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eco

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down to business issue

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Making Cash Flow to Cut CO2!

ECO is looking forward to today's dialogue on investment and financial flows needed for climate change mitigation and adaptation.It is the first discussion on this urgent topic in the UNFCCC. That financial numbers are starting to appear on the negotiating tables is one further sign that the climate debate is now mature.

After studying the report, we are happy to note that the key findings are very close to what ECO (and others) concluded years ago:

- The investments needed for mitigation and adaptation are large compared to the funding currently available under the Convention and the Protocol, but tiny in relation to estimated global GDP and global investment in 2030.
- Investments will flow anyway. Total investments in new physical assets is projected to triple between 2000 and 2030. This provides a massive window of opportunity for redirecting major financial flows into climate-friendly technologies.
- Private sector investments constitute the largest share of investment and financial flows. It is therefore crucial for future action on climate change to find the mechanisms that will make private money flow to where it is most urgently needed.
- While the carbon market is already playing an important role in shifting private investment flows, it needs to be significantly expanded and improved to address the needs for additional financial flows.
- Additional funding for mitigation and adaptation is needed, particularly for sectors in developing countries that depend on government investment and finance.
- The level of funding currently available under the Convention is galaxies away from being sufficient, and proves that voluntary contributions are not delivering.

Now that the floor is open for discussion, the biggest question in the concluding meeting of the dialogue is how to take the findings of the report forward and come to an effective and appropriate international response. What are the building blocks (to quote that much-used phrase) needed in the post-2012 agreement that will make finances flow in the right direction and in the magnitudes needed?

ECO believes that we need a formal, time-bound process parallel to that of the AWG (the work of which will determine the future of carbon markets). This process has to aim at concrete mechanisms that will serve as key elements of the post-2012 agreement.

In the process going forward, Parties need to recognize that the report manages to draw the big picture about current investment flows and the pros and cons of current mechanisms creating financing. But it fails totally when it comes to actual numbers. The 'mitigation scenario' (returning the global CO2 emissions to the 2004 level by 2030) is not sufficient to limit warming to 2oC and could result in a disaster scenario for many highly vulnerable developing countries. The assessments and negotiations about the financial needs have to be based on a scenario capable of keeping the temperature rise as far below 2°C as possible.

Another major element in dire need of improvement is an assessment of the real adaptation needs of developing countries. The report focuses on investments in physical assets, and misses out on the livelihood impacts at community level; therefore it ends up with overly cautious assumptions on the cost of adaptation. At present, the livelihoods of some 3 out of 4 people in developing countries depend on local natural resources – resources that are being seriously degraded by climate change. For these people, support for adaptation is not about major investments, but about support for community-based disaster preparedness and about capacity building to adjust their way of living to a changing climate. The most-affected countries will not be able to finance this from domestic sources.

What the report by the secretariat really fails to emphasize is that the shift away from the business-as-usual path to a clean, efficient and safe energy future is not about additional costs, but about saving money, species and human lives. According to a joint report by the European Renewable Energy Council (EREC) and Greenpeace released in July, investing in a renewable electricity future will save 10 times the fuel costs of a 'business as usual' fossil-fuelled scenario, saving US$180 billion annually and cut CO2 emissions of electricity production in half by 2030. This report – unlike the one discussed in the dialogue today – assumes an emission reduction pathway that enables us to keep the temperature rise below 2°C (see http://www.energyblueprint.info/447.0.html).

Let the cash flow!

Just so everyone's clear…

On the agenda this week are the issues of mitigation potentials and the carefully coded issue of "ranges of emission reduction objectives for Annex I Parties". ECO thinks that the focus should be on the latter - establishing the ranges of quantitative emissions reduction objectives for Annex I Parties. It is these that will drive the post 2012 climate regime, rather than an open ended discussion of mitigation costs and potentials. The rise of emissions needs to be halted by 2015 and reduced to no more than 10% above 1990 levels in 2020. Such a global emission pathway is needed to have reasonable chance of limiting global warming to 2oC or below.

Within the Annex I group the AWG should agree here in Vienna that one of its aims is to set QELROs that can achieve, within the group as a whole, reductions of at least 30% below 1990 by 2020. Some rich Annex I countries, such as Canada and Australia[1], seem to have got the sign of this number wrong – it is MINUS 30% not PLUS 30! These countries, plus Japan, are all talking of 2050 emission goals, which are not at all directly relevant to the task ahead of us, which is to take *concrete*, rather than hypothetical action.

In order to develop the carbon market as a main agent for financing the spread of clean, renewable and efficient technologies into Non Annex I markets, innovative ideas for raising capital, such as auctioning off some fraction of Annex I QELROs need to be examined.

Action by Non Annex I Parties to limit their growth in emissions, and in some cases reduce emissions, is also critical to getting the world onto a safer emission pathway. Annex I Parties cannot dance this Waltz on their own. There are a number of Non-Annex I Parties who are at least as wealthy as the members of the present Annex I group, and who should by any measure of fairness be taking on QELROs post 2012. Others needs to be gearing up to take part in the new mechanisms that need to be developed for the post 2012 regime.

In order for the post Bali negotiations to be successful, the AWG must prepare to expand its mandate in Bali beyond the present Annex I countries and commitments and there is no credible reason why Parties should treat the present list of countries written in 1992 as some untouchable fossil artifact, immutable in time to changing economic circumstances and climatic risks. This is why we are also calling for you to begin to discuss fair and equitable principles for allocating emission actions sooner rather than later. This is in the interest of all Parties, whether of the Annex I group or not.

Footnote:

[1] *Technically, Australia is not a Party to the Kyoto Protocol, although its delegation speaks as though it were. ECO is unsure as to whether this is due to either to the indulgence of the Chair, sharing as he does a cricketing heritage with the Antipodes, or due to his sunny expectation that by Bali the Australian government (elect) will have ratified Kyoto, thereby uniting the cricketing playing world in the fight against climate change.*

WOLFGANG

- SymPHONY number 6 -

Wolfgang was waltzing along the banks of the 'schöne blauen Donau' close to the Austria Center Vienna, when the sweet harmonies of the waltz were interrupted by whingeing from a familiar source.

As he entered the Mozart Salle, Wolfgang thought, "Well, no wonder it sounded like a familiar tune." It was Saudi Arabia complaining, about the market distorting subsidies that OECD countries use to promote their domestic energy interests, accompanied by a string quintet playing the tired refrain that the purveyors of fossilized politics should somehow be considered climate victims...

Noble words, reflected Wolfgang, but he waited, in vain for the song to end on the urgent need to end oil aid. But such are the discordant notes OPEC adds to the Kyoto orchestra…