A Valuable Step to Increase Ambition

ECO likes to recall success stories and is eager to replicate them. A big success story was the Structured Expert Dialogue (SED) under the 2013 - 2015 Review. The task of the SED was to consider new science (especially from the Fifth Assessment Report of IPCC) and send the new intelligence in a condensed way to the COP.

In October the Intergovernmental Panel on Climate Change (IPCC) will adopt the Special Report on 1.5 degrees (SR1.5). COP 21 asked the IPCC to produce it in time for the Facilitative Dialogue at COP in 2018. The SR1.5 is a key instrument to start the implementation of the temperature targets agreed to in Paris.

ECO suggests two potential approaches on how to work with the SR1.5 in the Talanoa Dialogue and the COP — a workshop and a special event.

The Talanoa Dialogue could include a workshop, very soon after the IPCC Special Report approval, so that in-depth exchanges could take place between the main authors of the IPCC SR1.5 and delegates from Parties and Observers. A report of the workshop could then be considered at SBSTA 49 (during COP24). To reduce costs and increase participation, the workshop and the additional intersession or the Pre-COP 24 meeting could happen back to back.

It would mean that Parties would have prepared their positions based on the new scientific intelligence in the latest draft of SR1.5 and use the week after the adoption of SR1.5 to consider what has changed.

Additionally, SBSTA could organise a special event on IPCC SR1.5 directly before the start of COP 24 which should "digest" the incoming new intelligence. SBSTA should invite authors of SR1.5 to present news from science in this event. One of the tasks for this special event could be to iterate the crucial results of IPCC SR1.5 in a language that is in line with that of the Talanoa Dialogue at COP 24. The Chair of this special event should then be invited to send a summary to the Talanoa Dialogue.

ECO also welcomes the intention of the IPCC to spread the message directly into regions by having webinars and regional meetings.

Loss & Damage Finance Seeking a Home

In an ironic twist, loss and damage finance seems to be suffering from displacement. ECO hears that developed country delegates keep trying to shunt the issue of loss and damage finance into some mythical ‘elsewhere’, claiming that discussions on the WIM were not the right place for it. ECO reminds delegates that 2/CP19 is a passport for the WIM into the world of loss and damage finance - with a clear mandate for the WIM to ‘enhance’, ‘facilitate’, ‘mobilise’ and ‘secure’ finance for loss and damage.

Is a taskforce the answer to the thorny issue of where loss and damage finance belongs? With the right mandate — clear outcomes and timeframes, instructions to consider innovative sources of finance that go beyond insurance, a budget to be effective, and an invitation for civil society to engage, it may well be. One thing is for sure - after four years of the WIM not addressing its mandate to enhance finance for loss and damage, something has to change.

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TONIGHT: CAN PARTY!!!!!!

WHEN: Saturday, 11 November 2017 from 9:00 pm to 5:00 am
WHERE: La Redoute, Kurfürstenallee 1, 53177 Bonn - Bad Godesberg.
PROGRAM: Concert at 10:00 pm by Makeda and Steal a Taxi, then DANCE PARTY with a DJ.

Please be sure to bring your badge, as it is required to enter the party.
Should you have accreditation for only week two, kindly show your accreditation letter upon arrival to the security check.
Should you have accreditation for only week two, kindly show your accreditation letter upon arrival to the security check.
Please, do not forget to bring enough cash for the drinks and finger food.

REMINDER: This party does not allow minors (under 18); the security might request your ID to check your age.
The CAN Party has a zero-tolerance policy against all forms of harassment.
What Does the EU ETS Reform Mean for the Carbon Markets?

Early Thursday morning, EU institutions reached a final agreement on the reform of the bloc’s carbon market for the period 2021 to 2030. Covering around 40% of EU’s greenhouse gas emissions from the energy, industry and aviation sectors, the EU Emissions Trading System (ETS) is currently the largest cap and trade carbon market in the world. But with a notorious oversupply of pollution permits that has kept carbon prices hovering around 5–7 EUR/CO2e for the past five years, the ETS has long been the region’s problem child. ECO remains disappointed at the new agreement. A real reform of the system would have simultaneously slashed the enormous allowance glut, sent a strong decarbonisation signal to energy and industry, and made sure that auction revenues go to sustainable and clean technology. The success of the reform has to be judged on the delivery on all of these aspects.

It is now clear that the reform will not bring the scheme in line with the Paris Agreement climate goals or with mid-century decarbonization. However, the EU did make some small improvements with regard to the permit surplus: For the first time, some unused allowances will not be released to the market and could be cancelled, potentially leading to a reduction of 2–3 billion allowances in the long term. The EU will still not have a ‘Paris-friendly’ carbon price. Even optimistic projections only show 25–30 EUR/CO2e in 2030, but depending on coal phase-outs, it could be below 6 EUR/CO2e (lower than today).

