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KICK OFF AWG... ADDRESSING WARMING GROUP (CAN INTERVENTION)

Distinguished delegates, today's starting meeting of the Ad Hoc Working Group on Further Commitments for Annex I Parties represents a fundamental, and perhaps historic, next step in the development of the international response to the global threat of climate change. The Kyoto Protocol was designed as a dynamic instrument, to be built upon and improved over successive commitment periods and now we are on the threshold of starting the next stage of this agreement. We should build on the Kyoto framework.

The urgency for action is clearer today than ever before. We are *already* suffering serious climate impacts due to the build-up of global warming pollution that has already occurred: stronger hurricanes, melting ice caps, killer heat-waves, floods, and severe droughts. Scientists have recently detected accelerated melting of the Greenland and West Antarctic ice sheets – much faster melting than anyone had expected. If *either* of these ice sheets melts away, sea levels will rise more than 5 meters, with utterly disastrous implications for island nations and low-lying regions from Bangladesh to Louisiana.

Climate disruption on this scale is a direct threat to sustainable development. Resources we consume responding to disasters are not available

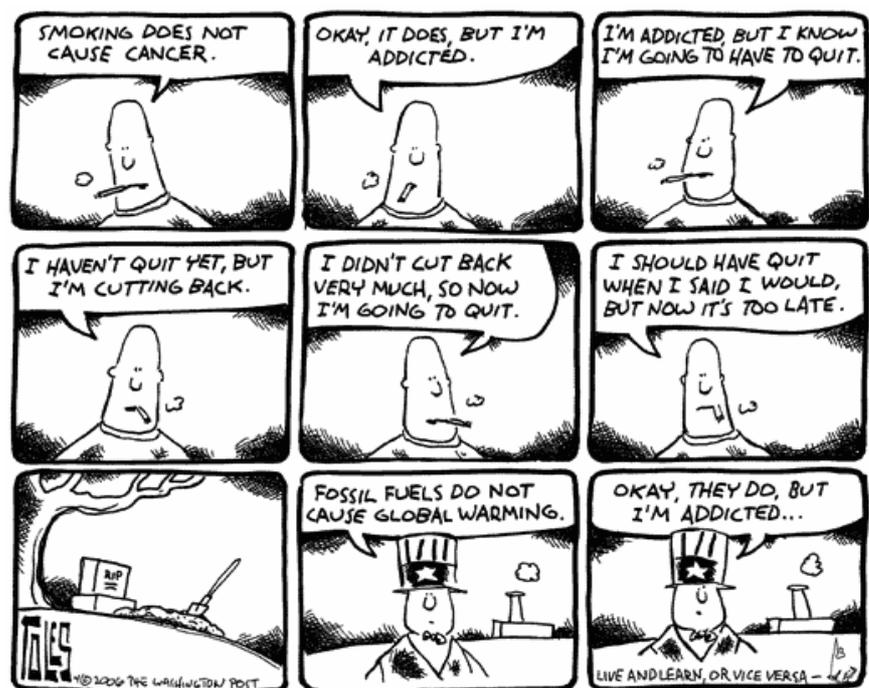
to build new infrastructure and improve people's lives. On the other hand, investing in a low-carbon energy future supports both climate security and sustainable development, in both developed and developing countries.

Though it is past time to avoid all damages, we can still prevent the worst. The guiding principle for these negotiations must be to limit global warming below a 2°C increase. To do this, global emissions need to peak by 2020 at the latest. The challenge is enormous,

no doubt about that. But it can, and must, be done.

To this end, an equitable and effective bargain for the next period needs to involve several elements, principally:

- deeper reductions from developed countries;
- broader participation of all countries according to their levels of capacity and principles of equity and responsibility and;
- New and expanded market mechanisms.



Let's discuss each element in turn.

Deeper Reductions

Developed countries must take the lead. They are most responsible for the historic build-up of greenhouse gas concentrations and have the most capacity for reductions. To allow developing countries a fair share of the global emissions budget, developed countries need to reduce their emissions by at least 20% below 1990 levels by 2015 and 30-35% by 2020.

Broader Participation

Success, however, cannot be achieved by the developed countries alone. All significant contributors to global emissions – both developed and developing – need to play their part. In this context, the AWG must also plan its work to take account of the review of all aspects of the Kyoto Protocol under Article 9 to be started at COP/MOP2 in Nairobi. We see these processes as being intimately connected, with both needing to be successful and to conclude within same time frame if we are to have a smooth transition to the second commitment period.

One of the important things which the AWG needs to do is to start developing a fair and transparent process for working out what is fair for each Party whilst achieving the overall emissions pathway needed to limit warming below 2°C. Whilst these issues must also come up in the context of the Article 9 review, we would like to draw your attention now to the fact that, based on a variety of indicators, the South-North Dialogue on Equity in the Greenhouse identified some 15 countries with high levels of economic development and emissions – including Saudi Arabia, South Korea and Singapore – that should begin taking on quantitative mitigation commitments in the second commitment period.

