

# ECO



## EU: Time to Break the Money Taboo

In many cultures money is surrounded by taboos. But have you ever noticed that poorer people have little difficulty talking about money, whereas rich people often prefer to remain silent? Could this be why EU finance ministers haven't yet been able to come to a decision on clear climate finance commitments? And will this change at their meeting next week in Luxembourg?

A bit of history: you may know that in March this year EU leaders decided to support both the Norwegian and Mexican proposals on finance (or perhaps a mix of the two). However, they failed to identify or acknowledge the scale of support needed by developing countries. This means that, here in Bonn, while the developing countries have made sure that the current LCA negotiating text includes clear figures for mitigation and adaptation, the EU has remained silent.

In the last few weeks finance ministries in the EU have been working hard to get back up to speed. The ministers mandated a working group of national finance experts to do the homework. This group discussed various aspects of climate change finance, such as how

much is needed, which body should manage and control the funds, how much will come from the public and private sectors, how much each EU member state should contribute, mechanisms to raise funds, and so on.

Following the delays in March, and the considerable work by the finance experts, ECO hopes that the EU will now come forward with something with substance. And substance is something the negotiations here in Bonn need. Finance has been a taboo for too long, and it is becoming clearer all the time that this is a crucial element for success in Copenhagen. As Commissioner Dimas put it earlier this year "No money, no deal!"

However, early signals and rumours from Brussels have not been hopeful. We can't go into detail at this point, but ECO would like to call upon EU delegates in Bonn, and anyone else who might have an influence on the EU: Unite! Send a clear message to the capitals: without a strong framework on finance, a robust finance raising proposal, and a meaningful position on the scale of finance needed, our work here could be a complete waste of time.

## More Hot Air!

Yesterday ECO reported that the Annex I aggregate target could be weaker than it seems, due to the possibility that left-over "hot air" emissions allowances (AAUs) from the first commitment period could be sold post-2012. In fact, the targets could be weakened even further, thanks to offsetting with non-additional credits generated under the Clean Development Mechanism (CDM). (A non-additional credit is one awarded for an emissions reduction in a non-Annex I country, when the reduction would have happened even without any intervention – it should not therefore be used for offsetting.)

It is estimated that carbon credits representing 1.3 billion tonnes of carbon dioxide equivalent will be generated under the CDM by 2012, which is about one-third of the emissions reduction obligations of Europe and Japan. With studies suggesting that between 40 and 75% of CDM credits are not additional, this means that 13-25% of Europe and Japan's emissions reductions between 2008-2012 could be hot air!

Unless we want the prospect of a world with a temperature rise in the order of 4-5°C, the agreement in Copenhagen has to ensure that Annex I targets are what they seem to be. As well as making sure that left-over AAUs cannot be used, this will require substantial improvements to the CDM to ensure that reductions generated are really additional.

## Fossils of the Week

Eco understands that not everyone is aware of the "Fossils of the Day" that have been awarded this week, so in order to make sure that no shame goes unclaimed, here is a list of Fossils awarded so far.

### Monday

1 **Australia**, for announcing its target which puts unreasonable conditions on other countries. Australia plans to adopt an inadequate 24% target by 2020 with a long list of particularly obnoxious provisos.

2 **Canada**, for suggesting that "all Parties" should undertake all actions under the Bali Action Plan, including 2020 reduction targets.

3 **Iceland**, for announcing its 2020 reduction target at a mere 15% reduction on 1990 levels, arguing it constitutes a -25% reduction below their +10% Kyoto target.

### Tuesday

1 **Saudi Arabia**, for asking that its income be protected by a similar insurance mechanism to the one designed to help countries that will disappear beneath rising seas.

2 **Russia**, for insisting to include dangerous and inefficient nuclear activities in the JI and CDM, and for its continuing growth in emissions since 2004.

3 **New Zealand**, for refusing to table a mid-

term national emissions reduction target at the AWG-KP Plenary and for saying that it won't table a target until August.

### Wednesday

1 **USA**, for arguing that international offsets should be counted as part of its international finance for developing countries as well as for their domestic mitigation obligation.

2 **Australia, Canada, and Japan**, for resisting a discussion on the scale of emission reductions in Tuesday's contact group on scale of emission reductions.

3 **The EU and Russia**, for including in their LULUCF submissions an option that would allow countries to eradicate their forest sinks without accounting for it.

### Thursday

1 **Argentina and the UK**. Argentina objected to the UK's inclusion of Islas Malvinas in its national communication, citing sovereignty disputes. The UK responded that emissions from the Falkland Islands were included since the issue of sovereignty was not in doubt.

2 **The EU**, for asking for an explanation of the "really difficult" concepts of atmospheric space and historical responsibility in the contact group on the scale of emission reduction by Annex I Parties.

## LUDWIG

Not many people are aware that Ludwig is descended from one of the pioneers of the Industrial Revolution. He would therefore like to remind delegates that all this talk of historical responsibility is a complete distraction.



Ida Saudiarabiae