

BETWEEN POZNAN AND COPENHAGEN: THE CLIMATE TRAIN IN THE "VALLEY OF DEATH"

RESULTS OF THE UN CLIMATE SUMMIT IN
POLAND, 1-12 DECEMBER, 2008

Christoph Bals



Abstract

In Poznan, the 'international climate train' succeeded in establishing the *formal* conditions for the achievement 12 months hence in Copenhagen of an ambitious global agreement for the period after 2012. At the same time, it became clear that central actors lack the political will to actually realize this kind of wide-reaching international agreement. This briefing paper summarises the most important results of the climate summit in Poland (1-12 December 2008) and offers a perspective on the negotiations leading up to the climate summit in Denmark (7-18 December 2009).

Imprint

Author:

Christoph Bals

With the assistance of:

Sven Harmeling, Gerold Kier, Klaus Milke, Jan Burck, Lukas van der Straeten, Thomas Spencer, Lars Schmidt und Hendrik Vygen

Translation: Thomas Spencer, Gerold Kier

Publisher:

Germanwatch e.V.

Office Bonn

Dr. Werner-Schuster-Haus

Kaiserstr. 201

D-53113 Bonn

Phone +49 (0) 228 60492-0, Fax -19

Office Berlin

Voßstr. 1

D-10117 Berlin

Phone +49 (0) 30 2888 356-0, Fax -1

Internet: www.germanwatch.org

E-mail: info@germanwatch.org

21 January 2009

Purchase order number: 09-2-03e

ISBN 978-3-939846-44-4

This publication can be downloaded at:

www.germanwatch.org/klima/c14rese.htm

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Abbreviations

AOSIS	Alliance of Small Island States
AWG-KP	Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol
AWG-LCA	Ad Hoc Working Group on Long-Term Cooperative Action
CCS	Carbon Dioxide Capture and Storage
CDM	Clean Development Mechanism
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least Developed Countries
LULUCF	Land Use, Land-Use Change and Forestry
MCII	Munich Climate Insurance Initiative
REDD	Reducing Emissions from Deforestation and Degradation
UNFCCC	United Nations Framework Convention on Climate Change

1 Executive Summary

In Poznan, the 'international climate train' succeeded in establishing the *formal* conditions for the achievement 12 months hence in Copenhagen of an ambitious global agreement for the period after 2012.

At the same time, it became clear that central actors lack the political will to actually realize this kind of wide-reaching international agreement.

- In particular, many industrialized countries remain unwilling to seriously negotiate on the reduction of their emissions by 25 to 40 percent by 2020, compared to 1990. This figure reflects the recommendation of the IPCC in order to at least remain somewhere close to the 2°C limit. Positive exceptions *in this regard* were the European Union, Norway and Switzerland.
- Apart from this, almost all industrialized nations remain unwilling to enter into the necessary large-scale finance and technology cooperation with the countries of the South. This is, however, urgently necessary: in the mandate of the climate conference in Bali, 2007, the scale of climate protection measures in the emerging economies and developing countries was made *contingent* upon the scale of this cooperation. Positive exceptions to this unwillingness by industrialized nations were the submissions from Norway and Switzerland.

The difficult negotiations on financing cast their first shadows on the future process. The developing countries did not succeed in pushing through negotiations on additional financing for the adaptation fund for the period up to 2012.¹ Likewise, they failed to anchor in the closing statement 'a willingness to negotiate' on a large-scale finance mechanism for the period after 2012. Many developing countries expressed their massive disappointment that their efforts were blocked by industrialized nations:

"I must say this is one of the saddest moments I have witnessed in all these years", said Prodipto Ghosh, negotiator for India for 12 years; voicing his disappointment further: "In the face of the unbearable human tragedy that we in the developing countries see unfolding every day this is nothing but callousness". He further criticized "the refusal of some parties to experience a minuscule loss of profits from trading in carbon at a time when climate change is stripping the poor of their homes, hearts and their meagre loaves of bread." However, it has to be clearly said that weaknesses in the strategic approach of developing countries and emerging economies contributed to the failure of this first attempt. This was so obvious that many observers suspected that the strategy was deliberately aimed at failure in order to be able to raise the pressure on this negotiating issue before Copenhagen.

However, there were certain steps forward in the area of adaptation. The adaptation fund was made ready for implementation. This is an extremely innovative fund, both

concerning its governance structure², financing³ and the allocation of funds.⁴ It is currently provided with relatively little money, but many observers expect it to set a crucial precedent for a much larger-scale finance architecture in the Copenhagen agreement. There was also agreement on the fund's legal form.

Moreover, there were very constructive suggestions for risk management and international insurance models for those particularly vulnerable to climate change. The model of the Munich Climate Insurance Initiative (MCII)⁵ envisages: a) on the one hand, insurance for developing countries against large-scale weather damages, financed by nations responsible for climate change, b) on the other hand, support for micro-insurance and similar instruments. This concept was reflected in the Assembly Text (summary of ideas) put together by the chairs, which itself will build the basis for future negotiation texts.

This holds also for a submission, tabled by Germanwatch together with Bread for the World, on a human rights based approach to adaptation, using the procedural and legal aspects of the human right to food and water, in order to focus adaptation activities on the particularly vulnerable, without including an additional element of conditionality to adaptation support.

