

ECO



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Post-2012 Mandate

Welcome to Montreal, the lucky city that is to host the first meeting of Parties to the Kyoto Protocol (KP). Let us take a moment to reflect on the great achievement of having brought this important Treaty into force.

Reflected? Good. Now the business at hand: what should follow the end of the first KP commitment period in 2012. No sooner than the KP is born, the Americans are trying to strangle it in its crib. In a futile effort to engage the United States, most Parties seem ready to start negotiations on the second commitment period under the Convention, the KP's parent Treaty. But the KP remains the best legal basis to discuss the post-2012 climate regime, and here is why.

First, the KP represents an opportunity, not a threat, to development for the world's emerging economies. While Annex B countries should of course continue to take on absolute mandatory emission caps, nobody seriously expects any but the richest developing countries to take on absolute emission targets in the second commitment period. In fact, due to its amendment procedures, the KP offers the flexibility for a multi-stage approach incorporating a range of commitments and undertakings. While deeper emissions targets for developed countries can continue to drive flexible mechanisms, developing country engagement can take many forms, taking into account development needs and national circumstances. Nor would such commitments need to be subject to the same compliance mechanisms as Annex I targets: the shape of new types of commitments would evolve through negotiation.

Second, for those that truly wish to do something about the dangers of climate change,

the argument for holding negotiations on future commitments under the KP could not be clearer. The Bush administration has been very explicit: the US will block any attempt at progress under the Convention, and as a Party is in a position to do just that. In recent negotiations the US has developed a habit of making small, essentially meaningless concessions at the end of negotiations, leaving its partners always hoping that one day it will make a meaningful concession. Surely by now the international community must have learned its lesson: nothing good will come from this administration. The KP, in which the US is a mere observer, is for now the only viable option for serious action to address climate change.

Third, developing countries have a strong interest in a Montreal mandate based on the KP. A KP-based negotiating process would be best able to continue and build upon the existing flexibility mechanisms. These mechanisms, primarily the Clean Development Mechanism (CDM), are already leveraging private sector investment and technology cooperation in ways fully consistent with development goals defined by host countries. Continuing investment will depend on giving investors certainty that this market will continue beyond 2012. Moving away from the KP now could cripple the CDM market.

In addition, funding for adaptation and other developing country priorities under the UNFCCC will remain inadequate, as it is entirely reliant on voluntary direct financial commitments from Annex I governments. The adaptation levy on CDM projects offers the prospect of generating much larger

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Imperatives for Negotiators

COP/MOP1 is the first real opportunity in some years for serious progress on the climate issue, now that the Kyoto Protocol (KP) has entered into force. The old joke is that "the climate is changing faster than the positions of the negotiators." Let us hope that Parties can accept their responsibility and prove the cynics wrong.

They had better, because there is a lot to do. In addition to agreeing on a mandate for post-2012 negotiations (see main article), negotiators must:

- Adopt the Marrakech accords: This complex series of agreements were the culmination of four long, hard years of negotiations. All attempts to re-open them should be resisted. They should be adopted on Wednesday.

- Agree on the Compliance system: A decision on the compliance system should be adopted. An amendment is not necessary at this time. To ensure that the compliance mechanism can be operationalised, the decision should be made on Wednesday.

- Strengthen the Clean Development Mechanism (CDM): The CDM is now up and running, and approving projects at an increasing rate, despite constraints. Both industrialised and developing countries have a strong interest in the success of this mechanism in providing both emissions reductions and sustainable development benefits. However, some proposals to "streamline" the CDM approval process seem to be code for either weakening or removing the additionality requirements in the system. Additionality is the key criterion that determines whether CDM

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Action Required on Adaptation

Increasing acceptance of the scientific evidence of the impacts of climate change has also led to growing recognition of the need for urgent action on adaptation. Under the UNFCCC, adaptation activities in developing countries is to be supported by the Global Environmental Facility's own Trust Fund, as well as the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF) which were set up under the Marrakech Accord at COP7. There is also the Adaptation Fund set up in the Kyoto Protocol which draws on proceeds from the Clean Development Mechanism through a levy on certified emission reduction (CER) units. To date, these funds have only supported studies, assessments and capacity building. Support is needed for adaptation activities on the ground.

