation focus, with "green" construction materials, energy-efficient systems, and the application of ecological principles in office planning.

In November the foundation celebrated its 15th anniversary with participation of staff, current and former Board members, officials and other guests.

The outlook for 2005 is good. We have good progress in our work programmes and there is a stable and partly increased demand for new projects within the core activities.

In light of these 2004 achievements, and our able and motivated staff, committed Board members, and supportive partners, we believe GRID-Arendal is well poised to develop further and to provide high-quality and cost-effective products and services to UNEP and other clients and users.



  
**Leif E. Christoffersen**  
Chairman of the Board

  
**Steinar Sørensen**  
Managing Director

# About GRID-Arendal

[www.grida.no](http://www.grida.no)



The mission of GRID-Arendal is to provide environmental information, communications and capacity building services for information management and assessment. Established to strengthen the United Nations through its Environment Programme (UNEP), our focus is to make credible, science-based knowledge understandable to the public and to decision-making for sustainable development.

Dedicated to make a difference, we explore how environmental information impacts on decision-making and the environment. Seeking to bridge the gap between science and politics, an increasing focus is given to environmental journalism and working with the media in general. GRID-Arendal provides analyses and supports communication on issues such as climate change, environment and poverty, environment and security, the urban environment and sustainable development through education. GRID-Arendal has also over the years become highly recognized for its environmental cartographic products.

In 1999 GRID-Arendal was designated as UNEP's Key Polar Centre. In 2001 GRID-Arendal was declared an official UNEP centre. In 2003 the Governing Council of the UN University (UNU) designated GRID-Arendal as an Associated UNU Institution.

GRID-Arendal's work is organised in four main programmes, implemented in various geographical areas:

- Polar, with focus on the Arctic
- Capacity Building
- The Global Virtual University
- The UNEP Shelf Programme

GRID-Arendal has an international professional staff and is guided by highly respected Norwegian and international members of its Board of Directors.

GRID-Arendal headquarters is located in Southern Norway, with outposted offices in Geneva, Switzerland; Ottawa, Canada; and Stockholm, Sweden.



## The UN House

Currently located within the multi-institutional Arendal Science Park, Norway, GRID-Arendal purchased a building by the harbour of Arendal city in 2003, which was launched as an official UN House.

During 2004, the planning phase progressed focusing on eco-efficient renovation materials and construction, as well as "green" solutions for energy, lighting and ventilation systems. GRID-Arendal plans to move into the House mid-2006.

The UN House is intended to be an international attraction open to and serving the public in the Southern Norway region. The House will host UN organisations and other institutions primarily dedicated to sustainable development.

# GRID-Arendal staff

**Hugo Ahlenius** GIS Specialist and Web Developer, Stockholm Office **Robert Barnes** Media Designer **Anna Ballance** Capacity Building Officer (*until June-04*) **Sven Åke Bjørke** GUV Course Designer/Information Associate **Nickolai Denisov** Capacity Building Coordinator, Geneva Office **Marianne Fernagut** Capacity Building Officer (*from Oct-04*) **Keith Finlayson** Polar Programme Manager (*until May-04*) **Karen Folgen** Personnel Manager, Board/Director Support **Øystein Halvorsen** Senior Software Engineer **Marianne Hartz** Media and Information Officer (*on leave from April-04*) **Harald Holt** GUV Director **Kathrine Ivsett Johnsen** Polar Programme, Acting Polar Programme Manager (*from May-04*) **Marit Solheim Johnsen** Administration Secretary **Luana Karvel** Personal Assistant to the Managing Director/Project Administrator **Tiina Kurvits** Polar Programme Coordinator, Ottawa Office **Stephen Lapointe** Senior Web Developer **Wenche Lien** Administration Secretary **Cato Litangen** Information Manager (*until Sept-04*)/Capacity Building Officer (*from Oct-04*) **Brian Lucas** WebMaster (*until June-04*) **Jarle Mjaasund** WebMaster **Christian Nellemann** GLOBIO Coordinator **Viktor Novikov** Capacity Building Officer (*from Sept-04*) **Vigdis Pedersen** Finance Secretary **Philippe Rekacewicz** Senior Geographer/Cartographer **Ieva Rucevska** Capacity Building Officer **Helge Selrod** SANet Project Manager **Petter Sevaldsen** Graphic Designer **Otto Simonett** Head of Geneva Office and Capacity Building Manager **Janet Fernandez Skaalvik** Capacity Building Officer/Publications Coordinator **Steinar Sørensen** Managing Director **Morten Sørensen** UNEP Shelf Programme Manager **Duane Taylor** Web Developer **Thore-Andre Thorsen** Finance and IT Manager **Morten Wasstøl** Capacity Building Officer **Valentin Yemelin** Capacity Building Officer

## Associates

**Bodil Ask** Associate Professor, Agder University College (GUV) **Elaine Baker** Geoscientist, University of Sydney (UNEP Shelf Programme) **Thor S Larsen** Senior Advisor, Norwegian Agricultural University (Polar Programme) **Øyvind Lønne** Geoscientist, Geo-42 A/S (UNEP Shelf Programme) **Paul van Helden** Professor, University of Pretoria (GUV) **Arne Olav Øyhus** Professor, Agder University College (GUV)

## Consultants

**Emmanuelle Bournay** Cartographer **John Bennett** Media and Outreach/Capacity Building **Lars Haltbrekken** Media **Claudia Heberlein** Poverty and Environment **Ard Kant** SANet **Mathilde Snel** Poverty and Environment

## Interns

**Tran Thai Bihn** Polar Programme (*Until May*) **Viktor Novikov** Capacity Building Programme (*April-Sept*)

## Civil workers

Edvard Gjernes • John Christian Reinertsen

## Co-located with GRID-Arendal

**Lars Kullerud** University of the Arctic Director

# UNEP's Key Polar Centre

Under the Memorandum of Understanding between UNEP and GRID-Arendal, UNEP designates GRID-Arendal as the UNEP Key Centre on Polar Environmental Assessment and Early Warning issues with particular focus on the Arctic. (August 1999)

As UNEP's Key Polar Centre, GRID-Arendal is a recognized actor and partner within the international community of researchers, policy- and decision makers, indigenous peoples fora, students and public audiences.