Despite these successes the fact is: the international climate train is not on the right track, lacking the necessary speed and scale of ambition. This could certainly change if the USA, China, and the EU, but also Australia and others, actually organize a 'green new deal' for saving the economy and the climate. Massive investments in energy efficiency, renewable energies, and their necessary infrastructure could deliver a threefold dividend. Firstly, they are very labour intensive, creating jobs and spurring the economy. Secondly, money saved from the oil, gas and coal bill can be invested more rationally for the benefit of the economy and the climate. Thirdly, in many parts of the world this would be the start of serious climate protection. If, however, these hundreds of millions of Euros are invested not *for* but rather *against* climate protection, the climate train will likely have left the rails.

Apart from this, it is of central importance that industrialized countries get massively engaged in a large-scale finance and technology cooperation. Without this, we will never reach a groundbreaking agreement with the emerging economies and developing countries. The limiting of global temperature increase to as far below 2°C as possible would become thereby practically unachievable.

¹ The Bali Mandate concerns the period before and after 2012. This should make it possible to begin immediately with both climate protection and adaptation, instead of delaying serious action until 2013. At the same time, early measures should serve in building trust in the process of negotiating and then ratifying a new agreement.

² Majority of votes for developing countries

³ Through the CDM levy - the first ever international environmental levy

⁴ "direct access" - developing countries can apply for money without having to go through an *international* agency like the world bank

⁵ Germanwatch's executive director of policy, Christoph Bals, is the deputy chairman of this initiative.

2 Shared Vision

We are still far from developing a shared vision on the new agreement's ambition and architecture, as well its self-galvanizing elements.

Concerning the debate on greenhouse gas reductions targets, it is increasingly encouraging that more and more nations support the 2°C limit: next to its already well-known supporters – the EU, Norway, Iceland, African Nations and Chile – the Alliance of Small Island States (AOSIS) is campaigning for a far more ambitious goal of 1.5 degrees; for understandable reasons, too, given their special vulnerability. The Least Developed Countries (LDCs) are currently discussing whether they will join in demanding a 1.5 degree limit to climate change; in the meantime they support a position "below two degrees". The IPCC's Chairman, Rajendra Pachauri, argued in his speech at the summit's opening ceremony that a 2°C limit might not be enough to avoid dangerous climate change. And for the first time, at a much-applauded appearance in Poznan, Al Gore publicly threw his support behind a 350ppm goal which would also aim towards limiting a temperature to approximately 1.5 degrees.

And the global youth representatives presented on the last day of the conference a pledge signed by 80 countries, stating that the survival of every country is not negotiable, i.e. we must make our global climate targets ambitious enough to ensure the survival of all nations and all peoples.

The leading role of ever more developing countries in pushing for a very strong global target shows their frustration at, firstly, the deny tactics of industrialized countries, but secondly also at the reserved behaviour of the large emerging economies (particularly India, in part China) regarding the setting of their own mitigation commitments.⁶

Current global emissions trends show that in the last few years the emission of greenhouse gases has clearly accelerated. Without a dramatic political correction we cannot expect that the peak of global emissions could be reached by 2020 and that a stark reduction will occur thereafter. In fact, no country is currently on the necessary emissions pathway. That was why the first three places of Germanwatch's Climate Change Performance Index 2009⁷, published in Poznan, were left glaringly empty.

3 Minimal Goal Achieved: Mandate for Copenhagen and Qualified Negotiation Chairs

The international climate train achieved merely its 'minimal goals' in Poznan. It succeeded in establishing the *formal* conditions for the achievement 12 months hence in Copenhagen of an ambitious global agreement for the period after 2012.

⁶ This means also: the position that the (emissions-) richest developing countries accept the largest obligations among the developing countries is not a consensus position. This could have consequences for the negotiation strategy.

⁷ www.germanwatch.org/ccpi

Two tracks lead to Copenhagen. On the one hand, the next commitment period of the Kyoto Protocol will be negotiated (AWG-KP⁸). In the centre of these negotiations stands the strengthening of the climate targets for industrialized countries (with the exception of the USA which didn't ratify Kyoto). However, also the further development of an emissions trading mechanism with the developing countries and emerging economies (hitherto the CDM) will be negotiated here. On the other hand, in the framework of the UNFCCC a complementary agreement will be negotiated (AWG-LCA).⁹ This concerns the USA's reduction targets as well as the climate protection obligations of emerging economies. Also the new instrument to reduce emissions from deforestation and degradation (REDD) will be negotiated here in the building block "mitigation". Furthermore, the obligations of the industrialized countries to support adaptation and its implementation will be dealt with here (building block "adaptation"). The third building block in the AWG-LCA should structure the large-scale technology cooperation between industrialized and developing countries for climate protection and adaptation (technology cooperation). The fourth building block ultimately deals with the *financing* of climate protection and forest conservation, adaptation and technology cooperation (finance).

After hundreds of ideas from Parties on the different AWG-LCA building blocks were gathered, a year of serious negotiations should now begin. The basis of this must be an itinerary which intelligently staggers the negotiations so that no country group gets short-changed in their areas of highest concern; so that intermediate results are achieved, which bring new momentum – in the sense of a self-galvanizing agreement – into the process. By the negotiations in Bonn in June 2009, the Chair of the AWG-LCA should present a first draft of a negotiation text.

The choice of Chairs is one point crucial to the success of the negotiations.