The focus in the AWG should be at

this stage on the development of new and expanded market mechanisms that broaden the opportunities for participation of all Parties in the global effort to reduce emissions.

Increasing the benefits and opportunities with new and expanded market mechanisms

We need new market mechanisms that would enable developing countries to join the international carbon market, and that are fuelled by deeper emission reduction limitations of the developed countries. Many good ideas have been proposed and need to be worked on hard by the AWG, including sectoral approaches and SD PAMS for crediting. Such instruments could swing much larger investments in developing countries than any project-based CDM can.

Even before the first commitment period has started, we can see that they have the potential to mobilize capital to support emission reductions and sustainable development.

We are talking about the need to change the direction of tens to hundreds of billions of dollars each year in energy systems, services, transport and industry, hundreds of times larger than what realistically can be expected from traditional technology transfer and financial assistance provisions. The CDM has already generated more capital in less than two years than the GEF has over its entire lifetime. But we must think bigger. Much bigger.

The market mechanisms can be a win-win-win opportunity. They enable developed countries to take on deeper emission reduction targets, by reducing the cost of meeting these targets. They will enable developed countries to undertake cleaner development. They enable countries acting together to reduce global emissions. They provide the platform for major industrial actors to invest and innovate and grow the industries needed all over the world to reduce emissions.

We agree with the views of countries like Brazil, that argue that market mechanisms cannot be allowed to be merely a source of cheap credits for industrialized countries to meet their reduction commitments. If industrialized country commitments are set at the level we have called for here, this problem will be minimized if not eliminated.

Length of the Next Commitment Period

Many Parties have commented on the length of the commitment period in their submissions. The five year period was chosen initially to provide flexibility against emission spikes in single years, but provide a sufficient degree of control over target achievement. We think this should remain as it is, to ensure political accountability, policy flexibility to adjust to changing circumstances and the effective operation of the compliance system. Setting a longer term indicative target to guide the next commitment period negotiations could be one way of showing to industry the longer term intent of Parties, without extending the commitment period.

More certainty for industry

Much has been said about the need to give more certainty to industry to provide the signals for investment in cleaner technologies. To be certain, uncertainty over the future of the Kyoto Protocol does not add to the required certainty. In our judgement, the size of a target or the length of time over which it applies is not the most fundamental thing needed to give certainty to industry. The most important thing is that there is a sense of inevitability about each successive commitment period of the Kyoto Protocol. Smooth, intense and focused work by the AWG, concluded in a timely manner, would be the most important signal at this time, that would give certainty to the markets.

Process Lessons from Kyoto

There are several lessons to learn from the Kyoto Protocol negotiations.

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Focus! Focus! Focus! ...

... on enhancing the implementation of the ultimate objective of the Convention

Eco congratulates the parties and their able facilitators on the promising start to the Dialogue set up by 1/CP.11 from Montreal. Not only did we see a sense of community and a refreshingly low level of blaming and shaming, but there also was a good exchange of information on a range of issues and at least initial scoping of the ground that needs to be covered over the next eighteen months. Moreover, a number of parties put on the table concrete suggestions for questions to be explored. Eco was particularly heartened by several parties' interventions on the need to include the ultimate objective of the convention among the implementation issues that need to be enhanced.

Below we discuss four major questions that the Dialogue should seek to answer.

1) What is needed to implement the ultimate objective of the Convention?

For CAN a discussion on what might constitute dangerous climate change and an analysis of what global and regional emission reductions are needed to avoid this, is very important to informing both short and long term action. We realize that agreement between Parties on a specific dangerous level is unlikely at this stage, but we also believe that an organised debate about this issue is long overdue.

In the Dialogue, JAPAN referred to the ever-stronger science which is telling us that we have to reduce GHG emissions drastically on a global scale. GERMANY emphasized that it wasn't proposing an attempt to negotiate a specific warming limit, but that analysis shows that remaining below 2

degrees is possible. SAINT LUCIA, speaking on behalf of AOSIS, said, the 2 degree warming limit is unacceptably high.

2) How can the synergies between sustainable development goals and climate policy be captured?

We see a lot of agreement that there are synergies between sustainable development and climate policy, however little – very little - has been done to explore the potential for international cooperation to help capture these synergies. For example, it would be worth exploring the linkages between clean energy, human health and climate change.

SWEDEN was one of several countries viewing climate change as a challenge to the goal of sustainable development. Climate change considerations have to be fully integrated in national planning.

3) What is needed to massively expand the scale of market mechanisms for greenhouse gas reductions?

We have growing experience with using market mechanisms for reducing greenhouse gas emissions. Anyone who has watched the development of the international carbon market in the last two years or so, with the entry into force of the Kyoto Protocol and the operation of the initial phase of the EU trading scheme, can see the power of this system. The fuel that drives the carbon market is the emission reduction targets, which create the opportunity for investments in developing countries.