2004 presented a leadership challenge for the Polar Programme as Manager Keith Finlayson moved back to Australia in April. Under the management of our Deputy Manager, Kathrine Ivsett Johnsen, the Programme activities progressed according to plan. An intensive and focused recruitment process resulted in announcing Joan Eamer, Head, Biodiversity and Ecosystem Science, for the Northern Conservation Division of Environment Canada, as our new Polar Programme Manager, starting March 2005.

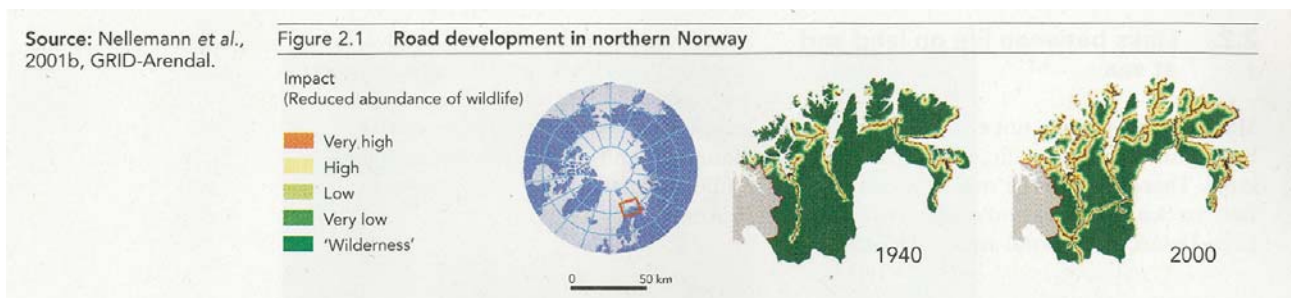
On behalf of UNEP, GRID-Arendal's Polar Programme team was a key contributor to the European Environment

Agency's (EEA) Environmental Issue Report No. 38 "Arctic Environment: European perspectives (why should Europe care?)".

*"Much of the Arctic landscape remains undisturbed, however industrial activities in Europe and elsewhere are having noticeable and adverse effects on this once pristine environment. ...These interactions bring complications for indigenous peoples, and an attendant obligation to assist them in their efforts to preserve their cultures and traditions."*

Klaus Töpfer, UNEP

Jacqueline McGlade, EEA



A figure from the EEA report "Arctic Environment: European perspectives (why should Europe care?)"

## "Our Global Indicator, the Arctic: a UNEP Challenge"

A seminar at GRID-Arendal

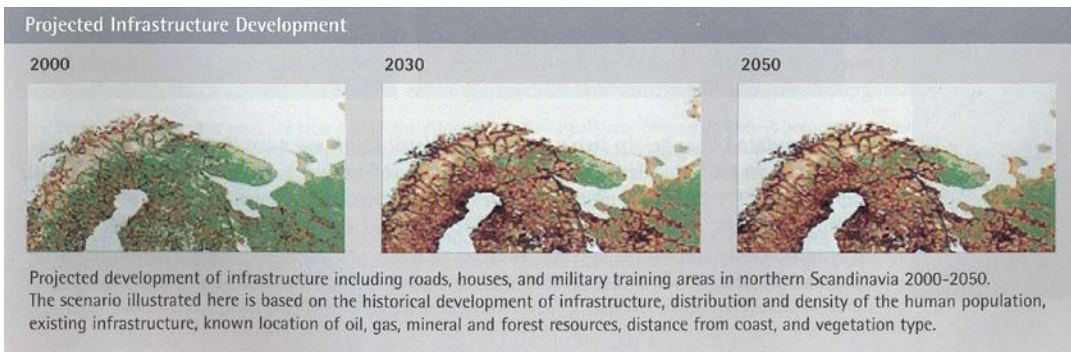
In November 2004, UNEP headquarters, GRID-Arendal's Board of Directors, GRID-Arendal in its capacity as UNEP's Key Polar Centre, the University of the Arctic, and CICERO hosted a seminar in Arendal. Participants represented the international Arctic community and its indigenous peoples.

The purpose of the seminar was to gather partners to discuss and get recommendations on how UNEP together with other institutions can follow up on predicted consequences of pollutants, climate change and development in the Arctic, and the need for circum-Arctic monitoring and awareness raising through education and institution building. This will include global promotion of findings from the Arctic in UNEP's global change work, and not least the role of UNEP in the development of adaptation programmes in the Arctic.

## Vital Arctic Graphics

[www.vitalgraphics.net/arctic.cfm](http://www.vitalgraphics.net/arctic.cfm)

During 2004, work commenced on a new volume in GRID-Arendal's series of Vital Graphics, focusing on Arctic issues. Vital Arctic Graphics presents a combination of illustrations and case studies highlighting major environmental and sustainable development issues in the Arctic. The focus is on climate change issues, persistent organic and heavy metal pollutants, and the impacts of unsustainable resource development. It also highlights the perspectives of the indigenous peoples who have lived sustainably in the Arctic for thousands of years, and who now face massive environmental changes. The final version of Vital Arctic Graphics will be launched during the 23rd Session of UNEP's Governing Council in February 2005.