In the AWG-LCA only a change of position took place. The previous Co-Chair, Michael Cutajar, will now be the Chair for the next twelve months. The former Executive Secretary of the UN climate secretariat is one of the best climate diplomats and seems to be exactly the right person for this crucial post. The previous chair, Luis Machado, will now be his deputy.

Because the G77 and China group couldn't decide on one of the potential successors, negotiations in the AWG-KP will continue to be led by the current Chair, Harald Dovland (Norway). It seems likely that in March he will be replaced by one of the negotiators suggested by the G77 and China.

Poznan succeeded therefore in deciding on the long-fought-over mandate for serious negotiations on both negotiating tracks (AWG-LCA, AWG-KP) such that it now seems possible to achieve an agreement in Copenhagen – how ambitious this will be remains in question. In detail, the mandate¹⁰ envisages:

In the AWG-LCA, parties (only these, and not observer organizations any more) can table further submissions on the negotiations until the 6th of February 2009. For the round of

⁸ Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol

⁹ Ad Hoc Working Group on Long-Term Cooperative Action

¹⁰ see FCCC/AWG/LCA/2008/L.10, <http://unfccc.int/resource/docs/2008/awglca4/eng/l10.pdf>

negotiations in March/April 2009 in Bonn, the chair of this group shall then submit a paper

- a) describing areas where a convergence of positions is emerging.
- b) identifying options to deal with areas where no convergence is emerging.
- c) identifying gaps still to be filled in order to achieve an agreed outcome in Copenhagen.

The protocol of this round of negotiations and further submissions from negotiating Parties, submitted by the 24th of April 2009, will serve as the basis for the chairs to table the first real negotiation text for the following round of negotiations (Bonn, June 2009). This will be, therefore, the first draft of that part of the Copenhagen deal¹¹ to be worked upon at the Convention level. Shared Vision, climate protection obligations (mitigation), the adaptation package (adaptation), as well as the finance and technology cooperation package should all be represented fairly in this text. In contrast to previous texts, this will not show from which land or observer organization the relevant submission came.

In total, 4 negotiation rounds are now planned leading up to the Copenhagen agreement at the end of 2009. The chairs shall also consider whether additional time is needed and thus tender suggestions for a further round of negotiations in 2009.

AWG-KP: The Climate Train for the Industrialized Countries is Stuck for now

Although on the Kyoto track the minimum goal was achieved with a vague negotiation mandate, many negotiators were nonetheless disappointed. "It appears that preparations are underway for the great escape from Copenhagen", said the Chinese negotiator disgustedly at the end of the Poznan negotiations in the AWG-KP. In this working group the reduction targets for the Kyoto Protocol's second, post-2012 commitment period should be greatly strengthened.¹² Important industrialized countries – Canada, Japan, Russia, Australia – tried to duck out of committing themselves to the necessary ambitious targets (at least 25-40% for industrialized countries by 2020 compared to 1990 levels). The AWG-KP merely succeeded in copying the wording of the Bali Summit referring to the relevant IPCC text passages. The chance remains that serious targets will be negotiated upon; it is, however, far from certain that this will occur.

During the negotiations Australia also announced its target spectrum. Australia accepted a 5% reduction target by 2020 (compared to 2000) and is, in the context of an international agreement including the USA, prepared to ramp this target up to 15%. Thereby it is far

¹¹ An "agreed outcome" in Copenhagen is the agreed upon term; it is consciously formulated thus, as there are very different conceptions on whether there will be in Copenhagen two interlocking agreements (at Kyoto and Convention level) or rather only one agreement combining the two negotiating tracks.

¹² Only the USA's targets, the only industrialized country not to ratify the Kyoto Protocol, must be determined on the other track, in the negotiations in the Framework Convention (AWG-LCA), and namely such that they are "comparable" with the targets of other industrialized countries.

from the necessary targets¹³, and, moreover, said absolutely nothing about financing climate protection in the emerging economies and developing countries.

The future President Obama announced for the USA¹⁴ a return of their emissions to 1990 levels by 2020. This is no small amount, given the fact that the USA's emissions have risen almost 20 percent since 1990. But nevertheless too small, given the scientific policy recommendations concerning the necessary scale of emissions reductions. And all too many industrialized countries are now hiding behind this zero-percent-target (compared to 1990).

In its energy and climate package, the EU affirmed its target of a 30% reduction by 2020 compared to 1990, in the event of an international agreement. This is the most ambitious target of any industrialized country worldwide. However, even if all other industrialized countries accepted this target, this is not ambitious enough to remain under the two degree limit the EU set itself – if implemented as proposed by the EU. Far more than 50 percent of the emissions reductions can be achieved through project-based emissions trading in emerging economies and developing countries. To remain under the two degree limit, climate protection in emerging economies must occur, however, *in addition to action in industrialized countries, and not instead.* Moreover, the EU package creates additional incentives for the building of new coal power plants. These would stand in the way of the far more ambitious post-2020 reductions targets necessary for the two-degrees pathway.

"If Europe sends a signal that they can make their targets only in prosperous times, what should the rest of the world say?" cried out the representative of the G77 and China at the beginning of the high level segment.

In principle, Norway and Switzerland support the EU targets.

Thus the climate train, in the context of the negotiations on the Kyoto Protocol, is stuck for now in the "valley of death". That comes, however, as no surprise. Only when the USA has determined its negotiation strategy could movement come in this debate. Previously, all potential blockers have hidden behind the US government's broad back. A possible change of government in Canada could unleash in the next few weeks a new, constructive dynamic. As in Germany a former minister for environment could become their new head of government.