We need to massively expand this system so that it becomes a vehicle for both reducing emissions globally and creating the market potential for large-scale investment in clean and sustainable technologies in

Canadian "Hot Air"

PM Harper shares unique "reality" on Kyoto with Canadian Parliament

Excerpts from May 16th Question period in the Canadian House of Commons

"The Right Honourable the Prime Minister. Rt. Hon. Stephen Harper, Prime Minister of Canada : Mr. Speaker, the Bloc Québécois motion is not an action plan and it is an action plan that this government intends to bring forward. The Bloc leader speaks about the international community and Kyoto, but, in reality, India, China, the United States, Australia, Mexico, all of those countries have not met their objectives or will not meet the Kyoto objectives, and that is why we're working with international community to have real results.

The Honourable parliamentary secretary to the Minister of the Environment Mark Warawa (c): Mr. Speaker, the minister's meetings in Bonn were very successful. The minister had the opportunity to put Canada's position forward in an honest and forthright manner to ensure that our international partners understand that the mess was provided by the Liberal -- the former Liberal government. Mr. Speaker, the international partners are supportive of our commitment to provide a made-in-Canada plan.

developing countries.

The EU emphasised that creating a carbon market with a long-term price signal is one way of creating incentives for clean technology investments. PAPUA NEW GUINEA called for financial recognition of the value of ecosystem services and an end to perverse incentives for tropical deforestation. JAPAN made a stark invitation for parties to put concrete proposals on the table on what else, beyond what is already being done, is needed to more rapidly transfer technology to developing countries.

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4) *What is needed to provide sufficient resources to meet adaptation needs for unavoidable climate change?*

For CAN the scale of adaptation needs is set to grow rapidly in the next one or two decades. At present the infrastructure and resources available are grossly inadequate to the scale of the task. Water resources are one example where widespread problems are projected, particularly in regions which are fed by snow melt such as western Canada, large parts of south and central Asia and China as well as the Andes. Significant cross-border issues can also be anticipated due to reductions in river flow. There are many other examples. The Dialogue could explore ways to build on the existing adaptation framework and develop a model for funding the large investments that will be required, through expanding the CDM levy to emissions trading, for example.

GHANA asked who should pay for the costs of adaptation and mentioned the polluter pays principle. UK stated that for adaptation there are far fewer win-win solutions than for mitigation. Many parties noted the need for greater clarity as to what levels of climate change we expect to have to adapt to? Furthermore there are limits to adaptation, as NORWAY pointed out, citing CANADA'S reference to changes already evident in the Arctic: "Where can the polar bear without ice adapt to?"

An adaptation-only strategy is not an acceptable option. On so many fronts, we will run out of adaptation possibilities very quickly unless we limit climate change. For many communities, even the EU's proposed 2 degree Celsius target is too much warming.

Regarding future process, Eco agrees with the large number of parties expressing the need to focus discussions at future workshops. There should be room to treat the issues separately and in a focused manner, in order to achieve a deeper understanding of the issues among the parties. But all the issues should be revisited over the course of several meetings, in order to allow sessions to build on each other and to allow work in between. A process built upon these two principles can be effective in identifying areas of agreement as well as in exploring differences in understanding and positions, both of which helps to build consensus towards future negotiations.

AWG Intervention

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First, to assure that there is no gap between the first and second commitment periods, it is necessary to complete these negotiations early enough to allow for the ratification process. Experience shows that the agreement will take several years to enter into force. For this reason, the AWG should specify a concrete date for the end of the negotiations in 2008 to ensure that there is indeed no gap.

Lesson two is that negotiating the Kyoto Protocol took eight and a half meetings over the space of just 18 months. Clearly this implies that the AWG must schedule additional, inter-session meetings to negotiate the second period agreement.

Lesson three from the Kyoto negotiations is to organize subgroups to address specific areas of work. In our opinion, a logical structure of subgroups would cover:

- Establishing the levels and differentiation of emission reduction commitments.
- Expanding the market mechanisms.

- Addressing land use change and forestry – this time *before* other commitments are finalized.
- Addressing maritime and aviation emissions, which cannot be left out again.

Dealing with the Duck

An effective long-term solution must involve the world's largest emitter. But it would be a fatal mistake to tailor your negotiations to that country's electoral timetable. The Americans have an expression: "If you build it they will come." There is an enormous groundswell in the United States towards mandatory emission limits and market-based mechanisms – a return to the framework that the U.S. originally brought to Kyoto. We judge that the US will adopt a mandatory regime domestically early in the life of the next Administration, but not before. The AWG should not wait for this but design the next agreement the without delay.

Conclusion

This first session of the AWG, together with the dialogue on long-term cooperative action mark the start of a new era in the further advancement of the international response to climate change.

Reducing global GHG emissions to stay below the 2°C threshold is possible, but it requires much deeper emission reductions by developed countries, and greater participation of developing countries through new and expansion market mechanisms.

We hope that you will conclude this first AWG session next week with a concrete work plan for the next two and a half years that will be able to deliver the results needed to avoid dangerous climate change.