With regard to decarbonising the European industry, the reform failed to overcome the current flaws. Energy-intensive industries such as steel, cement and aluminum will still receive all of their allowances for free until 2030. EU institutions have obviously caved in to industrial lobbying. This failure to provide clear decarbonisation incentives not only curbs these sectors’ drive to innovate and ridicules the polluter pays principle (a basic principle enshrined in the EU treaties, Commissioner Arias Cañete!), but also subsidizes the industries to the tune of more than €160 billion.

Further, regarding the funds that the ETS generates through the auctioning of pollution permits, the EU has failed to prevent them from subsidizing coal.

What does this mean for the UNFCCC? It depends on what the EU wants to do with its carbon market internationally. It’s certainly not a model to be followed! Does it want to sell its hot air to other countries? Perhaps, to the International Civil Aviation Industry? How does this fit in with the UNFCCC markets under Article 6? These are all open questions, but the EU needs to fix its market to get a real carbon price before mixing it up with others.

The EU has three more opportunities to fix this. Firstly, the surplus will be revisited in 2022 with a review of the Market Stability Reserve, the key means of ensuring scarcity in the market and hence a more robust price. Secondly, governments can unilaterally cancel some of their emissions rights and, if just the progressive countries come together to do so, the EU’s overall GHG reduction target can increase significantly from ~40% by 2030, to inject confidence into the Talanoa Dialogue. Thirdly, the European Commission will come forward with an updated 2050 strategy which will conclude that the ~40% 2030 target is insufficient and set the agenda for a higher target. All three opportunities must be discussed openly here in COP 23, to ensure that the EU meets the Paris Agreement’s targets.

A Declaration About Climate Damages

ECO, with our usual nose-to-the-ground ability to stay up to date on the latest and greatest, has heard of an exciting new intervention in the loss and damage space. More than 50 civil society groups, and notable people, have just released a Climate Damages Declaration – calling on countries to agree on a two-year workplan to develop adequate and predictable sources of revenue for loss and damage finance, including a Climate Damages Tax. What would a Climate Damages Tax be, we hear you ask? It would be an equitable fossil fuel extraction fee – levied globally, but with developed countries paying the lion’s share for loss and damage. Countries on the frontline of climate impacts would use the Tax at home for climate purposes. Who would pay and who would receive the funds would be based on a sliding scale.

Why on earth do we need new sources for more money? Well, at some interesting side events yesterday, ECO saw a graph depicting current development/humanitarian/climate finance versus future needs. And it turns out that tinkering at the edges, and a continued overemphasis on insurance, is not going to generate the scale of finance we need. We will instead need to think big with innovative sources of finance, such as a Climate Damages Tax.

The current overemphasis on insurance – and an assumption that poor people and countries are going to pay the premiums for climate insurance – risks shifting the costs of dealing with loss and damage away from the polluters and onto those suffering the impacts of climate change. Well designed, equitable and innovative sources of finance can meet CBDR-RC principle and reverse this damaging and unjust trend.

This kind of innovative solution for drastically upscaled finance for L&D is urgently needed at COP23 as negotiators from some developed country Parties seem to think that a measly UNFCCC budget of only US$700,000 allocated to the Executive Committee of the WIM is a sufficient outcome of the Pacific COP!

While countries are discussing how to implement the Paris Agreement to avert the worst impacts of climate change, the UN aviation body, the International Civil Aviation Organization (ICAO), is having their own conversation on climate. The 36 members of ICAO’s Council have preferred to do it in private so they can make their own rules on their carbon market and alternative fuel sustainability criteria without making too much fuss. Who wants to complicate the discussions, anyway? When it comes to carbon offsets and biofuels, the aviation industry must be deciding that it is easier to just accept them all and deal with the environmental and social consequences later.

ECO is pretty impressed with the speed at which ICAO is checking off rules for their climate measures. We are going to have to figure out how to adapt when airlines start buying offsets and biofuels from countries with Paris pledges. Parties are counting all their emission reductions towards their climate targets. If airlines are claiming those same reductions for themselves then two targets are claiming one emission reduction. Doesn’t that invalidate one of the targets? We haven’t come up with any rules for dealing with that here yet ... slow down ICAO you’re making us look bad!

It’s really too bad we can’t see what’s going on in ICAO’s climate discussions right now - we heard that they end on the same day as the COP. I’m sure there are plenty of issues that relate to what we’re working on here: Markets, accounting, land use and food security discussions. This fossil is for the 36 ICAO Council countries that won’t show us their homework on the offsets and biofuels they plan to use. Perhaps they’re worried they might get a failing grade.