However: it will require enormous public pressure in all industrialized countries and happy fortuities with possible changes of government in Canada and Japan in the next few months, for the climate change train to actually pick up the necessary speed. For Poznan has clearly shown: without this pressure there will never be the necessary, highly ambitious international agreement.

¹³ 25-40% reductions by 2020 compared to 1990, the overwhelming majority of which must be achieved domestically.

¹⁴ The targets of the USA are formally negotiated in the other working group (AWG-LCA) because the USA is not party to the Kyoto Protocol. However, for the sake of comprehensibility, they are presented here.

AWG-LCA: Climate Protection Activities in the Emerging Economies

There were pleasing signals in the negotiations within the framework of the convention (AWG-LCA). Here, *inter alia*, the measurable, reportable and verifiable obligations regarding climate protection, particularly in the emerging economies, should be determined.

An increasing number of developing countries announced their own goals or a willingness to undertake very substantial contributions. The announcements and activities by South Africa, China¹⁵, Mexico have particular weight here, but important are also those by Papua New Guinea, Costa Rica and South Korea.

However, under the Bali Action Plan the scale of climate protection activities in emerging economies is contingent upon the extent to which industrialized countries commit to measurable, reportable and verifiable finance and technology cooperation with developing countries and emerging economies.

Although the public in industrialized countries has largely only followed the negotiations on climate protection targets, the adaptation debate has gained equal weight in the negotiations themselves. Here a large-scale program should be set up to support those developing countries most vulnerable to climate change to adapt to the grave changes of the climate system. These activities should be financed overwhelmingly by industrialized countries.

4 REDD Threatens to Undermine the Effectiveness of Copenhagen

In the months before Poznan there was much dynamic in the debate on REDD, i.e. reducing emissions from deforestation and degradation. In 2004 emissions from the forest sector made up, according to the IPCC's fourth assessment report, 17.4% of total global anthropogenic emissions. The true value could be, however, even higher. This number only refers to 2004, and there are often variations in the rate of deforestation from year to year. Furthermore, new studies from Australia show that the IPCC accounting guidelines might significantly underestimate forest carbon¹⁶, although these results cannot be easily transferred to the global scale. An effective mechanism for REDD is one of the most important building blocks for our ability to actually stabilize climate change well below 2 degrees. However – and many are trying to camouflage this primarily out of obvious economic interests – there exists in REDD the potential to make the whole climate agreement into an ineffective pseudo-treaty. This can occur if the accounting rules don't reflect 'what the atmosphere really sees' or if REDD is brought into the emissions trading scheme to offset the reduction targets of industrialized countries. Only those out to consciously delude, would argue thus: the rain forest remains standing, *ergo* we can

¹⁵ for an overview of the current developments of Chinese climate policy see Germanwatch's discussion paper "A Portrait of China's Climate Policy", www.germanwatch.org/klima/chin10e.htm

¹⁶ "the IPCC default values represent only one-third of the natural carbon carrying capacity of the eucalypt forests of south-eastern Australia", Mackey et al 2008: Green Carbon, Part 1. ANU, Canberra.

continue to build new coal power plants. (It should come as no surprise if politicians announce at the end of 2009: we have actually pushed through ambitious targets to fight climate change (25-40% in the industrialized countries), *and* we also have a fine instrument for forest protection – *and* it will be all cheaper than we thought. If this means, however, that REDD is included in the emissions trading scheme, it would be an utter sellout for the global climate.

The explanation is simple. Even if today no more forest were cleared, greenhouse gas emissions would have to sink drastically and quickly. **If, however, forest protection delivers the smoke-screen, behind which business as usual continues in the energy and industry sector, then we are leading ourselves with certainty by the hand to a temperature rise of *far more than two degrees*.** In the coming years, according to current planing, a huge number of coal power plants would then be built, emitting enormous quantities of green house gases for more than 40 years.

It should be mentioned as a side note here that with a temperature rise of more than three degrees the risk increases drastically that large parts of the Amazon Rainforest will collapse. This shows the contrariness of a strategy to replace climate protection with forest protection, gambling with both the climate and the forest.

It was clear, however, that in Poznan the big question of the inclusion of REDD in the emissions trading scheme would remain on ice. This will be decided upon first in Copenhagen. The goal of Poznan was, however, the clarification of crucial principles for forest protection.

This goal was not achieved.

It became obvious in Poznan that the dubious accounting rules for forest protection in industrialized countries, laid out in the Kyoto Protocol's rules for implementation (the Marrakesh Accords), could now multiply their fatal consequences though the repetition of loopholes in a new REDD mechanism. Brazil expressed this well: "You have given yourselves lousy rules for the accounting of forest protection measures, now you want perfect rules for REDD from us?" Only if the accounting rules for forest protection (LULUCF) in the industrialized countries are improved can we hope to get a serious REDD mechanism. Under the accounting rules for the Kyoto Protocol individual countries do not have to account for the conversion of natural forests to plantations. Plantations contain up to 80% less CO₂ and far less biodiversity than natural forests. Furthermore, they are less resistant to natural occurrences and the consequences of climate change. That is unacceptable. A revision of the accounting rules is long overdue so that the degradation of forests is also considered.

