

ECO



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Article 3.9 Moves into High Gear

Excitement over the adoption of the Marrakech Accords yesterday morning spilled over into the session on Article 3.9. The Group of 77 and China as well as the EU made constructive contributions to the process by expressing their readiness for formal discussions. Some individual Parties, notably AOSIS, Norway, South Africa and Switzerland, also brought concrete ideas and creativity to the table.

Developing the Second Commitment Period

This is all good, even if Article 3.9 is only one of several building blocks of a post-2012 package. All countries have a responsibility to jointly commit to take action beyond 2012. This joint commitment is what Montreal must be remembered for. Annex 1 countries need to do their fair share and set new binding targets that sharply reduce carbon pollution. Rapidly industrialising developing countries can pledge to increase the energy efficiency of their fast-growing industries, such as the power sector, and further implement policies that promote sustainable development. Least developed countries, often most impacted by climate change, will continue to require assistance to prepare and implement adaptation strategies.

Yesterday the Kyoto Protocol came into full force with the adoption of the Marrakech Accords and the Annex B Parties are working, even if imperfectly, to meet their obligations.

Developing countries have a vested interest in the rapid forward movement of the Protocol as they will suffer most from failing to meet the goal of Article 2, preventing dangerous climate change. The fact is that action by all major

emitters is needed including those in the developing world.

The question is therefore what scale of action, under what institutional umbrella and with what level of obligation is the framework for future action to be negotiated? Under Article 10, all Parties to the Protocol have a large array of commitments in relation to greenhouse gases. These need to be developed into much more concrete actions to move towards implementation of Article 2.

In terms of an institutional umbrella, a review of all aspects of the Protocol is required at COP/MOP2 in 2006 under Article 9.2. Preparations for this review are needed in the coming year and should be part of the agreements here in Montreal. So what should be started here under the Kyoto Protocol?

Parties should state clearly there will be post-2012 action that:

- reduces the health, environmental, economic and security risks posed by climate change;
- advances the goals of sustainable development and poverty reduction;
- adds to the flexibility mechanisms of the Kyoto Protocol to minimise costs;
- leads to the rapid introduction of new low-carbon and renewable energy technologies; and
- achieves significant reductions in greenhouse gas emissions by 2017.

The process agreed in Montreal, should be conducted “as a matter of urgency” with a fully constituted Ad Hoc Open Ended Working

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Reminders from Home

The European Union delegations have been sent to these negotiations with a clear mission from their political leaders to continue their progressive role in the international process. EU heads of state and government, meeting at a summit in March this year, jointly expressed their conviction that preventing dangerous climate change would require limiting warming to two degrees Celsius over pre-industrial levels. On this basis, they agreed that developed countries should explore emissions reductions of up to –30 per cent by 2020, clearly recognising their historical responsibility for climate change. And in October, EU environment ministers emphasised their intention to initiate a robust process for a post-2012 agreement at this conference.

The EU has also prepared itself for emissions reductions beyond the first Kyoto Protocol commitment period with a package of policy instruments. Its domestic cap-and-trade system for energy producers and industry has attracted a lot of attention since its launch 11 months ago, and the EU has become the world leader in renewable energy deployment and energy-efficient technology. While the current implementation of the EU’s policies have been criticised by non-governmental organisations, the set of measures presents the outline of a framework to deal with an increasingly carbon constrained future.

Moreover, the EU is led this year by the United Kingdom, which has declared tackling climate change and poverty reduction as its international priority.

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World Bank: Profiting from Climate Chaos

Amnesia appears to afflict many delegates in Montreal, and Article 3.9 is not the only problem. The World Bank is expected to emerge from these negotiations as a prominent facilitator of many of the greenhouse gas (GHG) reducing projects in developing countries. However, many within and outside government – and even within the World Bank itself – have advised the World Bank to stay away from carbon trading and get out of fossil fuel financing. Reasons given include an inherent conflict of interest and little motivation for increasing baseline carbon emissions in its power sector projects.

On top of these concerns, the World Bank charges commissions upwards of 5 per cent on carbon trades and generates significant revenue from the \$2 billion-plus in fossil fuel projects it finances each year.