A figure from the ACIA report "Impacts of a Warming Arctic" (Source: GLOBIO, GRID-Arendal)

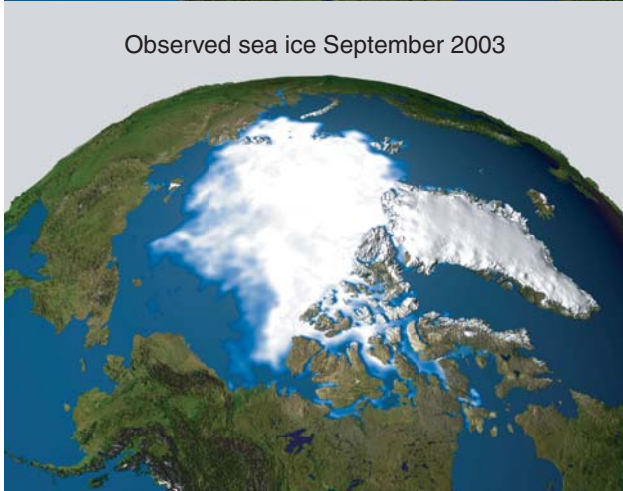
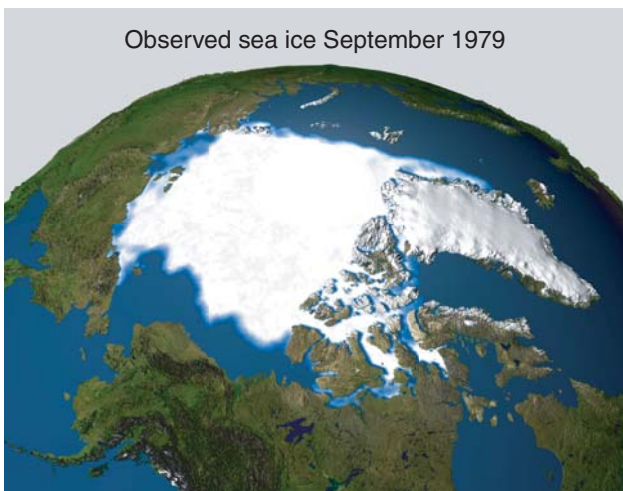
**GLOBIO**  
[www.globio.info](http://www.globio.info)

Global methodology for mapping human impacts on the biosphere (GLOBIO) achieved major progress in 2004. GRID-Arendal, UNEP's World Conservation Monitoring Centre (WCMC) and the Netherlands Environmental Assessment Agency (RIVM) joined efforts in the GLOBIO consortium to develop a new global biodiversity model, bringing together advanced models on climate change, land use, pollution and fragmentation of natural habitats by infrastructure.

GLOBIO scenarios were used by many projects in 2004:

- UNEP's Global Environment Outlook (GEO)
- The Arctic Climate Impact Assessment (ACIA)
- EEA's "Arctic Environment: European perspectives"
- The Great Ape Survival project (GRASP)
- GRID-Arendal's Vital Arctic Graphics

Additional GLOBIO projects were initiated in 2004 including scenarios and assessments of marine and coastal areas, coral reefs, drylands and threats to freshwater resources in Asia's mountain regions.



Source: Arctic Climate Impact Assessment (ACIA), 2004. Impacts of a Warming Arctic.

A figure from GRID-Arendal's Vital Arctic Graphics package.



**The Year Ahead**

In 2005, the Polar Programme will focus on strengthening the role of GRID-Arendal as UNEP's Key Polar Centre. To achieve this we will work closely with the Arctic Council, Arctic Parliamentarians, the International Polar Year, and other polar organisations and programmes. Some specific activities we have planned:

- Coordinate and synthesize assessment and early warning information on the polar regions for UNEP's Global Environment Outlook (GEO) report series;
- Foster integrated ecosystem management, especially in northern Russia, through the ECORA project (Integrated Ecosystem Approach to Conserve Biodiversity and Minimize Habitat Fragmentation in the Russian Arctic) and related community-based projects;
- Host events and produce materials for outreach and promotion for circumpolar programmes, including the Arctic Climate Impact Assessment and Polar View;
- Link the Arctic and the Small Island Developing States to improve the capacity of both regions to adapt to environmental change and to influence global actions on climate change.

# Capacity Building

enrin.grida.no

GRID-Arendal has a strong focus on building capacities in environmental information management of countries and cities. Key regions are Eastern Europe, the Caucasus and Central Asia. Depending on needs, the Capacity Building Programme cooperates with UNEP's regional offices in Africa, Latin America and the Caribbean, West-Asia and Asia-Pacific. Support is also given to UNEP's development of training tools for assessment and reporting in the context of the Global Environmental Outlook (GEO) process.



Through its Capacity Building Programme, GRID-Arendal has become highly recognized for its environmental cartographic products impacting an improved understanding of key environmental issues and their consequences, among decision-makers and the general public.

Recognizing the importance of the mass media in promoting environmental awareness, GRID-Arendal's Capacity Building Programme has undertaken many initiatives to improve the capacity of journalists, governments, and civil society in Central & Eastern Europe, the Caucasus, and Central Asia in reporting on environmental issues.

GRID-Arendal's Capacity Building Programme provides analyses, and supports communication on issues such as climate change, environment and poverty, environment and security, and the urban environment.



Environment & Poverty Times nr. 3

## Highlights in 2004, events:

- Environmental Information Management and Reporting Workshop, Kiev, Ukraine
- Coverage of Environmental Issues Workshop, Armenia
- Environmental Workshop for Albanian Media, Tirana, Albania
- Environmental Journalist Training Workshop, Tashkent, Uzbekistan
- Enhancement of Public Participation in Environmental Issues on the Local Level Workshop, St.Petersburg, Russia
- Opening of Public Environmental and Legal Information Centre in Kalingrad
- Local Environmental Reporting Workshop, Pretoria, South Africa
- Environmental Outlook Workshop, Nassau, Bahamas
- Climate Change Convention (UNFCCC) Article 6 workshop for African journalists, Nairobi, Kenya
- Launch of [www.climatewire.org](http://www.climatewire.org) (climate change news service)

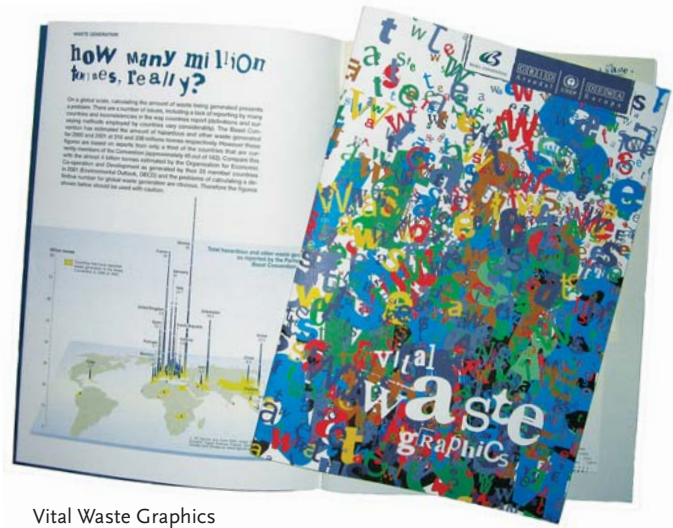
## Highlights in 2004, publications:

