ENB on the side

A Special Report on Selected Side Events at the Bonn Climate Change Conference - May 2012

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Events convened on Tuesday, 22 May 2012

Getting the Energy Mix Right for 2050

Presented by the World Business Council for Sustainable Development (WBCSD)

David Hone, Shell, said the timing challenge is particularly significant, underscoring negotiations do not reflect the time it takes to achieve a change in the energy mix, since it takes about 25 years for an energy technology to make up 1% of the global energy mix.

Thierry Berthoud, WBCSD, said this event is the official launch of "The Energy Mix: Low-Carbon Pathways to 2050," presenting the paper's conclusions and facilitating a discussion between global climate change policymakers.

David Hone, Shell, introduced "The Energy Mix," noting the need for a new pathway to 2050, which achieves gross domestic product goals at much lower carbon intensity and has largely decarbonized the energy mix. He highlighted carbon pricing has a critical role to play, saying a global carbon price in the range of US$ 100-200 per ton of CO2 is needed. He emphasized the impact of policy on the energy mix, noting the French shift towards nuclear energy resulted in 28% emission reductions and recent policy shifts in the US, such as more stringent Corporate Average Fuel Economy standards for the automobile industry. He concluded there is significant risk of lock-in, and said action requires a broad and effective energy policy framework and carbon pricing.

Halldor Thorgeirsson, UNFCCC Secretariat, underscored the transition will not be easy but that it is doable. He said the international system has not been very good at defining what needs to happen at the international level to achieve the transition. On the need to scale-up, he highlighted the potential for the Green Climate Fund and the Technology Mechanism to catalyze change.

Paul Watkinson, Ministry of Ecology, Sustainable Development, Transport and Housing (MEDDTL), France, called for focus on what can be achieved at the international level, in particular mobilization of finance, including: scaling-up public sources; developing innovative sources of financing; and mobilizing private finance. He highlighted that finance is part of a larger debate about investment for development, expressing disappointment with the way the concept of green economy is evolving towards the UN Conference on Sustainable Development (UNCSD or Rio+20).

Discussions focused on: the relationship between WBCSD's Vision 2050, an outcome on green economy at Rio+20 and carbon pricing signals coming from the UNFCCC; how to address lock-in when developing low-carbon development strategies; and how to achieve the carbon prices envisaged in "The Energy Mix" when facing carbon leakage and border issues.

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Action on Climate Change: Aviation and the EU ETS

Presented by the European Commission

Artur Runge-Metzger, Directorate-General (DG) Climate Action, European Commission, introduced the panel, which discussed European inclusion of aviation under the EU Emissions Trading System (ETS). He said the ETS sets caps for aviation emissions, while underscoring the small impact on the air industry, noting that actual costs per passenger should be below €2 per flight. He noted this is modest compared to other passenger fees, such as arrival and departure fees leveed by the US, India and various European countries.

Runge-Metzger emphasized the EU prefers global action, but noted inaction by the International Civil Aviation Organization (ICAO), and said the EU sees the EU ETS as a facilitator towards the goal of global action. He said the EU is working bilaterally and multilaterally to move forward, noting flexibilities in the EU legislation, such as review and amendment upon adoption of a global scheme, the *de minimus* rule, which exempts 98 small and developing countries from the scheme, and exemptions for countries with comparable measures.

Peter Liese, Member, European Parliament, said the aviation picture is even worse than others, noting agreement in 1997 that ICAO should take action on aviation emissions, and a complete lack of action since then. He highlighted the emission reductions envisaged are moderate, with only a 5% reduction below 2005 levels by 2020. He said third-party countries are now threatening the EU ETS inclusion of aviation, which is the only scheme available to address emissions from the sector, and underscored the Commission cannot just suspend implementation as this would be a violation of European law.

Liese said the system took into consideration the interests of developing countries and will have considerable benefits for them from increased demand for Clean Development Mechanism Certified Emission Reductions and revenue flows from auctioning allowances. He said when there is a global system for airline aviation, the inclusion of aviation under the EU ETS can be abolished, but that doing nothing now is unacceptable. Liese noted the Waxman-Markey Bill in the US House of Representatives would have included aviation in its emissions trading scheme, and lamented the Mica Bill recently adopted by the US House of Representatives, which would ban US airlines from participating in the EU ETS.

During discussions, a participant questioned whether unilateral action under the EU ETS on aviation is consistent with the UNFCCC principle of common but differentiated responsibilities (CBDR) and called for suspension of the EU ETS application to aviation while ICAO works towards a global solution. Liese called on countries joining in opposition to the EU ETS to take action in ICAO, noting the need for China and the US, in particular, to resolve their differences to accomplish that. Runge-Metzger questioned whether CBDR applies to companies and concluded that hopefully by next year ICAO will have resolved the issue.

Artur Runge-Metzger, DG Climate Action, European Commission, underscored that extensive stakeholder consultations indicated preference for cap-and-trade rather than carbon tax approaches to reducing aviation industry emissions.

Peter Liese, European Parliament, noted a recent resolution passed by the European Parliament calling on the Commission to fully implement the inclusion of aviation in the EU ETS.

More information:
ec.europa.eu/dgs/clima/mission/index_en.htm

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L-R: Peter Liese, European Parliament; Artur Runge-Metzger, DG Climate Action, European Commission; and Yvonne Schmidt, DG Climate Action, European Commission.

