

COP 12 AND COP/MOP 2 HIGHLIGHTS: WEDNESDAY, 15 NOVEMBER 2006

On Wednesday, the joint COP and COP/MOP high-level segment began with keynote speeches, followed by over 40 statements from ministers and heads of delegation, UN bodies and specialized agencies. In addition, the second workshop of the "Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention" began its work. Informal consultations were also held on the CDM.

JOINT HIGH-LEVEL SEGMENT

OPENING OF THE MEETING: Kivutha Kibwana, President of the COP and COP/MOP, opened the joint high-level segment. He identified climate change as a huge challenge for Africa, said the climate process would benefit from encouraging rather than vilifying countries outside the Protocol, and highlighted progress on adaptation.

UN Secretary-General Kofi Annan underlined the health, food security and water risks associated with climate change. He identified adaptation as a matter of survival for the poor, called for climate risks to be integrated into MDG strategies and programmes, and placed climate change alongside other global threats such as armed conflict, poverty and weapons proliferation. He announced the Nairobi Framework to support CDM participation by developing countries, particularly in Africa, and a joint UNDP-UNEP initiative to help countries factor climate change into national development plans. He said the Kyoto Protocol was a crucial but small first step and noted a "frightening" lack of leadership. He also called on voters to make climate change an election issue.

Moritz Leuenberger, President of the Swiss Confederation, supported an international carbon tax on individuals and businesses, based on the "polluter pays" principle. He said the tax would compensate for the injustice of climate change and noted that even the most powerful countries could not face the consequences of climate change alone.

Mwai Kibaki, President of Kenya, stressed the threat of climate change in Africa. He said the extent to which developing countries can comply with their obligations depends on support from developed nations. He highlighted the importance of the Adaptation Fund and equitable distribution of CDM projects.

STATEMENTS FROM UN BODIES AND AGENCIES:

Highlighting scientific and political calls to tackle climate change, the UNFCCC stressed that the future regime should provide incentives to place development and investment on a greener path

through a "self-financing climate compact." UNEP said Africa is "on the receiving end of climate change," and underscored that civil society action on climate change should not be discouraged while awaiting the outcomes of negotiations. The GEF underscored its qualifications to manage the Adaptation Fund. The IPCC asked the policy community to consider the implications of the upcoming AR4 for domestic and regional policies. The WORLD BANK reported on relevant activities, including projects for low-carbon electrification in Africa. CCD highlighted linkages between climate change and desertification, and carbon sequestration opportunities offered by agroecosystems. CBD called for greater synergies among the Rio conventions. WMO highlighted the role of meteorological services.

COUNTRY STATEMENTS: Parties reflected on a wide range of issues, including technology transfer, adequate funding and innovative financing, capacity building, partnerships with local institutions, more equitable distribution of CDM projects, and various elements of the "multi-track" approach on long-term action. Many parties also noted the economic rationale for early action, including the Stern review. Ministers also reported on domestic responses.

South Africa, for the G-77/CHINA, stressed adaptation and the adverse impacts of response measures. On future action, he said developed countries should cap emissions first, while developing countries should first be "empowered."

Finland, for the EU, highlighted the dangers of delaying action, stressing that it is not seeking to impose binding targets on developing countries but to explore a range of options.

Bangladesh, for LDCs, emphasized adaptation, CDM, micro-finance and compensation for those impacted by climate change. Tuvalu, for AOSIS, urged timely assistance for developing countries.

Numerous parties urged a stronger focus on adaptation and the AFRICA GROUP and SAUDI ARABIA expressed disappointment at slow progress on technology transfer. JAMAICA and MALAWI urged revisions to the GEF's Resource Allocation Framework.

On future plans, GERMANY hoped the EU would reduce emissions by 30% by 2020 compared to 1990 levels, and said it would be willing to cut its own emissions by 40% by that time. FRANCE announced a meeting addressing the future climate change regime to be held in February 2007. DENMARK urged political will "not in speeches, but on the negotiating table," and "not in the future, but now." AUSTRALIA said a new framework must include all major economies.

IRAN asked the COP to consider the role of nuclear energy. The UK urged linking the various carbon trading schemes. The EC announced the first transfer of €80 million under its Global Energy Efficiency and Renewable Energy Fund for CDM projects in

developing countries, particularly in Africa.

The US stressed the need to better link climate goals with “more immediate” socioeconomic goals in order to broaden the “coalition for action.” CANADA reaffirmed its commitment to the Protocol and called for a global solution. CHINA urged Annex I countries to agree on new emission reduction targets. The RUSSIAN FEDERATION highlighted voluntary commitments.

DENMARK and POLAND expressed willingness to host a future COP and COP/MOP. The NETHERLANDS announced funding for climate observations in Africa through the GCOS regional action plan.

Webcast records of the high-level segment will be available online at: http://unfccc.int/meetings/cop_12/webcast/items/3882.php

UNFCCC DIALOGUE

Sandea De Wet (South Africa) opened the second workshop under the Dialogue, recalling the COP decision to keep the dialogue as informal as possible and calling for “expanding the creative space.”