- Environment and Security: Transforming Risks into Cooperation – The Case of the Southern Caucasus
- Vital Waste Graphics
- The Fall of the Water
- Armenia and the Environment: The Challenges of Ecological Integrity in a Developing Republic
- Environment & Poverty Times nr. 3 launched in Kobe, Japan (January 2005)



20 journalists from 13 countries participated in a three-day Climate Change Convention Journalist Workshop. The 2004 Nobel Peace Prize Winner, Prof. Wangari Maathai, participated and observed that protecting the environment is a giant step for ensuring peace in Africa.

Photo: Paul Desanker



Vital Waste Graphics



## The Year Ahead

In 2005, the Capacity Building Programme will focus on consolidating activities and achievements in core strategic areas, concretely:

- Continue involvement in UNEP's Environment & Security initiative (envsec), in finalizing and launching the Ferghana Valley (Central Asia) assessment; follow up the recommendations in the Caucasus; focus on mining issues in the Balkans; and mapping "white spots" on the envsec map in Eastern Europe. In cooperation with the Polar Programme, we are planning to start envsec activities in the Arctic.

- Focus East (Eastern Europe, Caucasus, Central Asia and Balkans), enhancing the capabilities of countries in environmental information management; targeted interventions in Africa, Latin America and Asia in cooperation with UNEP's regional offices; within the framework of UNEP's Global Environmental Outlook (GEO) process, tools, methodologies and 'best practices' will be integrated into universally applicable manuals and 'toolkits'.

- Provide assistance to UNEP's Environment and Poverty initiative in Africa in the area of poverty mapping and focus on the Millennium Development Goals planned to be launched in September. Our collaboration with the World Resources Institute on the World Resources Report 2005 (to be launched in June) will continue.

- 'Vital graphics' targeting 'easy readers' will be produced and launched on environmental issues in the limelight, such as the Millennium Ecosystem Assessment, climate change, global water issues and region-specific environmental problems. In addition, the media will be specifically targeted through media workshops and media tours.

- 'Urban environment', providing assistance to UNEP's GEO Cities project. Focus on our main partner role in the EU-project "Managing Urban Europe", helping European urban areas in applying environmental management systems.

## Environment & Security poster



## *E-learning for a sustainable future*

*“Through the GVV, the United Nations University (UNU) has established a new approach to networking and higher education with the focus on the needs of developing countries. With this important initiative supported by Norway, UNEP and UNU, we aim at taking advantage of globalisation and new technology to bring high quality education to those who need it most.”*

*Hans van Ginkel, Rector, UNU*

Under the auspices of UNU, GVV was officially launched in 2003 as an online network of universities particularly designed to meet the educational needs of the developing world. In cooperation with partner universities, GVV offers Masters degree programmes and several short-term courses. Online learning (e-learning) forms the basic educational method for the study programmes.

During 2004, significant developments took place in preparation for the operational phase of the GVV network.

## **The Global Environmental and Development Studies Programme (GEDS)**

The Masters degree programme in Development Management prepared by Agder University College (AUC) was approved by the Norwegian Agency for Quality Assurance in Education (NOKUT).

The Masters degree programme in Environmental Information Management was finalised in collaboration with the University of Pretoria, South Africa.

## **Interactive Course Module on Strategic Environmental Assessment (SEA)**

Working in collaboration with Oxford Brookes University and with a number of subject matter experts, the UNU completed a course module on the new and important topic of strategic environmental assessment in October 2004. The course contains over two hours of video interviews, access to 300 SEA reports and nearly a hundred graphics and interactive animations. The course will be included in the Planning Theory and Techniques specialisation for GEDS and will be offered as a short course.

## **The international online tutor course**

In order to enhance the community of relevant tutors, GVV started a course in international online tutoring. The course is designed to prepare educators, lecturers and subject professionals to develop, manage, implement, support and moderate online learning.

## **Online course on the greenhouse effect and climate change**

The Earth Council, GVV and GRID-Arendal launched an introductory course entitled Greenhouse Effect and Climate Change. This course provides an understanding of what the world's scientists think about the greenhouse effect and climate change, based on the comprehensive reports of the Intergovernmental Panel on Climate Change (IPCC). Prospective learners will gain a basic understanding of the greenhouse phenomenon, climate change and the position of the United Nations (UN) and points of view from other interest groups on these critical topics.

Course on the greenhouse effect and climate change, on CD-ROM





The E-Learner, the GVU Newsletter

## The African University Network (AFUNET)

GVU was actively involved in developing plans for this network in order to enhance the capabilities of African universities to take advantage of the opportunities associated with the emergence of the global information society. AFUNET serves as a practical response to the World Summit on the Information Society (WSIS) Plan of Action.

## Organisational development

On the threshold of entering into an operational phase, GVU initiated further development activities focusing on formalising charters, governance issues and funding aspects.

## The Year Ahead



In 2005, GVU will implement the 2-year GEDS Development Management Masters degree programme offered by AUC.

GVU will implement and run the Environment Information Management semester course at the University of Pretoria, South Africa, in collaboration with the University of St. Petersburg, Russia.

The GEDS Environment Information Management Masters degree programme will be further developed at the University of Pretoria.

GVU will offer a second online tutor course starting in August 2005 and consider potential new Master degree programmes.