New Market Mechanisms

Presented by the International Emissions Trading Association (IETA)

Moderator Dirk Forrister, IETA, asked panelists to outline and comment on IETA's submission and assess parties' submissions on the new market mechanism (NMM). Christine Faure-Fedigan, GDF Suez, highlighted several drivers for investment in low emissions technologies, including: renewable subsidies; CO_2 price; energy efficiency certificates; and norms. She noted previous delays and lost profits from unclear rules and private sector experimentation.

Giovanni Bertolino, Enel, Nick Campbell, Arkema, and Andrei Marcu, Centre for European Policy Studies (CEPS), speaking in his own capacity, outlined IETA's submission on the NMM. Bertolino underscored IETA's submission focused on crediting because a market requires a tradable currency and linking crediting to Nationally Appropriate Mitigation Actions (NAMAs) is a broader, more flexible approach than sectoral mechanisms. Under IETA's approach, he explained, parties would determine their reference level and credit following a NAMA, or results from the economy or sectoral reductions.

Bertolino underscored credits must be credible, fungible and widely acceptable, while Marcu stressed credits must also be convertible. Marcu outlined IETA's calls for a credit conversion system, based on a fixed exchange rate, to make various units comparable. Campbell recalled IETA's call for a decision at COP18. He questioned if this was possible, given the "total confusion" in the contact group and challenged parties to develop a procedural plan B.

Jos Cozijnsen, Environmental Defense Fund (EDF), commented on IETA's submission, underscoring that the current low demand should not delay action and urged for a broader focus than CO_2 credits, noting that companies already recognize the need to use resources efficiently, which could create a new form of demand.

Regarding the parties' submissions, each panelist provided comments. Faure-Fedigan noted the need for global flexibility. Bertolino stated that submissions provided many ideas, but too few details. Marcu "awarded first prize" to Norway, stating their Carbon Accounting Unit was a simple concept, addressing many issues. Campbell worried that the EU submission entailed too many actions, which could frighten delegates. He noted the Saudi Arabian submission raised the issue of complementarity with existing mechanisms. Cozijnsen agreed with Bertolino on the need to link bottom-up actions with a global framework and hoped the new agreement could credit current actions.

The discussion topics included: retention of the community of climate trading professionals; need for standard criteria to convert credits; future of emissions trading and role for offsets; and relative benefits of market mechanisms *vis-à-vis* taxation.

Dirk Forrister, IETA, described a global commodity with a global carbon price as the "holy grail" for IETA's membership.

Jos Cozijnsen, EDF, underscored that it may be too late for offsets and that reductions are necessary.

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L-R: Christine Fedigan, GDF Suez; Jos Cozijnsen, EDF; Giovanni Berolino, Enel; Dirk Forrister, IETA; Andrei Marcu, CEPS; and Nick Campbell, Arkema.

ADP, AWG-KP and AWG-LCA: Pathway to Qatar and 2015

Presented by Climate Action Network International (CAN-International)

Niranjali Amersinghe, Center for International Environmental Law (CIEL), acknowledging the need for a clear path forward, introduced the panelists for a discussion on how to address the gap between what is required by science and pledges within the UNFCCC process.

Tim Gore, Oxfam International, identified the need for equity to frame all issues, requiring agreement on core principles and identification of key indicators to inform political negotiations. He described a “landing zone” or middle ground approach for adaptation by 2015, *inter alia*: strengthening principles; scaling-up finance; identifying loss and damage as a third pillar; and scaling-up community-based adaptation.

Wael Hmaiden, CAN-International, traced potential mitigation actions to achieve a ratifiable outcome, under the UNFCCC *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), *Ad Hoc* Working Group on Long-term Cooperative Action under the Convention (AWG-LCA), and the *Ad Hoc* Working Group on the Durban Platform for Enhanced Action (ADP). He highlighted *inter alia*: encouraging parties to increase pledges when transforming pledges into quantified emission limitation and reduction objectives (QELROs) under the Kyoto Protocol, leaving room for increased ambition without backtracking; discussing increased ambition through implementation; referencing AWG-KP and AWG-LCA in the ADP work plan; and increasing climate finance.

Mahlet Eyassu, Forum for the Environment, discussed closing the climate finance gap between 2013-2020 by scaling-up commitments and mobilizing new sources of finance. She called for: clear discussion on private finance; assessment of needs of developing countries; workshops and submissions, open to observers, with sufficient time; and deployment of initial capital for the Technology Mechanism and capacity building.

Wendel Trio, CAN-Europe, pointed to a stepwise approach to achieving a legal agreement by 2015. He outlined milestones as, *inter alia*: clarity on peak year; agreement on targets for the first period for Annex I parties; clarity on equity; clear drafts of final agreements available in time for governments to go into negotiations ready to adopt; agreement on a package for measuring, reporting and verifying (MRV); and agreement on level of ambition.

In the following discussion, topics included: how equity can complement short-term mitigation; how to build trust among parties; the relationship between urgency and equity; the possible incentives for raising the price on carbon; a call for national campaigns to open the negotiating range for parties as well as promote public education; and the leadership demonstrated by early actions in developing countries.

Wael Hmaiden, CAN-International, said the failure or success of the UNFCCC process is everyone's responsibility.

Wendel Trio, CAN-Europe, explained the need to promote a positive spirit and upward spiral instead of the current backward spiral.

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L-R: Wendel Trio, CAN-Europe; Wael Hmaiden, CAN-International; Niranjali Amersinghe, CIEL; Tim Gore, Oxfam International; and Mahlet Eyassu, Forum for the Environment.