Still worse: there exists the risk that these accounting rules (or rules for systematic non-accounting) will migrate to the new mechanism for REDD currently being negotiated. If this happens this kind of loophole will undermine the incentive to avoid *real emissions* from deforestation. Simultaneously it will set an *incentive* to reduce biodiversity. This kind of strategy can show fine success on paper, while undermining in reality all efforts to limit climate change to less than two degrees. To illustrate this with an example: if Indonesia were to convert a further 10% of its forest area into palm oil plantations, this could release 4.3 billion tons of *unaccounted* CO₂ emissions into the atmosphere. This is

equivalent to roughly a 25% reduction target by 2020 for *all the industrialized countries*. On paper would stand: zero emissions from the conversion to plantations.

This means: Both under the Kyoto-Protocol's LULUCF rules and under the to be negotiated rules for REDD all emissions from the forest sector must be fully and immediately accounted for.

Biodiversity

Furthermore, it was a great disappointment that the negotiations in the Subsidiary Body on Scientific and Technological Advice (SBSTA) did not succeed in anchoring rules for the protection of biodiversity in the final text.

Natural forests don't just contain two to three times more carbon than forest plantations, they also contain far more biodiversity and are more resilient to natural occurrences and the consequences of climate change.

The preservation of natural forest keeps CO₂ out of the atmosphere, protects the biological heritage of our earth and ensures the ecosystem services upon which 1.3 billion poor people and 60 million indigenous people depend.

The Rights of Indigenous Peoples

Spontaneous demonstrations erupted in the conference room when the push to anchor the rights of indigenous people in the text failed.

A REDD mechanism must protect the rights of indigenous peoples and all other forest dependent communities. Previous experience with REDD projects shows that emissions reduction can only be achieved with the full and fair participation of indigenous peoples and forest dependent communities.

Even if all of this were to be clarified, the inclusion of REDD in an emissions trading scheme would be – as elucidated above – a disaster for the global climate, if it were not combined with higher reductions targets for industrialized countries which is hardly likely for the 2020 targets. Therefore we need a finance mechanism for funding REDD from the auction of emissions rights (AAUs) and/or from a levy on international aviation and maritime transport.

5 Despite Progress, an Increasing Implementation Gap in Adaptation

The fourth edition of the Climate Risk Index¹⁷, presented by Germanwatch, clearly shows that developing countries are by far most at risk from climate change. The climate summit

¹⁷ www.germanwatch.org/cri

in Copenhagen will strive for agreement on industrialized countries' support for adaptation to climate change in the most vulnerable developing countries. In Poznan, this topic stood on the agenda in both negotiation tracks and the results thereof were mixed. The biggest success was an agreement bringing the Kyoto Protocol's adaptation fund closer to its full operationalisation. After day-long negotiations dealing primarily with legal questions, it was determined to give the fund's executive board additional "legal capacities", so that it can directly conclude contracts with developing countries. Developing countries lobbied strongly for the practical implementation of "direct access"¹⁸, first decided upon in the Bali Action Plan. However, there are still several questions to clarify here. For observers there was food for thought, in so far as the negotiations were obviously characterized by insufficient communication between parties (e.g. between the constructive countries of the G77 and China as well as the EU), as was reported from different sides. Considering the challenge which lies before us, this was a warning signal that all Parties must discuss and listen with and to each other much more intensively than was previously the case. And this as open-mindedly as possible.

In the course of the negotiations further important documents on the adaptation fund were passed, *inter alia* the "strategic priorities and policies", which for the first time in the history of the Convention/Kyoto process stipulates that developing countries, when they submit projects, must prioritize the interests of the particularly vulnerable people in their country. This must now be concretely operationalized at the coming meeting of the executive board. If all goes well the first projects could be approved before Copenhagen.

A pleasing dynamic arose in the workshop on new risk sharing mechanisms, which – financed by the countries causing climate change – should cover the consequences of large-scale weather catastrophes. Also the debate on a climate insurance facility supporting the establishment of climate-focused micro-insurance and other insurance products in developing countries stirred up keen interest at the conference. In the planned IPCC special report on risk management a chapter on climate insurance is also planned.

There was, however, less progress in the negotiations on the implementation of adaptation measures in the negotiation track 1/CP. 10, in the framework of the Subsidiary Body on Implementation (SBI). Although a first draft decision contained very interesting measures congruent with the needs expressed in the AWG-LCA, and which, furthermore, called on industrialized countries to make additional funds available, at the final hour no agreement was achieved and this topic deferred until the June meeting in Bonn. This arose from the ever more ominous attempt by some countries to connect adaptation to the consequences of *climate change* with adaptation to the consequences of *climate protection policies*. Measures to the latter are characterized as "response measures" in the specialist's jargon. Saudi Arabia, which would like to receive support in adapting to the consequences of falling oil consumption, hindered the agreement. It is more than cynical that such a rich 'developing country' has taken the LDCs and small island states, whose very existence is at stake, hostage by inflexibly linking adaptation to climate change with

¹⁸ Direct access means that an organisation from developing countries can directly apply for money without having to go through an international agency (UNDP, Development Bank or similar).

the questionable demand for aid in adapting to the consequences of climate protection policies.