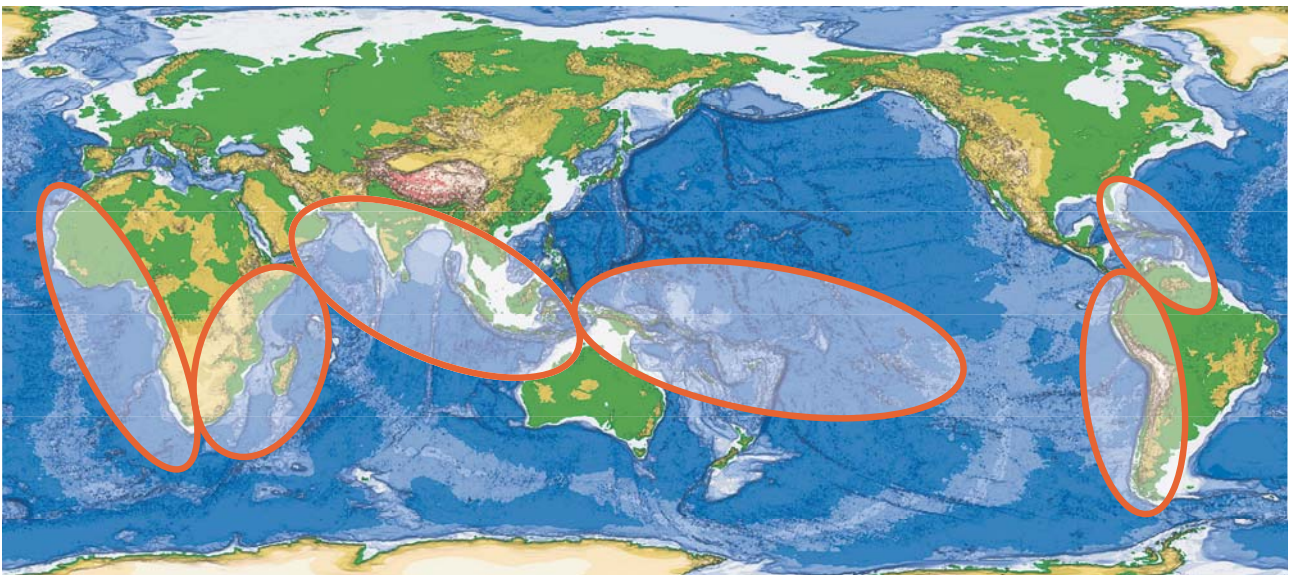
# UNEP Shelf Programme

[www.continentalshelf.org](http://www.continentalshelf.org)

*“In the coming ten years, the world will bear witness to the largest redistribution of ownership of the earth’s surface than ever before, both in the history and future of mankind. It will be essential for many small and developing coastal states to ensure their right to a potentially extended continental shelf.”*

*Lars Kullerud, Director, University of the Arctic, Geologist*

Through the UNEP Shelf Programme, GRID-Arendal is given a unique opportunity to serve the needs of developing coastal States and Small Island Developing States (SIDS) in their compliance with Article 76 of the United Nations Convention of the Law of the Sea (UNCLOS). Article 76 specifies the conditions that define the outer limits beyond 200 nautical miles of the continental shelf, thus guiding states’ submissions to secure sovereign rights to marine territory.



The UNEP Shelf Programme builds upon GRID-Arendal competencies within awareness raising, capacity building, and data acquisition and management.

A milestone was reached in 2004 when the UNEP Shelf Programme secured long-term funding through a Memorandum of Understanding with the Norwegian Ministry of Foreign Affairs.

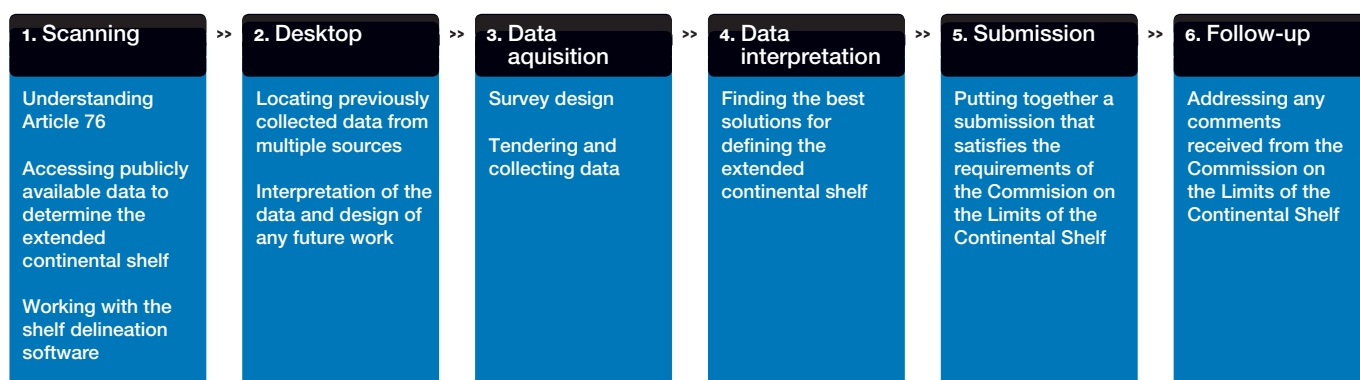
2004 activities also focused on building internal expertise, initiating cooperation with the University of Sydney and the World Data Centre in the USA, and starting the process of developing a “One Stop Data Shop”.

The UNEP Shelf Programme, managed by GRID-Arendal, is established to help developing coastal States and Small Island Developing States with their submission to extend their outer limits beyond 200 nautical miles of the continental shelf. An extended continental shelf will allow the harvest of sedimentary organisms, and preserve rights to offshore petroleum and mineral resources at and below the seabed. The map shows generalised areas for focus of the UNEP Shelf Programme.



## The Year Ahead

In January 2005, GRID-Arendal will present the UNEP Shelf Programme at the "SIDS Mauritius 2005", the International Meeting for the 10-year Review of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States. Here we will also organise a donor meeting, a side event and an exhibition.



Implementation of the six-phase programme will start in 2005.

The UNEP Shelf Programme will, through technical and legal assistance, workshops and networking, continue to support compliance with Article 76 of the UNCLOS and its implications. The Programme will continue to develop a technical core group and start making use of local expertise. We will establish contact with potential clients and donors and raise awareness of the programme itself.

