



Report of the Expert Seminar From Cancun to Durban; State of play of the Climate Negotiations

7 Feb. 2011

Session 1: What could be the Future International Climate Framework?

An IPCC perspective: Professor Jean-Pascal van YPERSELE, Vice-chair, Intergovernmental Panel on Climate Change; Professor, Université catholique de Louvain (UCL)

Professor van Ypersele started its presentation by pointing out that the IPCC is not policy prescriptive and that he will thus give a scientific overview of the subject.

The evidence that most of the warming in global temperature is due to human activities has become increasingly solid with the years. Moreover, the warming in global temperature has increased more and more rapidly these last years, 2010 being the warmest year since records began in 1880.

Pr. van Ypersele showed that between a 2001 report and a 2007 report, the levels of risks in latent projections for the same temperature have increased. Significant risks were associated with an increase in global temperature (above the pre-industrial level) of 2°C in the 2001 report. But the latest report showed that roughly the same level of risk was reached with an increase of only 1.5°C. This is why there was an important call to change the target of limiting the rise in global temperature to 1,5°C and not 2°C in the Cancun agreement. The Parties agreed in Cancun to reconsider the 2°C target after the next IPCC Report will be published (2014). There is a widening gap between these broad political targets and the global emission reductions they imply according to the latest scientific results. It should indeed be noted that, just to keep the warming below 2°C, we would not only need zero emissions, but even 'negative global emissions' (i.e. a global net absorption of CO₂) well before the end of the century, which very few decision-makers are aware of.

The pledges noted in the Cancun agreement exceed by at least 5 billion tonnes of CO₂ in 2020 the emission trajectory that would allow the warming to stay below 2°C.

The IPCC repeated in its reports that global emissions should peak between 2000 and 2015 if the objective of maintaining temperature in the vicinity (actually, just above) 2°C is to be achieved. Yet, the European Council conclusions have wrongly repeated that 2020 is the moment at which global emissions should peak. Therefore, as 2008 is now too late, the Council should then at least mention 2015 as the moment when global emissions should be at their highest level.

Pr. van Ypersele also indicated that when comparing developing countries' (non-Annex I Parties) pledges with developed countries' (Annex I Parties) pledges announced in Cancun, developing countries have announced efforts that are close to the maximum of what would be needed from them, while developed countries have pledged emission reductions averaging about half of the reductions they would need to do by 2020.¹

A US perspective: Mr. Louis BONO, Counsellor for Energy, Environment, Science & Technology, US Mission to the EU

According to Mr. Louis Bono, the agreement reached in Cancun is a significant and balanced package of decisions from which countries could benefit. This package includes precise mitigation pledges for 80 countries, progress on monitoring reporting and verification (MRV), an adaptation Committee, a Green Climate Fund, a technology transfer mechanism and a framework for REDD+.

However, Mr. Bono recognizes that it is only the starting point and that many decisions and implementing measures remain to be taken. For instance, regarding deforestation (REDD+), more modalities in MRV are key. But more importantly, there is a need of strengthening the pledges if we want to maintain global temperature below 2°C. According to Mr. Bono, we have to remain focused on the achievement of a low-carbon future, while acting in a pragmatic manner.

At the domestic level, President Obama is ready to endorse the package of decisions in Cancun. The US committed to reduce their federal government's greenhouse gas emissions by 28% by 2020 (against 2008 emissions levels). They also adopted energy efficient standards in cars and buildings.

In the 2011 State of the Union address, President Obama called on Americans to respond to the challenge of what he called a "Sputnik moment". As a result, he requires a lot of investments in research and development of new-clean technologies, infrastructure and education.

A Chinese perspective: Mr. Xiangfeng LI, First Secretary, Political Section, Mission of the People's Republic of China to the EU

Mr. Li started its presentation by underlying the success of the UN summit in Cancun, welcoming the cooperation between Parties and reminding the main achievements enshrined in the agreement. However, he recognized that the further negotiations will be very arduous this year. Therefore, he hopes for a high degree of political will from the Parties. Developed countries should complete the negotiations on the second commitment period of the Kyoto Protocol in Durban and implement effective support arrangements for developing countries in the areas of financing, technology transfer and adaptation. As for China, it will continue to make active efforts to achieve positive balanced results in Durban.

