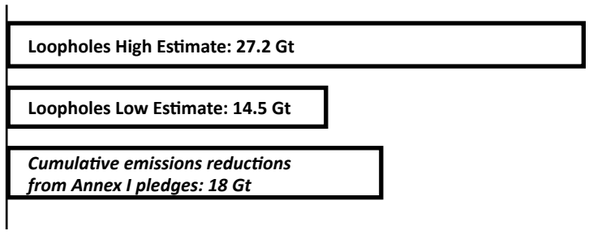

All quantities cumulative Gt for 2013-2020.

Total estimated size of loopholes 2013-2020 in Gt CO_2e	
Hot Air – surplus allowances (AAUs) from the first commitment period	9 – 13
LULUCF weak accounting rules	0 – 6.4
CDM credits that do not represent real emissions reductions.	0.7 – 3.3
Double counting of emissions reductions	0.6 – 1.6
Bunker fuels: emissions from International aviation and shipping	4.2 – 4.5
Combined effect of these loopholes	**14.5 – 27.2**

Pledges v Loopholes

Just in time for the arrival of ministers, we have removed the fuzziness from our loopholes chart. Current loopholes could easily negate all Annex 1 pledges and in the worst case leave plenty of left-overs to nibble on during a third commitment period. A couple key examples will suffice.

According to UNEP, surplus AAUs from the first commitment period amouns to 9-13 Gt CO2e. Given that current Annex I pledges amount to about 18 Gt of emissions reductions, it almost goes without saying that this loophole needs to be closed if we want to stop tinkering at the margins and start getting serious about 2° C.

The two countries with most hot air are Russia and Ukraine. To entice them and other economies in transition to ratify the Kyoto Protocol, they were allowed to keep emissions to 1990 levels.

It seemed cheaper at the time to take out a huge loan on the atmosphere, and now like a subprime mortgage this is coming back to haunt us.

Both Ukraine and Russia have made 2020 pledges that are above business-as-usual projections. These weak targets could add another whopping 4 Gt of 'hot air' until 2020.

We agree that banking can provide an incentive for early action, but that only holds true if the pledges are deep enough to require countries to go substantially below their BAU.

And then there's New Zealand. Climate Tracker rates their commitment for 2020 as 'inadequate', the lowest ranking a country can get. On Friday, New Zealand won a Fossil for its efforts to water down the integrity of market mechanisms. Sorry, this does not look like 'over achievement' to us.

But don't cheer too quickly if you're from somewhere else in Annex I. Only five countries did not share the dubious distinction of being rated 'inadequate' by Climate Tracker.

May we remind all delegates: your country may get away with ruses and ploys in the world of politics. But nature does not go for accounting tricks: it is the future of your own children you are gambling away.

MRV and the Virtues of Clarity

As we look closely at the current state of the negotiations, the LCA text released over the weekend falls short of the advances we need on both clarification and accounting. Without more progress this week the environmental integrity of the regime will decay if not disappear altogether.

Amidst all the talk of lack of ambition, one would think that the far from sufficient pledges in hand today would at least be solid. But we don't clearly know what is in the pledges and the foundation on which they supposedly stand – a solid accounting framework – is also at risk.

Here's why we care about clarification of pledges. Recent workshops showed that countries have not been very forthcoming about their pledges, including underlying methodologies and assumptions. This is a serious problem for tracking progress towards both domestic goals and global temperature targets – and that's at the heart of the matters before us, right?

We are looking at real challenges to understanding aggregate reductions, a key input into the 2013-2015 review.

And that's not all. Without more transparency, it will also be difficult to avoid double counting of emissions reductions. So let's review piece by piece where the text falls short.

Regarding Annex I targets, the text calls for workshops, a technical paper, and a template to be filled out by Parties (Chapter IIA, Para 9).

This is a good start, but the template should also request Parties to be forthcoming about market-based mechanisms accounting methodologies, procedures to avoid double counting, the use of uncovered sectors or gases acting as domestic offsets (if applicable) and related methodologies. And the template should be included in the Durban decision..

On non-Annex I actions, the text invites Parties to submit information on their actions (Chapter IIB, Para 23).

However, an invitation alone will not necessarily result in the information necessary for tracking performance. The COP should also create a mandate for non-Annex I Parties to provide information through the completion of templates or questionnaires, with capacity support as needed. These should be specific to various pledge types, given the diversity of actions.

Lastly, SBSTA should establish a process on how these details should be reported in biennial reports, and define adjustment procedures so Parties don't just change assumptions and methodologies willy nilly with no real justification.