RECENT DEVELOPMENTS ON ECONOMICS AND INVESTMENTS RELATING TO CLIMATE CHANGE:

Nicholas Stern presented his review on the economics of climate change, which he identified as “the biggest market failure the world has seen.” He stressed urgency of action in the next 10-20 years, and said the economic costs of strong and early action to stabilize atmospheric levels of greenhouse gases would amount to only 1% of global GDP, noting that “mitigation is a growth story.” He emphasized the importance of long-term goals and short-term flexibility, but also persuasion and equity, and underscored interlinking carbon markets, developing technologies and clear policies. Stern also highlighted country-driven efforts to address deforestation and the intimate relationship between adaptation and development, and called for increasing ODA and global energy R&D. He concluded by warning of the serious economic impacts of delaying action, and recalled that the costs of curbing emissions are consistent with growth but that decisive and strong action is urgently needed.

Responding to questions, Stern underscored, *inter alia*: that there is no unique path for any single stabilization goal; the importance of local conditions for adaptation; that SIDS are not addressed adequately in aggregate climate models; the need to involve finance ministries; the importance of investment flows created by carbon markets to build the necessary trust to bring international agreement forward; exaggeration of mitigation costs and their impact on competitiveness; international sectoral agreements for energy-intensive industries; and that developing countries suffer more due to their geographic position, have less diversified economies, and less resources to cope.

Katherine Sierra, World Bank, reported on the World Bank Investment Framework on Clean Energy and Development, addressing the need for increased concessional funding for electrification in sub-Saharan Africa and increased ODA support for energy access; the role of emissions trading in reducing greenhouse gas emissions and financing needs; and investment options. On adaptation, she said ODA and private investment are exposed to climate risks and at least \$1 billion will be needed to climate proof the development portfolio.

ADVANCING DEVELOPMENT GOALS IN A

SUSTAINABLE WAY: Howard Bamsey (Australia) opened the afternoon session. Gao Guangsheng, China’s National Coordination Group for Climate Change, explained that under China’s 11th Five-Year Plan, energy intensity was expected to drop by around 20%. He emphasized China’s efforts on energy and forestry, and called for international financial and technical cooperation.

Leon Charles, Climate Project Coordinator, Grenada, recalled

unprecedented devastation and loss of life from Hurricane Ivan, noting the gap between pledges of relief and actual contributions, which he compared to funding under UNFCCC. He cited Stern’s observation about the potentially catastrophic impact of a 2°C temperature rise on SIDS, and called for the impact on SIDS to become the benchmark for the determination of future climate change targets. He also called for a support fund to help SIDS recover from extreme events. JAMAICA noted the absence of consideration of SIDS in global climate modeling.

Marina Silva, Minister of Environment, Brazil, noted that the perception that reducing deforestation is easier than changing the energy matrix in developed countries is “unfair.” João Paulo Ribeiro Capobianco, Environment Ministry of Brazil, explained the Brazilian proposal to provide positive incentives to reduce emissions from deforestation in developing countries, noting that it is a voluntary arrangement that implies no future obligations and does not count towards Annex I emission reductions targets.

Youba Sokona, Sahara and Sahel Observatory, called for a “development first” approach to climate change. Noting that scaling up remains a problem and the need for cooperation at all levels, he stressed wider community engagement. Responding to comments, Sokona said there is no fundamental contradiction in approaching climate change within the development strategies of individual states. BUSINESS stressed the role of industry in disseminating and advancing technology.

Olav Kjørven, UNDP, highlighted: the relationship between MDGs and climate risk, noting that up to 40% of donor-funded development activities may be at risk from climate change; and prospects to combine adaptation and mitigation opportunities through, for example, community-level forestry and land rehabilitation.

GERMANY described how policies to support renewable energy can contribute to the reduction of greenhouse gases and to sustainable development, including job creation.

INFORMAL CONSULTATIONS

CDM: Discussions on the Co-Chairs’ draft COP/MOP decision remained deadlocked on a number of issues, including guidelines for the eligibility of afforestation/reforestation (A/R) projects, with differences between some developed and developing countries on the interpretation of COP 9 decisions. Parties were invited to consider two optional approaches to a request for submissions on the limit established for small-scale A/R CDM project activities under Decision 6/CMP.1. One option would request parties to submit views on the adequacy of the limit, and another would invite parties and accredited observers to submit views on the possibility of changing the limit. Parties also discussed a possible call for submissions on carbon capture and storage, and on the need for further research. On regional distribution, parties considered alternative approaches to encouraging Annex I parties to support non-Annex I parties, especially LDCs.

IN THE BREEZEWAYS

While speeches by Kofi Annan and Nicholas Stern had delegates crowding plenary rooms and congregating around television monitors at Gigiri in the morning, the UNFCCC Dialogue’s afternoon session did not meet all expectations. “More like a monologue,” suggested one delegate, who noted too little time for interactive discussions. However, optimists observed that this was the first time some new proposals were formally presented.

Meanwhile, the question over which entity might host the Adaptation Fund was also being discussed. While some predict that a decision is unlikely until 2007, insiders report that one prominent candidate to host the Fund has pushed the matter back onto the Nairobi agenda, in the corridors at least, with some “forceful lobbying.”