# Report of GRID-Arendal's Board of Directors

GRID-Arendal's operations continue to focus on serving the United Nations Environment Programme (UNEP) with environmental information products and services. Besides serving as an official UNEP centre, GRID-Arendal has also been designated as UNEP's focal point for polar activities, with particular emphasis on the Arctic. During the year we were asked by the Executive Director of UNEP to emphasize and expand GRID-Arendal's activities in the Arctic. In light of this, GRID-Arendal formulated plans for establishing a program fund for our Arctic activities.

UNEP was asked by the UN General Assembly in 2003 to establish a centre for the UN Convention of the Law of the Seas (UNCLOS) that could assist developing countries in setting the boundary lines for their legal rights to the continental shelves outside their coastlines. During 2004 GRID-Arendal was given main responsibility for setting up such a centre under the UNEP Shelf Programme. Initial funding has been secured. Plans were completed for a new programme fund that could attract various international donors in supporting the operations of the new centre at GRID-Arendal.

Under the guidance and supervision of the UN University, we are focusing on developing the full potential of the Global Virtual University (GVU), whose main mission is to provide long-distance learning programmes for students in developing countries. During the year we facilitated a strategy session in Oslo on the future direction of GVU. Norwegian approval was secured for the GVU-GEDS Masters degree programme at Agder University College.

As in previous years, we are expanding our involvement in capacity building efforts that will enhance environmental understanding and that can be related to sustainable development. At the very end of the year GRID-Arendal staff were engaged in the UNEP Tsunami Task Force Team in Geneva. Furthermore one of our staff worked in Thailand under that Task Force.

The Board continued discussions on revisions to be made in GRID-Arendal's Strategy. It sets forth how GRID-Arendal can provide environmental information, communications, and capacity building services for information management and assessment related to the UN system, particularly the United Nations Environment Programme. It is the Board's intention to conclude agreements on these revisions in 2005.

As a result of our purchase in 2003 of the property that will become the UN House in Arendal, GRID-Arendal's legal status was changed from being registered as an ordinary foundation to being registered as a foundation with business activities. The Ministry of Environment has assured that this change in registration would have no consequences for the annual core funding received from the ministry.

While some progress was made in reducing the financial shortfall of NOK 3,5 million in the previous year, financial weaknesses still persisted in 2004. The overall result for 2004 is a shortfall of NOK 780,446. More positive signs emerged in the last quarter of the year when monthly surpluses were registered. The Board considers that GRID-Arendal has now stabilized its financial situation at the end of the year.

The Board concluded that the loss of NoK 780,446 in 2004 will be covered from its equity. It should be kept in mind that the Board follows the general principle that earnings will be used solely to support the mission statement and the long-term goals of the foundation. As a non-profit foundation, a main financial goal of GRID-Arendal is to have an equity level equivalent to about half of the fixed operational cost. Due to the losses that occurred in 2003 and this year, this ratio has been reduced to 40 % in 2004.

At the end of the year the financial outlook seemed positive. The project portfolio was better than in previous years. With the strengthening of professional staff and increased emphasis on reducing overhead costs, GRID-Arendal should now be in a position to achieve sound financial results in the near future.

Taking into account its substantially increased ownership of fixed assets, as represented by the purchase of new office buildings, the Board considers the foundation to have a sound financial structure.

Consistent with its overall institutional objective, we are pleased to report that the foundation does not conduct activities that damage the environment, as defined by the Norwegian accounting law. As is the case with many similar organisations, GRID-Arendal uses energy, creates waste, consumes paper, and uses hazardous chemicals (e.g. in copying machines). Efforts are being made to raise awareness among staff and reduce its ecological footprint through a "green office" policy. GRID-Arendal makes determined efforts to use environmentally friendly materials and to reduce the accumulation of waste. GRID-Arendal staff tries to use environmentally friendly forms of transportation when possible. Since its activities involve extensive international travel, GRID-Arendal encourages video-conferencing and phone-conferencing means to help reduce staff travel.

Gender issues need continuous attention by the Board and the management of GRID-Arendal. Based on the recommendations of an internal task force that examined issues related to establishing an appropriate gender balance, the Board endorsed the principles set forth in the proposed gender policy for GRID-Arendal. Since female staff occupies many of the administrative support positions, special efforts were made during the year to recruit women to management and senior-level professional positions. As a result, in recruiting four new professional staff in 2004, two of them were women, including the Manager for the Polar Programme. During 2004, female members of the Board accounted for 36% of the total Board membership. During the course of the year, the total staff of 12 women and 23 men means that 34% of the staff were women.

There were regular meetings between staff and management where issues concerning working conditions were discussed. Continuing efforts are being made to reduce stress, improve teamwork and provide more effective feedback to staff.

The working conditions within the foundation were found to be good. The sick leave in 2004 amounted to 5 % of the total working days. There were no injuries to staff in 2004, and there were no significant damages to the equipment of the foundation.

## GRID-Arendal's Board of Directors



**Leif E. Christoffersen**  
Chairman of GRID-Arendal's Board of Directors  
Norway



**Daniel van R. Claasen**  
*(until April 2004)*  
Deputy Director, Division of Early Warning and Assessment  
UNEP headquarters



**Øystein Dahle**  
Board Chairman,  
World Watch Institute  
Washington DC  
Norway



**Kari Elisabeth Fagernæs**  
Vice Chair of GRID-Arendal's Board of Directors  
Research Director,  
Norwegian Institute for Nature Research (NINA)  
Norway



**Paula Kankaanpää**  
*(from April)*  
Director, Arctic Centre,  
University of Lapland  
Finland



**Lars Kristoferson**  
Secretary-General,  
World Wide Fund for Nature (WWF)  
Sweden



**Steve Lonergan**  
*(from April)*  
Director, Division of Early Warning and Assessment  
UNEP headquarters



**Lasse Lønnum**  
Director, The University Centre in Svalbard (UNIS)  
Norway



**Sigrun Møgedal**  
Senior Advisor,  
Norwegian Agency for Development Cooperation (NORAD)  
Norway



**Randi Eidsmo Reinertsen**  
*(from April)*  
Research Director, Professor  
Sintef Health Research  
Norway



**Otto Simonett**  
Capacity Building Manager/Head of GRID-Arendal's Geneva Office  
Staff-elected representative



**André Støylen**  
*(from April)*  
Commissioner of Finance,  
Dept. of Finance and Administration Policy,  
Oslo Municipality  
Norway



**Eva Thörnclöf**  
*(until April)*  
Deputy Director,  
MISTRA/Foundation for Strategic Environmental Research  
Sweden

While most of GRID-Arendal's activities are operated from its headquarters in Arendal, it conducts some activities from office locations in Stockholm, Sweden; Geneva, Switzerland; and Ottawa, Canada.