Mr. Li was proud to announce that China met the targets of the "11th Five-Year Plan" on energy efficiency, consisting of cutting the amount of energy produced per unit of GDP

¹ Slides and other documents of Pr. van Ypersele are accessible on: www.climate.be/vanyp

growth by 20% between 2006 and 2010. Then, he focused on the "12th Five-Year Plan", which should be adopted by the Chinese National People's Congress next month. This "12th Five-Year Plan" will address the following aspects:

- Making its energy and carbon intensity reduction targets binding domestically in order to effectively address greenhouse gas emissions,
- Reasonably controlling the overall energy consumption and the excessive growth of high energy consuming industries,
- Improving energy efficiency laws, regulations and standards, building energy-saving market mechanisms and maintaining efforts to gradually establish carbon markets,
- Strengthening the target responsibility system for energy savings and emissions reductions and improving its energy and GHG emissions statistics and monitoring systems,
- Adjusting the energy consumption structure by increasing the percentage of non-fossil fuels,
- Enlarging forest coverage in order to increase the carbon storage capacity,
- Strengthening adaptation to climate change, particularly capacity building to address extreme weather events,
- Strengthening scientific research on climate change and accelerating the R&D and application of low carbon technologies.

Finally, Mr Li insisted on the principle of common but differentiated responsibility and the importance of international cooperation to tackle climate change.

An EU perspective: Ms. Elina BARDRAM, Deputy Head of Unit Climate Finance and Deforestation, DG Climate Action, European Commission

Ms. Elina Bradram started by explaining why the Cancun agreement can be considered as a balanced package. The decisions address all key issues of the Bali Road Map under the two negotiation tracks (Kyoto Protocol and Convention). Although outstanding issues remain to be dealt with in the coming year, the agreement represents an important milestone in the long process of multilateral climate action. It codifies political guidance of the Copenhagen Accord and makes significant progress on new and old rulebook. It is not a perfect agreement but it is acceptable for everyone and it constitutes a sound basis for action in adaptation, technology, deforestation and capacity building. It has been acknowledged that the current targets are not sufficient to maintain global temperature below 2°C. In order to address this issue, a review process has been established from now until 2015.

Then, Ms Bardram focused on the remaining question of the future legal form of the climate agreement. Although the EU is ready to consider a second commitment period of the Kyoto system, Russia and Japan made it clear in Cancun that they are not interested in any case. The EU itself recognizes that what is in the Kyoto Protocol does not reflect the situation of today and that an eventual second Kyoto commitment will require more than a pledge and review mechanism. A balanced system based on environmental integrity, inclusiveness and fairness is needed. Therefore, it is clear that a legally-binding agreement will be very difficult to reach in Durban.

Regarding monitoring reporting and verification (MRV), Ms. Bardram explained the differences between the developed countries' system and the developing countries' system, showing that they are quite similar except that the developing countries' system is less restrictive and more gradual. MRV is very important; it serves not only the International Community but also the national decision makers to track progress, prioritize correctly and verify the return of investments.

Finally, the EU key action points for 2011 were addressed. The EU should continue its stepwise approach, capturing progress made thus far and allowing for concrete action. Domestically, it should continue to build project confidence across policies, determine intermediate objectives 2011 for March Environment Council and establish a roadmap 2050 and an analysis for moving beyond the 20% reduction target by 2020. The EU should also concentrate on building bilateral climate partnerships with strategic partners (e.g. China, India and South Africa). Regarding climate finance, the EU should reflect on sources for long-term finance, in particular innovative sources which will be discussed at the next G20. The EU should also ensure the best use of its fast start finance.

Debate

Each speaker representing the respective perspectives of the EU, China and the US brought their answer to the question; what kind of contribution could you make for making Durban a success?

Ms. Bardram representing the Commission said that in Cancun the EU spoke with one voice and should maintain this spirit for the next UN summit. For the moment, the EU is still reflecting on the elements of the Cancun agreement in order to set the best strategy for Durban. However, it will be complicate to get a legally-binding agreement. Japan, Australia, Canada and Russia do not want to commit for a second round of the Kyoto Protocol mainly due to international competitiveness reasons. Besides, the EU believes in the low carbon agenda which will lead to job creation and growth via innovation. Currently, the EU has a competitive advantage in innovation but it is not the only one.

Mr Li representing the Chinese perspective insisted on keeping the Kyoto protocol tracks if we want to be successful in Durban.

As for the US, Mr. Bono reminded that we have to be pragmatic regarding the next UN Conference in Durban, keeping in mind that it represents 192 parties negotiating together plus all the stakeholders. As such, it is important to keep on building confidence between the Parties. However, the real message is to stimulate job creation and growth through investments in innovation and R&D of new green technologies.

The moderator, Mr. Pietras, concluded the session by saying that progress must be achieved in Durban if we want to keep confidence between the Parties. Therefore, efforts from everyone are needed.

Session 2: What about the Financing of Climate Change in the Short and Long Term?