At COP 11, Parties will review the status of these funds and provide further guidance for their operationalisation. They need to ensure that the LDCF provides full cost support for LDCs to implement priority actions identified

by their National Adaptation Programmes of Action (NAPAs). Parties must also provide guidance to the GEF to start funding action on adaptation immediately under the SCCF as well as contribute substantially larger and longer-term funding from its own Trust Funds.

Another related issue to be discussed at COP11 is guidance for the Adaptation Fund. Parties need to instruct the GEF to ensure that funds disbursed are controlled by the COP and not by the GEF Council and World Bank. The US, which is not a party to the KP, should not be allowed to control the Adaptation Fund through the back door.

If Annex I countries want developing countries (DCs) to undertake mitigation activities, they must assist DCs to cope with the impacts of the past emissions of Annex 1 countries. The amount of funding provided by developed countries for adaptation activities in DCs continues to be a small fraction of what has been allocated for mitigation. It needs to be increased by an order of magnitude.

PNG Proposal

Reducing the rate of tropical deforestation, an issue discussed extensively since the signing of the UNFCCC in Rio in 1992 and ultimately rejected as an activity eligible for carbon credits, has re-emerged in 2005 as an important issue in the climate policy debate.

A new proposal by Papua New Guinea (PNG) and Costa Rica, and supported by Chile, Nicaragua, Bolivia, Guatemala, Dominican Republic, Central African Republic and the Republic of Congo, attempts to address concerns of additionality and leakage by calling for establishing "national deforestation baseline rates which support clear targets" in forest-rich developing countries.

The proposal leaves several issues unresolved, such as compliance, how deforestation targets should be set and how the

crediting system will work. Nevertheless, this is a refreshing start in addressing a key problem facing the next commitment period. It shows that some developing countries really do want to take action. Tropical deforestation is responsible for about 20 to 25 per cent of all global greenhouse gas emissions and has negative impacts on biodiversity, local communities and air quality.

Bringing tropical deforestation into the climate regime should contribute to limiting global emissions and staying below 2°C warming, rather than just letting industrialised countries off the hook for their current commitments. It is indeed necessary to find a way to include tropical deforestation in future commitment periods, while addressing leakage and ensuring permanence of emissions reductions in a credible and transparent manner.

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projects will result in real emissions reductions or generate bogus credits that undermine the KP. The CDM Executive Board and Methodology Panel deserve praise for their efforts to enforce a credible additionality test in the face of governmental and corporate pressure. The real short-term need is for increased resources for the CDM administration.

- Finance: Parties have the obligation to

move the adaptation issue forward with a solid, five-year programme of work on the scientific, technical and socio-economic aspects of adaptation, which must be adequately funded by industrialised countries. Parties should also ensure that the outstanding issues on the Special Climate Change Fund (transport, energy and economic diversification) are resolved, and a clear and transparent process for administering the Adaptation Fund is established.

Avoiding Pot Holes on Compliance

Finally, we are here at the first session of the COP/MOP. With regard to compliance, ECO hopes by Wednesday to see the activation of the compliance system through its adoption by a COP/MOP decision. This decision will provide a strong political signal that the entire Kyoto Protocol structure is alive and kicking. Indeed, it will ensure the immediate operationalisation of the compliance system, i.e. the facilitative and the enforcement branches can begin their work. That is great news.

But Saudi Arabia is up to its tricks again. While appearing to ask for a super-powerful compliance system (directly linking their amendment to the decision), they are actually undermining the chance of having a compliance system at all. It might even impede the negotiations dynamic.

Of course, in addition to the COP/MOP decision, a parallel process for an amendment could be initiated, but the priority is to get the system up and running now.

However, while the COP/MOP decision must be adopted at this session, the most appropriate way to deal with this issue will be to wrap it up in the mandate for the post-2012 regime. This would avoid any legal and procedural dilemma.

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amounts of funding, but only as deeper emissions reduction commitments under KP stimulate much greater investment in such projects. New negotiations under KP would also offer an opportunity to expand the adaptation levy to the other KP mechanisms.

Finally, achieving the emissions reductions necessary to avoid dangerous climate impacts (which fall disproportionately on developing countries) requires strengthened Annex B commitments under the KP. These commitments also generate demand for developing country carbon credits, thus facilitating progress towards sustainable development goals.

None of this is to say that the Convention has lost its broader importance; it will play an important role in the development of a post-2012 regime. But given the current US stated commitment to blocking any discussion of post-2012 commitments, the Kyoto Protocol is the most viable arena for discussion of deeper and broader mitigation action.