The Board held three meetings during the year. Eva Thörnclöf completed her term in March 2004. The Board thanked and commended Eva for her constructive contributions during her membership term. New Board members were appointed by the Ministry of Environment and included Paula Kankaanpää from Finland, and Randi E. Reinertsen and André Støylen from Norway. Steve Lonergan replaced Dan Claasen as the UNEP designated member of the Board. The Board decided to invite an elected staff representative to become a new member of the Board with a two-year term. Otto Simonett was elected and he was welcomed as a new member of the Board at its June meeting.

While there is room for improvement, the Board is generally satisfied with the organization and management of GRID-Arendal. Under the leadership of the Managing Director, efforts continue to help strengthen the management capacities of the foundation and reduce overhead costs.

It is the Board's view that the annual accounts give a fair and accurate view of the foundation's position as of end 2004. The project portfolio at the end of December seems to be in a relatively healthy state.

The Board concludes that it is satisfied that the foundation activities are consistent with its charter purposes and that it has a sound basis for continuing operations and for planning further strategy-relevant operational activities in the future.

March 14, 2005

Leif E. Christoffersen

Steinar Sørensen  
Managing Director

Øystein Dahle

Kari Elisabeth Fagernæs

Paula Kankaanpää

Lars Kristoferson

Steve Lonergan

Lasse Lønnum

Sigrun Møgedal

Randi Eidsmo Reinertsen

Otto Simonett

André Støylen

# Financial statement

<b>Balance</b> (NoK) as of 31.12		31.12.04	31.12.03
<b>Fixed assets</b>	<b>NOTE</b>		
Machinery and equipment	2	284 188	538 325
Investments in subsidiaries	8	3 012 000	4 022 000
Shares, Geodatasenteret AS	8	100 000	100 000
Pension funds	4	293 331	186 169
<b>Total fixed assets</b>		<b>3 689 519</b>	<b>4 846 494</b>
<b>Current assets</b>			
Accounts receivable trade	5	5 302 499	7 698 523
Other receivables		1 695 093	926 175
Work in progress	6	8 137 778	4 341 329
Investments in shares	7	0	0
Petty cash and bank accounts	9	1 031 518	3 258 814
<b>Total current assets</b>		<b>16 166 888</b>	<b>16 224 842</b>
<b>Total assets</b>		<b>19 856 407</b>	<b>21 071 335</b>
<b>Equity</b>			
<b>Paid in capital</b>			
Foundation capital		500 000	500 000
<b>Total paid in capital</b>		<b>500 000</b>	<b>500 000</b>
Retained earnings		8 865 085	9 645 531
<b>Total retained earnings</b>		<b>8 865 085</b>	<b>9 645 531</b>
<b>Total equity</b>		<b>9 365 085</b>	<b>10 145 531</b>
<b>Long-term liabilities</b>			
Loan		1 000 000	1 400 000
<b>Total long-term liabilities</b>		<b>1 000 000</b>	<b>1 400 000</b>
<b>Short-term liabilities</b>			
Liabilities to financial institutions		2 082 273	0
Accounts payable trade		1 693 763	1 859 942
Employee taxes withheld, payable social security etc.		1 638 109	1 512 803
Accrued salaries and vacation fees		1 182 607	1 371 769
Other current liabilities		87 558	192 182
Advance	10	2 807 012	4 589 109
<b>Total short-term liabilities</b>		<b>9 491 322</b>	<b>9 525 805</b>
<b>Total equity and liabilities</b>		<b>19 856 407</b>	<b>21 071 335</b>

  
Leif E. Christoffersen

March 14, 2005

  
Steinar Sørensen  
Managing Director

  
Øystein Dahle

  
Kari Elisabeth Fagernes

  
Paula Kankaanpää

  
Lars Kristoferson

  
Steve Lønnergan

  
Lasse Lønnum

  
Sigrun Møgedal

  
Randi Eidsmo Reinertsen

  
Otto Simonett

  
André Støylen



<b>Profit and loss account</b> (NoK)	2004	2003
<b>Operating revenues</b>	<b>NOTE</b>	
Operating revenues	33 690 849	32 576 839
<b>Total operating revenues</b>	<b>33 690 849</b>	<b>32 576 839</b>
<b>Operating expenses</b>		
Project costs	10 869 748	12 486 479
Personnel costs	<b>3</b> 17 705 458	16 975 528
Depreciation	<b>2</b> 303 408	405 408
Other operating expenses	5 400 265	6 336 042
<b>Total operating expenses</b>	<b>34 278 879</b>	<b>36 203 456</b>
<b>Operating result</b>	<b>-588 030</b>	<b>-3 626 617</b>
<b>Financial income and expenses</b>		
Financial income	564 564	1 042 747
Financial expenses	756 981	473 236
<b>Net financial items</b>	<b>-192 416</b>	<b>569 510</b>
<b>Result for the year</b>	<b>-780 446</b>	<b>-3 057 107</b>