An EU Perspective: Mr. Artur RUNGE-METZGER, Director 'International and Climate Strategy', DG Climate Action, European Commission

Mr. Runge-Metzger started by reminding the history of climate finance in the climate negotiations. As one of the most difficult areas, it has always required negotiators to be inventive. In the 90's, the Global Environment Facility was established under the UNFCCC. As the total amount of climate finance was too small, the aim was to blend public with private money. In 1997, the Kyoto Protocol created another ingenious mechanism to replace the previous 'Activities Implemented Jointly': the Clean Development Mechanism. This mechanism channels money from the developed to developing countries through investments in projects to reduce GHG emissions. The Kyoto Protocol also created the Adaptation Fund. Although this fund took 10 years to be established and is still not very large, we have a lot to learn from it in terms of innovative governance structure. In the 2001 Bonn Political Declaration on climate change funding for developing countries, developed countries committed to provide US € 450 million a year from 2005 until Copenhagen.

Since Copenhagen, developed countries committed to jointly mobilize USD 30 billion per year for the period 2010-2012 (fast-start finance) and USD 100 billion per year by 2020 (this long-term finance is directly linked to the 2°C objective). It was the first time during UN negotiations that finance was linked to delivery.

The major question now is; where will this \$ 100 billion come from? The Accord provides that it should come from both public and private resources. However, in period of economic recession, it is very difficult to raise public money. The EU was thinking that the major part of the money could be mobilized through market mechanisms. However, it depends on the structure of the market, which is bad for the moment.

Regarding the measures for developing countries, a better mechanism than CDM is needed. The mechanism is a zero sum game as it only shifts emissions reduction from non-Annex I to Annex I countries. Moreover, the CDM must be improved in terms of quality as it has led to many perverse effects (e.g. HFC projects).

In conclusion, a lot of innovative ways of financing climate change exist. Many proposals have been put on the table in the AGF Report.² However, the debate is highly political and touches very contentious questions.

A Belgian perspective: Mr. Peter WITTOECK, Head of Climate Change Section, FPS Health Food Safety and Environment

After having reminded the outcomes reached in Cancun and underlined the fact that the agreement is an unfinished business, Mr. Wittoeck focused on the fast-start financing (FSF). He recognized the EU's efforts for transparency regarding the Member States' pledges by

²http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF_Final_Report.pdf

showing the existing official EU reporting on FSF in 2010³ as well as pro-active EU communication in Cancun and before. The Belgian pledge amounts to € 150 million for the period 2010-2012. This pledge is part of the commitment made by developed countries to provide USD 30 billion during the period 2010-2012 confirmed in Cancun. Developed countries are also invited to submit to the secretariat for compilation an information document on resources provided and on access by May 2011.

Regarding the Belgian views on FSF, Mr. Wittoeck expressed the need to continue giving a positive signal towards Developing Countries, insisting on the importance of transparency and improved accessibility through enhanced dialogue with recipient countries. He also recognized the need to address the gap between medium and long term financing as well as the need for Belgium to define its contribution for 2011 and 2012.

Then, Mr. Wittoek explained the Cancun decision to establish a Green Climate Fund (GCF). This fund will be governed by a board of 24 members comprising an equal number of members from developed and developing countries. It will have the World Bank as interim trustee. A Transitional Committee (TC) will be in charge of recommending a proposal to COP 17 for the design of the Fund. Regarding the establishment of the GCF, Belgium insists on ensuring inclusiveness and transparency of the TC, avoiding duplication of political negotiations within the TC, enabling the quick and efficient operationalization of the fund and enhancing the coherence of the Financial Mechanism.

Next, Mr Wittoek addressed the long term financing. In Cancun, developed countries confirmed their commitment of mobilizing jointly USD 100 billion a year by 2020 for developing countries. This money will come from a wide variety of sources, public and private, bilateral and multilateral, including innovative sources. Therefore, the Cancun agreement takes note of the relevant reports, including the AGF report on the new resources of finance. As for Belgium, it requires to clarify the role of the different sources, to consider innovative sources such as Financial Transaction Tax and to ensure funding for mitigation and adaptation.

Finally, the Cancun decision of establishing a standing committee (SC) was explained. This SC shall assist the Conference of the Parties (COP) in exercising its functions with respect to the financial mechanisms in terms of improving coherence and coordination in the delivery, rationalization, mobilization of resources and MRV of support provided. Parties need to further define the roles and functions of the SC but no deadline has been set. Belgium requires to avoid any interference with the daily management of funds and to enhance the coherence and coordination of funds.

