ECO

THE BACK TO BUSINESS ISSUE

eco@climatenetwork.org • www.climatenetwork.org/eco-newsletter • September 6, 2018

ECO has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. ECO is produced co-operatively by the Climate Action Network at the UNFCCC meetings in Bangkok, Thailand during the September SB 48-2 meetings.

Editorial: Andres Fuentes Production: Verity Martin

The Goal is an ENHANCED Transparency Framework

ECO notes that there are some signs of progress in the negotiations on climate finance accounting. SBSTA started the week with a 62-page document and is now down to two competing and polarised submissions of 9 and 4 pages respectively. At the time of writing, the co-facilitators were boiling the submissions down into a new (presumably shorter) text.

With this new text in hand, ECO hopes that negotiators will not be as drastic with their scissors, as the 4-page submission made by Australia, the US and Japan might indicate. Their proposal on accounting modalities basically brings us back to square one, where each developed country is more or less allowed to report climate finance on their own terms. The submission offers very little by way of ENHANCED transparency, comparability and accuracy, which the provision of climate finance desperately needs.

Based on their proposal, it seems that Australia, the US and Japan are not up for reporting the grant equivalent value of any loans and other non-grant instruments – which is a key element in the 9-pager from the G77 and China. They would rather continue to inflate their numbers by reporting the full face value of loans, despite the fact that on average, developing countries are likely to have to **pay back** about half of the value of these loans. When ECO did the math on this for the last set of biennial reports, it discovered that this inflated the numbers by around US$20 billion per year!

Australia, the US and Japan have all committed to report their headline aid figures on a grant equivalent basis from next year, and at 'no cost', they could do so for climate finance too. ECO is confused: if it's possible to do this for aid, why is it not also possible to be done for climate finance?

ECO is also aghast at the proposal by Australia, the US and Japan to count non-concessional instruments. Lending at a profit should not be touted as climate finance and this practice needs to end once and for all with an agreement on accounting rules at COP24.

Finally, Australia, the US and Japan overlooked the need to report on loss and damage. Have they not seen the news? Do they not face losses and damages in their own countries?

Accounting rules may sound dull, but they are important. They have a huge bearing on the extent to which developing countries are really getting the money they have been promised.

Finance 'Hide and Seek' in Bangkok

In the midst of the finance 'storm' falling on Bangkok, everyone wants to know what is next for the Green Climate Fund (GCF)?

ECO watched, with great disappointment, events unfold at the last GCF board meeting. While countries failed to come to any kind of agreement regarding procedural issues, the collapse of the last board meeting also postponed the approval of 11 projects, valued at almost $1 billion. These delayed projects have direct impacts on the ground. A three month delay means precious time lost for those who still require support to tackle the increasingly hostile impacts of climate change, to access renewable energy and to build low carbon and climate resilient societies.

So what's the GCF all about? Supporting climate action around the globe, particularly for the most vulnerable countries. Created 8 years ago, the GCF is still a critical financial mechanism for countries to deliver much needed financial support and is the core multilateral fund to allow for full and fair implementation of the Paris Agreement. Since its inception, the GCF has proved that it is able to support a growing and diverse portfolio of projects. The quality of these projects has increased over time, and has helped support direct access entities and build the capacities of national implementing agencies.

ECO hopes that countries will use these last few days in Bangkok to underscore the value of, and reaffirm commitment to the Fund. The GCF must be back on track for its upcoming board meeting in October. The missteps in communication and governance that caused problems at the last board meeting can, and must be, resolved before the Board convenes in Bahrain.

Importantly, the largest substantive challenge facing the GCF is that it will soon run out of money. With about $2.7 billion left from its initial set of contributions, the GCF can only afford to approve a few more rounds of proposals and therefore must soon turn its attention to replenishment. As this process begins, ideally with a decision at the October GCF Board meeting, it must be underpinned by strong signals of cooperation from the GCF Board's co-Chairs and renewed expressions of support from countries, free from pre-conditions.

Negotiators here in Bangkok can do a few things to help the GCF Board succeed in October. First, they can come to the table with concrete proposals to make the next replenishment process open, inclusive and transparent, rejecting the efforts by some to make it "donor-driven" in contradiction of the GCF's principle of balanced governance. Second, they need to send a concrete signal that this round of replenishment will be ambitious, and amount to, at a minimum, a doubling of overall contributions compared to the last round. This will send a much-needed signal of good faith as we approach COP 24, as well as create confidence for the GCF Board to move forward with the ongoing efforts to improve its rules and procedures.

We Can't Insure Our Way Out of the Climate Crisis

Developed countries have long been fans of the "do as we say, not as we do" approach to climate diplomacy; so it should come as no surprise that they've adopted this approach to loss and damage in advocating for climate insurance as the solution.

As much as surely can be clear after the first days of this week; some developed countries still think, "Loss and damage is not a thing". Yet, they have fallen over themselves to push vulnerable countries to take up climate insurance to deal with this "non-thing". In fact, in the face of much more effective and evidence based solutions, they have pushed climate insurance as almost the sole response.

