CLIMATE NEGOTIATIONS BONN AUGUST 2009 NGO NEWSLETTER

eco

14 AUGUST
ENUMERATED 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 co-operatively by CAN groups attending the climate negotiations in Bonn, August 2009.

Anyone Remember Environmental Integrity?

From where ECO sits, Annex I nations seem increasingly committed to wiping countries off the face of the map. Their obstinate refusal to reduce emissions in line with a finite global emissions budget threatens the very survival of a number of countries, through sea level rise, or through impacts that will make them uninhabitable.

The compilation of pledged reductions for Annex I countries, presented by Micronesia on Wednesday's KP numbers session, so far adds up to an aggregate reduction by 2020 of -16% at best, and possibly as low as -10%, on 1990 levels. This is only a third to a quarter of what is needed for a number of nations to have a chance of simply surviving the fossil age.

Even based on estimates prepared by the Secretariat, pledges only add up to 13-21% cuts on 1990 levels by 2020 – and these don't include the weak proposed US targets, which would further drag down the total. What's more, these figures are actually worse than the dismal estimates provided by the Secretariat in June. It seems some countries aren't worried at all – Japan for example told negotiators that they shouldn't think failing to reach the 25-40% range is wrong.

India has told Canada to do some soul-searching: ECO thinks all developed countries should do a great deal of soul-searching. Have they thought about the temperature rises their targets imply? Do they delude themselves that they will be immune from the consequences? Do they want to see global warming spiral out of control as the Amazon dies back and the Siberian permafrost thaws? Are they happy with the idea of a 4 or 5 degree warmer world – one perhaps unable to support a mere 1 billion people? Russia is clearly untroubled: when asked for its peak emissions date, Russia replied "that's a very good question." ECO wouldn't mind an answer.

Current aggregate pledges don't even

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Annex I considers a new approach for Bangkok

Creative Accountants for Rent

As regular readers will know, ECO prides itself on seeking out the most shocking, least noble attempts by parties to avoid their responsibilities for tackling climate change, no matter how well hidden. And after thirty years of fearless reporting, there aren't many tricks of the climate negotiating trade that haven't been exposed on these pages.

In this year alone, who could forget the shameful 'bar to zero' exposé that rocked the LULUCF closed sessions? Or the moment the news broke that the Japanese 2020 mitigation target was not as ambitious as their choice of base year suggested or their government claimed?

So it is with great excitement this week that ECO stumbled upon the latest trick from developed countries, this time seeking ways to avoid their obligations to provide adequate new and additional public climate financing to developing countries.

It is old news that developed countries are often found seeking to "double count" carbon offsets – both towards their own mitigation targets, and towards financing for mitigation in developing countries. But the EU and US have this week given the story a new twist.

Confounded by accusations of "double counting", the big brains in the EU have been working over-time to find ways to get recognition under a Copenhagen deal for all the money they send out of their own countries to buy offset credits for mitigation projects in the South. ECO can understand why – after all, if they don't count funds flowing through offsetting, developed countries would actually have to fulfill their commitments to find and pay the new and additional public money they owe.

They found the solution in a single word:

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Attention Finance Ministries!

By now, everyone here in Bonn knows that finance for climate change is essential for getting a deal in Copenhagen. And everyone knows that you can't easily access significant national financing or change development pathways without buy in from finance ministers. A sad, but incontrovertible, truth. Many finance ministries are not represented here in Bonn (boy! did they miss out), but there is an opportunity just before the next UNFCCC meeting in Bangkok for them to get back in the game.

The G20 Summit on September 24 and 25 in Pittsburg, USA will discuss climate finance, and comes on the heels of the UN General Assembly in New York. Heads of State and finance ministers should be made aware of, and take action on, the scale and sources of climate finance required. Finance ministers can help advance the Copenhagen agreement by affirming the need for new and additional, predictable, and adequate financial resources to address adaptation, enhanced mitigation actions in developing countries, technology sharing, and capacity building. G20 statements must address the scale of finance needed, identify sources of public funding – AAU auctions? bunkers? assessments? – and acknowledge that decisions about institutions for finance must ultimately be made in the UNFCCC.

Economic growth cannot happen based on the current reality of unsustainable, dirty fuels with volatile prices. Without the necessary financing, if we do not act now, there are enormous consequences for the economy, for future generations, and particularly for the most vulnerable people around the world. ECO asks that all delegates take some time to talk with their G20 colleagues (see: Australia, Canada, EU (Sweden), France, Germany, Italy, Japan, Russia, UK, US) and ask them whether they have talked to their (friendly?) finance ministers about the G20 outcome.