The negotiating track 1/CP. 10 could be the one which could help to close the implementation gap in the period before the new climate agreement comes into force. In this context, the Climate Action Network demands an ambitious three year work program (2010-2012) in order to force along the existing process (particularly adaptation in the LDCs) and to support further pilot programs preparing the adaptation measures of countries for the period after 2012. It remains in question how far the negotiations under the Kyoto Protocol (1/CP.10) can lead, or whether the short term components should be more strongly stressed in the context of the UNFCCC (AWG-LCA track). For it was this negotiation track which succeeded redirecting the 'response measures' issue to the mitigation building block. Saudi Arabia cannot take the other developing countries hostage here.

6 Central Points of Conflict in Technology and Finance Cooperation

As expected, technology and finance cooperation became the biggest point of conflict at the Poznan summit.

At the end of 2007, in the Bali Action Plan, the emerging economies had already succeeded in coupling the level of ambition in climate mitigation in their own country to corresponding technology and finance cooperation with industrialized countries. That means concretely: no large-scale technology cooperation – no ambitious climate activities by emerging economies. But also the other way round: no will to undertake ambitious climate activities – no large-scale technology cooperation. The EU also arrived with a very measly conceptualization on the technology area¹⁹, falling well below the expectations of the emerging economies and developing countries. Reading the EU submission one got the impression that the EU wants to develop technology cooperation primarily *bilaterally* and on all the *old* tracks.

The group of developing countries and the emerging economies (G77 and China) is pushing for *new, additional and multilateral* structures and institutions in the framework of the climate convention, with binding obligations for those who cause climate change ('polluter pays'). They expect that new, annual financial flows in the range of 0.5 to 1 percent of the industrialized countries' GDP, *additional* to developing aid, will be made available for climate protection (some 200-400 billion US dollars). Many emerging economies (particularly South Africa, China, Mexico) are making clear that they are prepared to undertake wide-reaching climate protection activities *if* the corresponding finance and technology cooperation is implemented. However, they are prepared to discuss binding country-wide limits or reduction targets only for the period after 2020.

In the discussion in industrialized countries – both in the USA, the EU and Japan – the most pressing question is: how climate targets and obligations which are as binding as possible can be forced upon the emerging economies. Promises for finance for climate protection, REDD and adaptation have been hitherto blocked. On the one hand, ministers of the economy are hitting the brake whenever the economic sector, according to the polluter pays principle (auctioning of emissions rights, levies), is called upon to pick up the bill; on the other hand, finance ministers hit the brake whenever public monies should be put on the table. Both in Obama's climate plans in the USA and in those of the EU the issue of large-scale finance and technology cooperation has played a subordinate role, when they are called on to do more than lay out the red carpet for their own economy and its exports.

Of course, in this kind of positioning tactical considerations play an important role as well. One doesn't want to lay one's trumps on the table without knowing what one will get from the others for them. It would be, however, infelicitous for the negotiations if block-building along the North-South line occurs. It would be more appropriate if leadership coalitions came together to overcome these 'iron curtains'.

The way for a constructive solution is to hand.

Industrialized countries must accept that they have deposited by far the most greenhouse gases into the atmosphere, that they lead in many technologies, and that they thus have an enormous responsibility for technology and finance cooperation. For this we need a *combination of a different scale of bilateral activities with the establishment of new structures at the UNFCCC level.*

The emerging economies and developing countries must correct their demands: according to region (e.g., emerging economies or LDCs) and area of activity (mitigation, forest protection, adaptation) we are dealing with *very different combinations of international and public support with national incentive structures, which together and on a great scale should redirect or unleash private streams of finance and investment.* Moreover, they need to show a willingness to negotiate on reducing their emissions below the business as usual path, in that they commit themselves to ambitious action plans supported by the international community.

However, it would be naive to overlook the conflicts of interest standing in the way of this kind of solution.

Industrialized countries want to accelerate and increase the export of *their* technologies to emerging economies. They promise themselves huge growth for their innovative industries. The emerging economies want to achieve through technology cooperation that their own companies can produce and market these technologies themselves.

Theoretically it shouldn't be too difficult to navigate between these different interests. If we actually get an ambitious agreement the technology revolution will come hot on its

¹⁹ SUBMISSION BY FRANCE ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES on Enhanced action on technology development and transfer to support action on mitigation and adaptation supported by Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey, Paris, 14 November 2008

heels. The whole energy, transport and building sectors in industrialized and emerging economies will have to be reformed in short order. This can only succeed if both the actors of the industrialized countries and those of emerging economies make their own nationally appropriate contributions and at the same time fairly reap their own rewards. The big question is, however, how can technology cooperation, a massive 'joint venture', be organized such that both sides profit from it.

This kind of international joint venture could be organized along the outlines suggested by the following questions:

- 1) What are the national legislation acts which promise success in bringing forward energy efficiency and renewable energies in emerging economies, as well as the millenium development goals of the LDCs, without thereby locking in development into a path leading to ever more emissions?
- 2) How can these pieces of national legislation be best supported and co-financed by the international community?
- 3) How can we take consideration of the fact that, seen relatively, considerably more public money is needed in the LDCs than in emerging economies in order to mobilize private capital?
- 4) Which investments in infrastructure are necessary to move path dependency away from emission- and risk-rich technologies?
- 5) Which hurdles do we have to overcome for each individual technology in order to bring them quickly and at scale into the market?
- 6) How can these hurdles be overcome such that:
 - a) quick entry into the market is ensured?
 - b) capacity is fostered for the swift and broad deployment in the relevant countries of these technologies?
 - c) innovative companies from industrialized countries profit from this as well?

