

# ECO



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## Panama: Progress or Paralysis?

Durban is shaping up as a critical moment in the 20-year history of the climate regime. The world can either build on what has been created in the Kyoto Protocol, raise the level of ambition as demanded by the science, and provide sufficient finance to meet developing countries' needs for adaptation, mitigation, and REDD. Or it risks relegating the UNFCCC to a side show with little legitimacy to meaningfully address the climate crisis.

Let's review what's needed to avoid a train wreck in Durban:

**Mitigation:** In the Cancun Agreements, developed countries accepted that their aggregate level of ambition should be in the range of 25-40%. Even while this range does not guarantee that global temperature rise will stay below 2 degrees Celsius, current developed country emission reduction pledges will result in reductions of only 12-18% going down to ~2% if currently existing and proposed loopholes are taken into account. ECO suggests four critical elements in the Durban mitigation package for developed countries:: clarify what the net emissions would be based on current pledges and assumptions; close the loopholes; move to the high end of current pledges; and agree

on a process to increase ambition beyond 40%, for adoption at COP18/CMP8.

Panama can and must reach agreements on closing the loopholes. The recent Review of proposals on forest management under LULUCF clarifies the size of the forestry loophole. Now, Parties must adopt forest management reference levels that are comparable and that don't significantly undermine Annex I Party targets. Overall, LULUCF rules should encourage Parties to achieve ambitious mitigation from land and forests. On carry-forward of AAUs, Parties must eliminate the risk of "hot air" undermining the environmental integrity of future reduction commitments.

**Kyoto Protocol:** As acknowledged by both Executive Secretary Figueres and incoming COP President Nkoana-Mashabane, the future of the Kyoto Protocol will be decided at Durban. While some developed country Parties would prefer to overlook the KP or at best, make a second commitment period conditional on what happens in the LCA over the next four years, it is essential that in Durban, we cement a second commitment period of the KP. The alternative – a pledge and review world – just won't cut it.

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## Charting a New Course on Shipping Emissions

Panama could not be a more fitting place to reboot the negotiations on controlling the high and rising emissions from international shipping. Last month's G20 finance ministers' discussions on raising climate finance from international transport suggest there is a huge opportunity to do so.

The magnificent sight of the Panama canal is a reminder of the scale of emissions from the international maritime fleet. Shipping is already responsible for 3% of global emissions – more than those of Germany, and twice those of Australia. Without urgent action, emissions could triple by 2050, likely ruining any chance of keeping global warming below the 2°C target agreed in Cancun, let alone the 1.5C target needed. Tackling the emissions from this sector is a vital part of the efforts needed to close the emissions gap.

A step in the right direction was taken this June when governments in the International Maritime Organization (IMO) established energy efficiency design standards for new ships. But welcome though this was, it will only reduce shipping emissions by around 1% below business-as-usual levels by 2020.

It is clear that weak efficiency standards alone are not enough. A carbon price for shipping is needed to drive emission cuts at the scale needed – applied either through a bunker fuel levy or the auctioning of emissions allowances in a new sectoral emissions trading scheme.

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**Convention Mandate:** Given the urgency of the climate catastrophe unfolding daily before our eyes, nothing less than the greatest level of commitment is needed from all parties. Therefore, in addition to preserving the Kyoto Protocol, Durban must agree that by 2015 at the latest, the commitments and actions of all Parties should be inscribed in legally binding instrument[s], whilst fully respecting the principles of the Convention.

**Finance:** The last session on finance in Bonn was dominated by discussions on the Standing Committee. Negotiations need to also focus on the critical issue of where the money is going to come from. Urgent attention on scaling up sources of climate finance from 2013 to 2020 is needed. In addition to expanding direct finance from national treasuries, Parties should commit to raise significant revenue for the Green Climate Fund from innovative sources, implemented in a way that has no net incidence for poor countries. Progress on a mechanism to levy bunker fuels would be an especially noteworthy achievement here in Panama, which licenses so much of the world's shipping.

**Technology:** CAN urges Parties to decide here in Panama on the criteria for the Climate Technology Center host, so that the Center and Network can be operationalized in 2012 as envisioned in the Cancun Agreement.