An NGO perspective: Mr. Tim GORE, Climate Change Policy Advisor, Oxfam UK

Tim Gore welcomed the positive achievements in climate finance governance in Cancun, although many measures remain to be taken:

³ Fast Start Report: <http://register.consilium.europa.eu/pdf/en/10/st15>; Fast Start Action List: <http://register.consilium.europa.eu/pdf/en/10/ST15/ST15889-ad01.EN10.pdf>

- The transitional Committee – responsible of designing the Green Climate Fund – shall be composed of an equitable and balanced representation of each of the UN regional groups. Among the 40 members, 25 are from developing countries and 15 from developed countries.
- The Green Climate Fund should address the adaptation gap. Currently, the majority of money goes to mitigation and only 10% goes to adaptation. The Cancun agreement requires a balanced allocation between adaptation and mitigation. However, the signification of “balanced” is too vague. Oxfam insists on a clear guarantee that 50% of money be allocated to adaptation in vulnerable developing countries (or at least a substantial and fixed percentage).

Oxfam regrets the lack of participation of the civil society in the governance structure of the fund as well as the idea of equal gender representation which was dropped out of the final text.

Regarding the current complex network of various funds, Mr. Gore advocated that, over time, the Green Climate Fund should operate as a ‘one-stop shop’. This would reduce complexity and transaction costs for developing countries, and ensure that the right balance – across adaptation, mitigation and countries – is achieved.

The main problem in the negotiations remains the lack of clarity on the new sources of finance. Developing countries fear that the vast majority of new sources will not be public finance. Finance for adaptation should be public money only - in the form of grants, not loans. Moreover, global innovative sources could end up imposing no net costs on developing countries.

Measures to tackle transport emissions could generate new climate finance. However, a global transport emission system could have negative impacts on trade and agriculture in developing countries. A debate supported by robust evidence is therefore necessary.

This year, opportunities for progress in innovative sources are expected at the G20 (especially in international transport and in financial transaction taxes), at a workshop organized beginning of March by the International Maritime Organisation on emissions from shipping and, by keeping momentum in the UNFCCC possibly via an "informal ministerial" hosted by the current and incoming COP-presidencies before Durban.

Debate:

Oxfam insisted on the fact that adaptation should be financed only by public grants. Adaptation finance is not aid, but an obligation to help prevent the damages in developing countries from the excess carbon emissions in developed countries. Concessional loans should therefore not be used for adaption but for mitigation in order to leverage private funds. Mr. Runge-Metzger stated that the choice between loans or grants should be assessed on a case by case basis.

Following a question about the controversy on the terms “new and additional funds”, Mr Wittoeck answered that it will be very difficult - if not impossible - to get a definition. Developing countries insist on the additionality of financing because they are concerned that

aid could be otherwise substituted or diverted from other crucial development needs. In the context of the fast-start financing, there was an attempt from the EU to get a common definition among the 27 Member States, but it was unfruitful. The definition of “new and additional funds” constitutes a big political discussion with no clear way out in the near future.

To a question asking Mr. Gore to elaborate on its concept of “one-stop shop” regarding the GCF, he answered that the establishment of the new fund is the opportunity to rationalize the current climate finance governance. Mr. Runge-Metzger and Mr. Wittoeck replied that the idea of one fund channeling \$ 100 billion a year is not realistic. To illustrate this, Mr. Runge-Metzger took the example of the World Bank Group which delivered a record of \$60 billion worldwide in 2009 with 10.000 people working for the Group. To this argument, Mr. Gore replied that “one-stop shop” does not mean that we will have one mega fund but that the whole existing and complex network of funds should be rationalized. This will be the work of the transitional committee. It will have to make the articulation between the new GCF and the other existing funds more coherent, while making sure that nobody loses out.

Mr. Runge-Metzger believes that we will not solve the financial question in Durban and that pragmatism is fundamental on this issue. Regarding innovative resources, the “sovereignty” and “accountability” issues will remain. National Governments will want a say on these resources. Therefore, Mr. Runge-Metzger believes that, for instance, an international Financial Transaction Tax will not be feasible.

Concluding remarks: Mr. Jaroslaw PIETRAS, Director General, Climate Change, Environment and Health, Council of the European Union

Mr. Pietras compared the current international climate negotiations with a pyramid; we have the basis on which we will build, but what will be the outcome is still unclear. Moreover, not everyone has already digested the basis of the pyramid established in Cancun.

The seminar made it clear that numerous and important questions remain open: Are we in a top-down or bottom-up approach? What will come out after Kyoto? What major contributions can be done? How will the new climate finance governance be like and what innovative resources will finance mitigation and adaptation? Yet, if no action, no finance and, if no finance, no action!