A new report, ***Not a Silver Bullet*** from the Heinrich-Böll-Stiftung, foundation shows how misplaced this reliance on 'insurance only' is. Not only is it doubling down on the injustice of climate change to expect vulnerable countries to pay insurance premiums to cover a risk they did not create, but also, insurance alone is just not up to the task at hand. In the best case, insurance pays out a very small portion of the costs of loss and damage. Typically only two percent, as in the case of Dominica, where the costs of Hurricane Maria fell overwhelmingly on ordinary Dominicans, and other examples outlined in the report.

Dominica paid a premium for insurance with the Caribbean Catastrophe Risk Insurance Facility (CCRIF) from which it received an insurance payout of US$20.3 million, compared with total loss and damage of US$1.37 billion. Another example is the Africa Risk Capacity (ARC), which paid out US$8.1 million to Malawi in the face of loss and damage from the extreme drought of 2015-16 of US$366 million (noting that ARC paid out nine months late after disputing a payment was necessary).

Even in the United States of America, the home of private insurance, the response to the increasing cost of disasters is being covered by the states. US Federal Government exposure grew more than four times the rate of private sector insurance from 2007 to 2013. The emphasis on insurance provided via a public-private-partnership has worked to increase the profits of the insurance sector, while proving an expensive and inadequate solution for Americans, in the context of lower resilience and increased vulnerability of the population to the growing impacts of climate change. A different outcome for developing countries would require a considerably more holistic approach.

F. M. C. P.

We know we've raised it before, but we realized yesterday that it was worth another reminder as none of our concerns were raised during the transparency discussions: the Facilitative, Multilateral Consideration of Progress (FMCP) will only be effective if it builds on the expertise and perspectives of civil society. Unless you step up, we risk ruining what could be a constructive process. So let us try presenting it in a different medium...namely, in a song! We sincerely hope you get this song stuck in your head.

(The song should be read in a sing-song-y voice to the tune of Village People's YMCA)

Party, there's a place we can go.
I said, Party, let us compliment your info
You can play there, and I'm sure we will find
Many ways to have a good time

It's fun to be - a - part of the F.M.C.P.
It's fun to be - a - part of the F.M.C.P.

We could provide info, we could send in questions,
We will add some action...

Party, are you listening to me?
I said, Party, what do you want to be?
I said, Party, you can make the PA strong.
But you got to know this one thing!

No Party does it all by themselves.
I said, Party, let us participate,
And just let us in the F.M.C.P.
I'm sure we can help you any day!

It's fun to be - a - part of the F.M.C.P.
It's fun to be - a - part of the F.M.C.P.

The New Article 6: We Know What We Need

Market negotiations resumed at full speed in Bangkok, with new text being published after only one day of negotiations. Parties are feeling the pressure now that COP24 is looming. We've started the session by hearing lists of priorities for items that could not be postponed to 2019 (assuming that not all issues could be resolved at COP24). Two of these priorities stick out for ECO: the need to avoid double counting through corresponding adjustments for all international transfers, and the transition away from Kyoto Protocol Mechanisms to Article 6. This applies especially to avoiding double counting with ICAO's CORSIA! ECO shares the view that these are crucial priorities if market mechanisms are to increase ambition, but one critical priority was missing. We need to ensure compliance with human rights and social safeguards to avoid the ghosts of the Clean Development Mechanism (CDM) coming back to haunt us after 2020.

Now urgently need to operationalize rules in order to ensure that the new market mechanisms can start on the right foot and promote ambition in the Paris Agreement. After hearing Parties mention the transition from Kyoto Protocol (KP) mechanisms to Article 6 as a key priority, we were surprised when we discovered that there is no strict timeline to deal with the transition of these elements within the documents drafted by the co-chairs. Failing to have an end date would send a disheartening signal to the world and all market actors, indicating that Parties do not feel the urgency to incorporate the lessons learned from the CDM, which has seriously disrupted the livelihoods of entire communities.

Parties' commitments to decide when and how corresponding adjustments are required in 2018 is clearly a hot topic. However, we struggled to understand how the issue would be dealt with. Especially between the hours of 7:30 and what turned into 15:00. While we see that there is a clear attempt to structure the discussion, we're not convinced that all important elements are where they should be. What we know for sure is that we can't postpone the development of clear rules on how one tonne of CO_2 can be prevented from being double-counted.

We haven't heard enough about environmental and social safeguards and human rights. These seem to have fallen through the cracks of Parties' priorities for 2018. While most were eager to deal with the transition from the CDM to Article 6, we want to hear more about how they will put into practice the lessons learned from the CDM. This includes setting up a robust grievance redress mechanism, safeguards to ensure projects do not cause environmental and social harms, and detailed rules for mandatory stakeholder consultations before the implementation of projects.

While Parties get ready for a deep dive into accounting technicalities, we urge them not to forget the importance of drawing upon lessons from the past. A red line must be drawn above the use of CDM units after 2020. This was a fact highlighted at COP21 when Parties were urged to cancel Certified Emission Reductions (CERs) before 2020, because they cannot help meet the Paris reduction targets. Necessary provisions for the Article 6 "sustainable development mechanism" must be put in place to avoid the dramatic adverse impacts on indigenous peoples and local communities we've witnessed under the CDM. After all, the markets shouldn't be in the business of harm!