Climate delegates should be aware that last year, the World Bank's board of directors rejected a proposal from a consultant it had hired – the long-time environment and development minister of Indonesia, and former chair of the World Summit on Sustainable Development Prepcom., Dr Emil Salim – that would have made a huge difference on climate change. Among this consultant's recommendations – drawn up after three years of global consultations – was for the Bank to stop investing in coal immediately and to phase out oil by 2008.

Dr Salim digested the scores of findings that investing in the extractive industries in developing countries only fosters corruption, poverty, human rights abuses and

environmental degradation – all the things the Bank claims it is fighting – while doing little to deliver energy services to the two billion poorest people living in rural areas without power.

So, it should be noted that when the World Bank trumpets its commitment to increase renewable energy lending by 20 per cent per year, this means 20 per cent from its lowest baseline ever. Meanwhile, Bank financing for fossil fuels outpaces renewable energy financing by 17 to 1.

Further, the World Bank claims it is “engaged in a new commitment to energy efficiency for the fossil fuel sector.” Those who know the World Bank's history know if it had simply implemented its 1993 energy efficiency guidelines, rather than continually downgrading them and making them non-binding, these past 12 years would have seen a massive reduction of GHGs.

But the Bank refuses to calculate the full – and significant – global warming impact of its own investments, though it can inform down to a tonne of carbon how much it is saving through its various carbon funds.

Five months ago, The World Bank was asked by the Group of Eight (G8) industrial countries “to lead the way around a new framework on climate change.” Although the G8 may have amnesia problems of its own, the rest of the world should challenge the World Bank to follow Dr Salim's recommendations, and get out of financing fossil fuels. And it should get out of carbon trading as well. Anything else is a lot of hot air.

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Given this background, many observers feel the UK has not sent signals that it holds high ambitions for the first COP/MOP.

As if this had been sensed from across the Atlantic, EU leaders earlier this week sent messages to remind their delegations and the public of what is expected from them. The new German environment minister, Sigmar Gabriel, told reporters he expected agreement on a timed process “with the aim of setting out fundamentally more ambitious reduction goals.” And French Prime Minister, Dominique de Villepin, said in the governmental forum on the implementation of the National Action Plan that “beyond the Kyoto Protocol, France is willing to discuss at once new commitments on its carbon dioxide emissions.”

It should be clear to all Parties that such progress is only possible through the continuation of the Kyoto Protocol framework of mandatory caps for developed countries. This will also enable other critical elements such as adaptation funding, and Clean Development Mechanism and Joint Implementation, which need to be complemented post-2012 by additional action to ensure dangerous climate change can be prevented.

The EU should live up to its mandate from home and must explore together with Canada and other like-minded countries, how to start a process at this meeting that will lay a path to a future extension of the Kyoto Protocol with additional elements and a supporting process under the UNFCCC.

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Group having at least two sessions per year and reporting directly to the COP/MOP, as proposed by G77/China. This process, however, should conclude no later than COP/MOP4 at the end of 2008, and take into account the findings of the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report.

Over this period the content of the process must include the following elements:

- Review of Annex B commitments with deeper emissions reductions for these Parties for the 2013-2017 period;
- Development of new flexible mechanisms linked to emissions trading, such as sectoral actions with no-regrets targets, and sustainable development policies and measures, along with significant improvements of the Clean Development Mechanism;
- Creation of a larger-scale funding mechanism for adaptation costs linked to the operation of all the flexible mechanisms; and
- A review under Article 9.2 to establish clear criteria and a rule-based approach to deciding at what point Parties take on different kinds of action ranging from voluntary to binding.

For 2006, the Kyoto process agreed in Montreal needs to have submissions from Parties on the content of these issues. These need to be analysed and debated, so that discussion at COP/MOP2 over progress on the Article 3.9 review and the initiation of the Article 9.2 review proceeds effectively. Two sessions are needed for this to occur properly and to reflect the urgency.

Concerns have been raised that such a process would push developing countries into binding emissions caps and that it leaves the US out. ECO believes that this process would do neither and we have heard no Party demanding caps for developing countries. This process also allows the US to rejoin the discussions. By supporting a broader process now and establishing good ground rules and a solid process, developing countries will in effect seize the initiative. This will reverse a long period in which strategies have been dominated by defensive tactics rather than a larger proactive strategy.

Marrakech Accords Celebration

Instead of presenting Fossil of the Day awards yesterday, ECO celebrated the adoption of the Marrakech Accords by the first Meeting of the Parties.