An important factor for the success of Copenhagen is whether it successfully frames the technology revolution, such that it is perceived as a joint opportunity and not as a competition risk.

7 Clean Development Mechanism (CDM)

The further development of the project-based emissions trading scheme with developing countries (CDM) are supposed to be one of the negotiation's foci in the framework of the AWG-LCA talks in March/April. On the agenda are all the big questions on how the CDM should look in the future – sectoral approaches, Policy CDM and so on – as well as which technologies or approaches will be in- or excluded (REDD, CCS, nuclear power).

The Conference of the Parties could not agree on a code of conduct for the CDM. However, the relevant decisions are aimed at an accelerated work process as well as at increased decision making transparency in the CDM executive board.

An important step for the seriousness of the CDM is the task of the CDM executive board to rework the accreditation of auditing institutions (Designated Operational Entities, DoEs) and the creation of non-compliance structures for those. This should be the highest priority of the CDM executive board.

An important step for the effectiveness of the CDM is the principle: the contribution to climate protection decides the scale of the certificates. The erection of relevant benchmarks would be necessary here. The talks didn't succeed however in requesting this of the executive board. There remained merely the resolution asking the CDM executive board to improve the objectivity of the project baselines.

There was no agreement on the controversial question concerning the inclusion of CCS (carbon dioxide capture and storage) as well as afforestation and reforestation in the CDM. The executive board should work on this issue and present suggestions. On this basis further negotiations will then take place.

So that more projects in poor countries can be implemented, the CDM executive board should, where possible, support projects in countries with less than 10 projects and primarily in the LDCs (Least Developed Countries), SIDS (small island developing states) and Africa. However, the Saudis and the Latin Americans had queries over this special treatment of the poorest nations.

8 Finance Mechanism

It seems crucial to concentrate on a large-scale and effective finance mechanism in order to thus focus the political debate. It is a precondition for success to push through a really serious finance instrument and at the same time, to not make the finance architecture too complicated.

The auctioning or selling of emissions rights in countries with reduction targets – as was brought into play by Norway – offers itself as a new kind of instrument. Countries would no longer get, unlike in the Kyoto Protocol's first commitment period, all their emissions rights completely free, rather they would have to pay for a portion thereof at a fixed price or to auction them. The Conference of the Parties to the Convention which defends the public good of a (relatively) stable climate, can – so the logic of the argument – allocate the remaining emissions rights also at a cost.

The logical complement to this step would be a levy or auction of emissions rights in the international marine and aviation sector. Because these sectors are excluded from national budgets. They should not get a second free climate-political 'get out of jail free card' after Kyoto, and this despite their importance for climate change.

9 A Comprehensive Strategy to Pick up Speed Through the Valley of Death

Currently the political will is not ambitious enough to anchor the key climate-political goals in the final documents of Copenhagen. We must generate in the next 12 months the political will to strive for the following goals:

- The **industrialized countries** must reduce their emissions by **25 to 40 percent by 2020 compared to 1990**. The vast majority of these reductions must be achieved domestically.
- **The peak of global emissions must be reached before 2020**, if we are to have a realistic chance of avoiding dangerous climate change.
- In **emerging economies** there must be a **significant deviation from business as usual**. According to the best available study²⁰ that means 15-30% – parts of this must be externally cofinanced.
- The goals can only be realized if simultaneously a comprehensive **package for technology and finance cooperation** is resolved. Here we are dealing with many tens, perhaps more than 100 billion dollars annually.
- Additionally we need a plan to **stop deforestation and degradation in tropical forests**. This must be **additional** to the necessary climate protection in the industrialized countries and emerging economies and not instead of it. That means: REDD must not be included in the emissions trading scheme unless industrialized countries' targets are increased by some 10 to 30%²¹ (additional to the 25-40% goal).
- Moreover, we need a **comprehensive strategy** to support the **particularly vulnerable countries and regions** with adaptation to climate change. Here we need **significant financial means**, and we must ensure that this is used **to the benefit of the particularly vulnerable people and regions**. The adaptation strategy should be complemented by an **international insurance mechanism**.

It is to be expected that – as is oft the case at this kind of negotiation – a good part of the coming journey will lead us through the "valley of death". Governments take extreme positions, in order to come out with at the end as much as possible for their own country. Given the greatly varying position, the fear that the climate train could come off the rails will spread. The sluggish negotiations in Poznan gave us a foretaste of this phase. NGOs must play a role to break this cynical still-stand with loud public protests. For the international process it is essential to develop an *internal* as well as *external* strategy to bridge the valley of death.

²⁰ Michel den Elzen & Niklas Höhne, Reductions of greenhouse gas emissions in Annex I and non-Annex I countries for meeting concentration stabilisation targets, Climatic Change (2008) 91:249–274, DOI 10.1007/s10584-008-9484-z

²¹ according to Germanwatch estimates

Internal Strategy

- The internal strategy consists of building "coalitions of the willing" to break from cover and tackle taboos at different levels. It is important that in the next few months a 'green group' forms, in which a few industrialized countries (e.g. Norway, the EU, Switzerland), a few emerging economies (Mexico, South Africa, Korea, China) as well as representatives of the small island states and LDCs cooperate.
- It is pleasing that the idea is being discussed of upgrading one of the coming negotiating rounds to a special summit, so that perhaps the first decisions can be made and thus some of the time-pressure on Copenhagen eased, but also to build up the necessary public pressure and interest on the Copenhagen summit.
- It is also important how the re-inclusion of the US government in international climate protection is conducted in the course of this year. Firstly, this will be a very important signal for all. Secondly, only then can the question be seriously discussed whether or not it makes sense to bring together the two negotiating tracks (Kyoto/Convention).