<b>Cash flow statement</b> (NoK)	2004	2003
<b>Cash flow from operating activities</b>		
Result of the year	-780 446	-3 057 107
Depreciation	303 408	405 408
Write-down of fixed assets	0	44 961
Profit on sale of fixed assets	-446 964	-212 896
Changes in inventory, accounts receivables and accounts payable	-3 348 700	2 204 977
Changes in other balance sheet items	-1 044 560	1 094 720
<b>Net cash flow from operating activities</b>	<b>-5 317 262</b>	<b>480 062</b>
<b>Cash flow from investment activities</b>		
Purchase of tangible fixed assets	-49 271	-210 159
Proceeds from sale of other investments	0	1 239 571
Purchase of shares	0	-4 022 000
Proceeds from sale of shares	1 456 964	0
<b>Net cash flow from investment activities</b>	<b>1 407 693</b>	<b>-2 992 588</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of long-term debt	0	1 400 000
Proceeds from issuance of short-term debt	2 082 273	0
Repayment of long-term debt	-400 000	0
	<b>1 682 273</b>	<b>1 400 000</b>
<b>Net changes in cash and cash equivalents</b>	<b>-2 227 296</b>	<b>-1 112 526</b>
<b>Cash and cash equivalents 01.01</b>	<b>3 258 814</b>	<b>4 371 340</b>
<b>Cash and cash equivalents 31.12</b>	<b>1 031 518</b>	<b>3 258 814</b>

#### NOTE 1

### Basic principles – assessment and classification – other issues

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2004, consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts. In order to simplify the understanding of the balance sheet and the profit & loss account, they have been compressed. The necessary specification has been provided in notes to the accounts, thus making the notes an integrated part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and caution. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time goods are delivered or services sold. Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot be directly related to income are expensed as incurred.

When applying the basic accounting principles and presentation of transactions and other issues, a “substance over form” view is taken. Contingent losses which are probable and quantifiable are taken to cost.

### Accounting principles for material items

#### Revenue recognition

Revenue is normally recognised at the time goods are delivered or services sold.

#### Cost recognition/matching

Costs are expensed in the same period as the income to which they relate is recognised. Costs that can not be directly related to income are expensed as incurred.

#### Fixed assets

Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down. Assets are capitalised when the economic useful life is more than 3 years, and the cost is greater than 15.000 NoK. Operating lease costs are expensed as a regular leasing cost, and are classified as an operating cost.

#### Depreciation

Based on the acquisition cost, straight line depreciation is applied over the economic lifespan of the fixed assets.

### Accounts Receivables

Trade receivables are accounted for at face value with deductions for expected loss.

### Pension liability and pension costs

The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, is classified as an operating cost, and is presented in the line personnel costs.

### NOTE 2

#### Machinery and equipment

Purchase value 01.01.04	NoK	4 956 419,-
Added this year	NoK	49 271,-
Accumulated depreciation 31.12.04	NoK	4 721 502,-
Book Value 31.12.04	NoK	284 188,-

Depreciation this year: NoK 303 408,-

### NOTE 3

#### Personnel costs

	2004	2003
Salary and holiday pay	NoK 13 426 612,-	NoK 13 129 363,-
Employer's contribution	NoK 1 830 866,-	NoK 1 980 480,-
Other personnel costs	NoK 2 447 980,-	NoK 1 865 685,-
Total	NoK 17 705 458,-	NoK 16 975 528,-

Average no of employees 35 33

Salary of Managing Director	NoK	622 300,-
Fee to Chairman of the Board	NoK	35 000,-
Fee to other Board members	NoK	101.000,-

The audit fee for 2004 was NoK 54 560,-. The fees for other services provided by the auditor was NoK 35 340,-

### NOTE 4

#### Pension funds

The premium for the year, NoK 2 195 573,- is charged to personnel costs. The yield from the pension premium fund of NoK 7 058,- is included under financial expenses.

Value 01.01.04	NoK	186 169,-
Paid in premium	NoK	100 104,-
Yield	NoK	7 058,-
Value 31.12.04	NoK	293 331,-

### NOTE 5

#### Accounts receivable

Accounts receivable are included in the accounts less a provision for loss of 125 000,-.

### NOTE 6

#### Work in progress

Work in progress carried out and costs incurred, not invoiced at the year end related, to 39 projects, and costs incurred amounted to a total of NoK 8 137 778,-.

### NOTE 7

#### Short-term investments

Other shares	No. of shares	Purchase cost	Market value	Book value
Earthprint Ltd	3500	NoK 44 961,-	NoK 0,-	NoK 0,-

### NOTE 8

#### Long-term investments

Shares subsidiaries	Owners share	Purchase cost	Share of result 2004	Share of equity 31.12.04
Teaterplassen AS	67%	3 012 000,-	150 000,- not final	8 485 333,- not final

Other shares No. of shares Purchase cost Market value

Geodatasenteret AS 1000 NoK 100 000,- NoK 100 000,-

The shares in Geodatasenteret AS is valued at its purchase cost.

### NOTE 9

#### Petty cash and bank accounts

NoK 974 988,- of the total cash at bank is restricted to meet the liability arising from payroll taxes withheld.

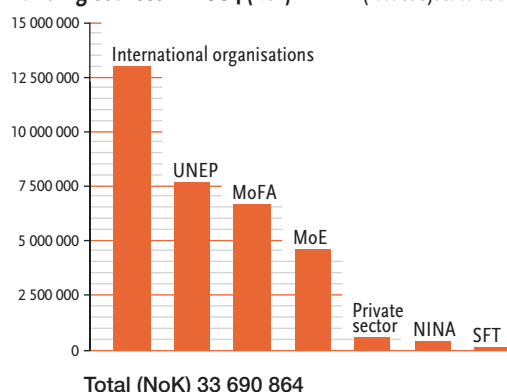
### NOTE 10

#### Advance

Work in progress invoiced on account and advances at the year end, related to 23 projects and amounted to a total of NoK 2 807 013,-.

Funding sources in 2004 (NoK)

(Not subject to audit)





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To the GRID – Arendal Foundation

### AUDITOR'S REPORT FOR 2004

#### Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the GRID – Arendal Foundation on pages 16-18 as of 31 December 2004, showing a loss of NOK 780.446. We have also audited the information in the Board of Directors' report on pages 14-15 concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements and the Board of Directors' report are the responsibility of the Foundations Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

#### Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Foundations financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Foundation as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Foundations management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and comply with the law and regulations.

Arendal, March 14, 2005

KPMG AS

Terje H. Holst  
State Authorised Public Accountant

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only



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