**Adaptation:** Parties aren't far away from a good decision text on the

Adaptation Committee. Here in Panama, they should agree on the composition of the Committee with equitable representation, direct reporting to the COP, and linkages to other institutions, particularly on finance and technology.

**Capacity Building:** Parties should work with the Facilitator's notes and his new and highly comprehensive background paper to begin drafting text for a Durban decision. This paper should focus on the vital question of how to design effective and comprehensive co-ordination of new, additional and scaled-up capacity-building within the emerging new architectures for finance, technology, adaptation, MRV and mechanisms.

**MRV:** Parties should build on the MRV architecture agreed in Cancun by moving forward on common accounting rules for emission reduction targets and an enhanced common reporting format on finance. Parties should also adopt guidelines on the content, timing and structure of biennial reports, and agree procedures for strong International Assessment and Review (IAR) for developed countries and International Consultation and Analysis (ICA) for developing countries.

On all these fronts, Parties need to agree here in Panama what text they will work from – and begin to constructively work on that text. It's time for all Parties to show they are serious about the UNFCCC, and serious about their commitment to prevent catastrophic climate change; small steps won't cut it.

## Leaked LULUCF Loophole Text

ECO just found (under a delegate's desk) the draft final decision on LULUCF for Durban. In the interest of full transparency, we reproduce it here.

### Decision -/CMP.7

*Acknowledging* that we have been working on this subject far too long and may have lost all sense of proportion,

*Recalling* that we made a real mess of this last time as well,

*Affirming* the need to generate credits and hide debits from LULUCF activities,

*Recognizing* the need to change jargon frequently, as with *force majeure* natural disturbance,

*Hiding* forest management emissions beneath unrealistically inflated reference level projections,

*Forgetting* Article 4, paragraph 2 (a) of the Convention, which states that "Each of these [Annex I] Parties *shall* adopt national policies and take corresponding measures to mitigate climate change, by limiting its anthropogenic emissions of greenhouse gases and *protecting and enhancing its greenhouse gas sinks and reservoirs,*"

*Overlooking* the urgent need to reduce emissions in all sectors,

*Undermining* the ultimate objective of the Convention,

*Wondering* if we will get away with this,

*Decides* that each Party in Annex B can account for LULUCF activities however it likes,

*Further decides* that other Parties shall not use this transparent accounting scam as an excuse to fiddle their own LULUCF or REDD accounting.

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As the preliminary report of the World Bank and IMF shows, a carbon price of \$25 per tonne would raise the cost of global trade by approximately 0.2% - or \$2 for every \$1000 traded – and would raise \$26 billion per year by 2020. The report suggests that to make a global agreement stick, this revenue should be used to compensate developing countries for the economic impact of higher shipping costs – ensuring they face no net incidence as a result – and as climate finance.

Even after some revenues are used as compensation, this should still leave at least \$10 billion per year to be directed to the Green Climate Fund. That would be a significant step towards the \$100 billion per year that developed countries have promised to mobilise by 2020, which – unlike Fast Start Finance pledged to date – should be genuinely new and additional to existing promises of development assistance.

The World Bank and IMF report shows the way to a new approach to tackling shipping emissions which Parties meeting in Panama must seize. Building on the work in the G20, a decision in Durban on the key principles of this approach would give the IMO all the guidance needed to get to work on designing and implementing a scheme that delivers a double dividend for the climate. By helping to close the emissions gap, and fill the Green Climate Fund, such a deal on could be a flagship of success in Durban.

## ¡BIENVENIDOS A PANAMÁ! / WELCOME TO PANAMA!

ECO thanks the government and people of Panama for hosting the final negotiation session before COP 17 in Durban. For the first time in 20+ years of negotiations, Central America is hosting a UNFCCC meeting. Delegates should know that the region is severely threatened by climate change impacts: four Central American countries are among the 10 most affected countries worldwide, according to the Global Climate Risk Index 2011 of Germanwatch. ECLAC (the Economic Commission for Latin America and the Caribbean) estimates that the cumulative costs induced by climate change for Central America by 2100 will be as much as 73 billion dollars. Climate change is clearly a problem relevant to all of Latin America; the region's negotiators should do their utmost to make this meeting in Panama a success.