External Strategy

The external strategy focuses on building the necessary framework outside the UN for a breakthrough in Copenhagen.

- The central question is here: will the huge stimulus packets which are currently being resolved worldwide be used as a chance to fight climate change – or will infrastructure and technologies be supported which enwall us further in the fossil era?
- Climate change must be an issue for all world leaders. Copenhagen can only be a success if it stays constantly a key issue at the level of heads of government for the coming 12 months. The UN Secretary General Ban-Ki Moon wants to call two meetings of heads of government to address climate change. The Obama Team want to continue the major emitters meeting initiative. It would make sense to rework this so that the particularly vulnerable countries (AOSIS, LDCs) are represented. The G8 summit in 2009 – because of its unreliable host, Berlusconi – represents now only a very small chance. On 12 December 2008 before the resolution of the EU climate package, Berlusconi said very clearly what he thinks about climate change: "It is absurd, in times of crisis to speak about CO2 emissions – that is like someone with pneumonia thinking about getting a perm". Peter Höppe from Munich Insurance commented aptly on 14 December: "Climate change is a form of cancer rather. If one doesn't do anything in time, it becomes unmanageable".
- A central switch point will be how seriously the new US government drives forward the necessary climate strategy in the USA. Numerous other countries will follow their lead.
- It is emerging that at the middle of the year 2009 an international report on climate change as an enormous security risk will be published. Together with the Stern Report, which portrayed the economic necessity of climate protection, the clear geopolitical necessity can increase the pressure for serious action. As suggested by the Maldives,

the UN Security Council should also, before Copenhagen, go to work on this issue to increase pressure on the negotiations in Copenhagen.

- It is important that parts of the economy which would profit from the technological revolution organize themselves and put up their hand loudly. They can only invest if the political signals, i.e. policies, are long, loud and legal²².
- In many of the most important countries and regions, elections will occur before Copenhagen (e.g. Germany, Japan, EU Parliament, India...). It is important that there is enough public pressure on parties to get ambitious election promises on climate action.
- The EU has signed off on an energy and climate package undermining the 2 degrees goal it set itself. We now have to expect that, leading up to 2016, numerous new coal power plants will be built as a result of this package; these would then emit enormous quantities of CO₂ for 40 years and more. With this package, climate goals *for 2020* can be achieved – if, and only if the old coal power plants are decommissioned. But the ambitious goals thereafter would not be achievable. Thus it is important to bring people on the street in massive protests against every new coal power plant.

10 Conclusion

At the current UN climate negotiations we are steering towards a scenario which sets today's and tomorrow's generation a completely indefensible risk. However there are also new, very positive impulses – from the USA, from South Africa, increasingly from China and from the LDCs. The EU Climate Packet is, however, an all to half-hearted step. Without improvement it will lay the way for a temperature increase of more than 2 degrees. The whole earth would be threatened by insurmountable risks. And for many small island states this would be the beginning of the countdown to extinction – a once-only occurrence in the history of humanity.

The UNFCCC negotiations must use the many accompanying processes in order to achieve a watershed agreement in Copenhagen. This must be sufficiently concrete so that the ratification process can begin and be completed in time before 2013. The countries will not be ready to buy a pig in a poke. The agreement must thus be far more detailed than the Kyoto Protocol. Whether worldwide stimulus packets will be used to lead the climate turnaround will be an important fore-decision for a watershed agreement in Copenhagen.

After Copenhagen we must carefully take stock.

²² in this context, "loud" means "financially relevant" and "legal" means "legally binding"

11 Further Information

You can find more detailed background information and assessments by Germanwatch in:

- Briefing Paper: Railway Switches for the Climate Train in Poznan (Nov. 2008)
www.germanwatch.org/klima/c14hge.htm
- Briefing Paper: Bali, Poznan, Copenhagen – Triple Jump Towards a new Quality of Climate Policy? (Feb. 2008)
www.germanwatch.org/klima/bapocoe.htm
- Briefing Paper: Climate change Adaptation in Poznan: moving forward on short and long-term action? (Nov. 2008)
www.germanwatch.org/klima/adpoz08e.htm
- Discussion Paper: Climate Insurance as part of a Post-Kyoto Adaptation Strategy (Okt. 2008)
www.germanwatch.org/klima/insur08.htm
- **Germanwatch website on the climate summit**
www.germanwatch.org/cop

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Bank fuer Sozialwirtschaft AG
BIC/Swift: BFSWDE31BER
IBAN: DE33 1002 0500 0003 212300

For further information, please contact one of our offices

Germanwatch - Berlin Office

Vossstraße 1
10117 Berlin, Germany
Ph.: +49 (0) 30 - 28 88 356-0
Fax: +49 (0) 30 - 28 88 356-1

Germanwatch - Bonn Office

Dr. Werner-Schuster-Haus
Kaiserstraße 201
53113 Bonn, Germany
Ph.: +49 (0) 228 - 60492-0
Fax: +49 (0) 228 - 60492-19

E-mail: info@germanwatch.org

or visit our website:

www.germanwatch.org