Now here's why we care about accounting. Accounting for emission reductions is at the heart of environmental integrity of the climate regime. If done in a transparent, consistent, comparable, complete, and accurate manner, accounting ensures comparability, the ability to add up and assess global emissions reductions, and quality in the carbon market.

And here's where the text falls short. On Annex I, while the text acknowledges the need for a common system for measuring progress (Chapter IIA, Para 14), the text does not refer to the word "accounting", leaving the text fuzzy and vulnerable to co-opting.

The text further calls for a work programme to establish such a system but fails to mention "common" and "accounting".

And a work programme is not necessary for Annex I targets, considering the experience we have gained through the Kyoto Protocol. There is no date by which the work programme is completed, so clearly these elements are just tactics for delay.

So to recap, If we are to preserve any environmental integrity of this regime, provisions for clarification of pledges and proper accounting needs to be strengthened this week.

CLIMATE NEGOTIATIONS DURBAN, SOUTH AFRICA NOV-DEC 2011 NGO NEWSLETTER

eco

7 DECEMBER CHALLENGE ISSUE

ECO has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. This issue is produced cooperatively by the Climate Action Network at the UNFCCC meetings in Durban in Nov-Dec 2011.
ECO email: eco@sunlightdata.com – ECO website: http://www.climatenetwork.org/eco-newsletters – Editorial/Production: Fred Heutte

LULUCF for Ministers

Ministers, your attention is about to be rewarded. This article aims to preserve your sanity.

In the past, ministers have run out of closed rooms when asked to make decisions on LULUCF. When a minister once was asked how the LULUCF rules were progressing in Marrakesh he replied, "I have no idea. It is like fighting in a fog and the civil servants have all of the weapons".

The basics of LULUCF are not hard, just weird, and they work in opposition to the rest of the UNFCCC process. For example, it is generally assumed that developed countries should be cutting their emissions, or at least trying to. This is not the case in the Alice in Wonderland world of LULUCF; quite the opposite in fact.

To begin with, the 'rules' are currently optional, so if a country thinks that a LULUCF activity such as forest management will result in an emission, then it can choose not to account for it. If it thinks that the activity will result in a removal, then it will account for it and take the credit.

Are you with us so far? Can you imagine the fuss if developed countries arbitrarily decided not to account for industrial emissions? This is what is commonly known as legalised cheating.

So we offer a remedy. Ministers should ensure that developed countries have to account for all LULUCF emissions and removals, not just the ones that suit them. This is called mandatory accounting and it really should be a core principle, or at the very least apply to forest management and wetlands.

It gets worse. The new rules on forest management are likely to allow countries to account for emissions however they choose, giving a whole new meaning to the word 'rule'.

The most popular option (Option 1) is for the reference level (baseline) to be a projection, which assumes that emissions will increase, thereby ensuring that no emissions have to be accounted for.

Imagine this 'rule' being applied to electricity generation. A country could build as many new coal-fired power stations as it liked, and as long as the country first announced that it would do so, they would not have to account for any of the emissions. Bearing this in mind, ministers should reject Option 1 and go for either Option 2 (proposed by the Africa Group) or Option 3 (by Tuvalu) instead. These are not ideal but they are a lot better than Option 1; almost anything would be.

Now for another mind-bender. To fully understand Harvested Wood Products (HWP) requires a twists in logic that we hope that ministers will not countenance, so here's very simple advice. Just go for Option 3.

Last but not least, there is a proposal called FLU, which is as nasty as it sounds. This is an attempt to rewrite the Kyoto Protocol's article 3.3. Reject "flexible land use" out of hand.

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Taking Leadership

The legal options discussion has come up with at least one that ECO approves. Option 1 decides to develop a Protocol or other legally binding instrument under the Convention based on the Bali Action Plan and the Cancun Agreements, with negotiations starting in 2012 and in place by 2015. Excellent!

However, the rumour is that the US, India and China have opposed it. ECO shares India and China's love of the Kyoto Protocol and their devotion to a second commitment period, but is dismayed by the potential rejection of the lovely Option 1.

ECO has long considered itself soulmates with India and China – based on mutual deep respect for a rules-based system with common but differentiated responsibilities and respective capabilities. If those Parties are really serious about a binding second commitment period they should also constructively engage to ensure a mandate at Durban that will build on the second commitment period.

Rather than taking a rigid stance in the legal group, India and China should move in line with the press comments they have made stating they are receptive to new ideas and looking at solutions with an open mind.

Of course, responsibilities should be based on equity and CBDR+RC as embedded in the Convention. Rather than being a basis for obstructing progress, however, this should be the basis to work towards a legal outcome. It is imperative that all Parties should extend their views beyond the short term for the sake of the planet.