–Environmental Integrity, from front page

scrape the bottom end of the IPCC's 25-40% range on 1990 levels by 2020 for developed countries, let alone the more than 40% cuts on 1990 by 2020, which, along with the small matter of $100bn per year of public mitigation finance for developing countries, is needed to be reasonably confident of keeping global warming well below 2 degrees.

And Annex I countries don't actually intend to reduce their domestic emissions even on the scale they have so far proposed, but rather to offset much of this effort through CDM and novel mechanisms, and to hide emissions through dodgy LULUCF rules. New Zealand told the KP that they wanted access to every kind of offset. This sends a message to developing countries that low carbon development is a contradiction in terms, too costly even for rich countries. Is that really the message they want to send?

Of course rich countries will cry poor and say that deeper cuts just aren't economically feasible. But we all know this is nonsense. For Australia – one of the most carbon intensive economies in the world – the government's own modelling showed that their top 2020 target of 24% below 1990 levels would only shave about 0.1 percentage points off their real per capita growth. So Australians would have to wait until about 2054 to be as rich as they would have been in 2050. But bear in mind that in this scenario the average Australian would still be more than one and a half times richer than they are today. Other less carbon-intensive economies would find it even easier to make changes. Developing countries are entitled to ask why the rich countries won't take the need for deep cuts seriously. Rich countries get richer while poor countries drown.

–Creative Accounting, from front page

'rent'. CDM offset credits are sold at the marginal price set by the market, but most are generated at much lower costs, meaning a significant economic rent, or profit, is earned on the sale. It is this profit margin that the EU have been considering counting towards their public financing obligations under a Copenhagen agreement.

It seems the idea is catching on fast. On Wednesday night, US chief negotiator Jonathan Pershing was heard to claim the US would be trying a similar trick. At a stroke it seemed Annex I financing obligations could be slashed without any further effort required beyond clever accounting.

Except there is just one problem. The rent that accrues from the sale of CDM offset credits is captured not by developing country governments, but by private sector companies operating in developing countries. Unfortunately, there is no guarantee whatsoever that this money will be used to take additional mitigation measures in developing countries nor to fund adaptation to climate impacts amongst the poorest and most vulnerable people. It takes real creative accounting to consider this climate value for climate money.

So ECO would like to suggest some homework for the EU, US and any other developed country delegation considering this latest scam as they leave Bonn: think again about what climate financing is needed for. ECO suggests that a minimum of US$150bn annually by 2020 in *public* finance is needed to cover the incremental costs of mitigation and adaptation for developing countries to meet the <2°C target. And not a penny of public money less.

Shady Double Counting

Under the Bali Action Plan, developed countries committed to reduce emissions at home, and to support developing countries' mitigation actions. CAN has always advocated that emissions reductions should be achieved domestically, but acknowledges a limited role for flexible mechanisms, including offsetting.

ECO is concerned though that, under the current proposed offsetting system, an Annex I country could double count an action. For example, the purchase of an offset could be applied to the country's own emission reduction target, and simultaneously be counted towards reductions from mitigation actions in the non-Annex I country which the Annex I country is mandated to support. The net effect is that emission reductions are not as high as claimed, undermining the environmental integrity of the system.

How can we help ensure that double counting is avoided? Firstly, low-cost and no-regrets mitigation actions achieved autonomously by developing countries or actions supported through MRV must not be available for offsetting against developed country obligations.

Further, clear definitions are needed for three key factors: (i) Annex I mitigation targets; (ii) the percentage of the target that can be met via offsets; and, (iii) developed country obligations to support non-Annex I mitigation. (The obligation toward non-Annex I mitigation could be defined two ways – monetarily or in terms of deviation from baseline.) And, critically, mitigation actions (whether in an Annex I or non-Annex I country) must be robustly MRVed. If the three factors are well defined and MRVed, accounting should be clear and straightforward, and shady double counting avoided.

There is of course also the question of how to define low-cost and no-regrets actions (low-hanging fruit), and how to enforce their non-use…

LUDWIG

Ludwig is astonished at the extraordinary extent of progress made here. In fact, his joy was so great, he had intended to devote a whole column to a list of what the many hundreds of highly-paid government delegates had achieved this week, in their noble mission to protect the future of the planet. Unfortunately, try as he might, Ludwig was unable to find the first item.

Just as well really that this is the first week of a three-week session.