

Dialogue on Future Actions to Address Climate Change

2-3 July 2008

San Francisco, California

Background

This informal (non-negotiation) bi-annual dialogue is organized by the Centre for Clean Air Policy (CCAP) and sponsored by a long list of developed countries (A1 parties). The 3-day meeting usually starts off with a meeting for developing countries-only, to which this time I was unable to attend. This meeting is to preempt the ideas and comments of developing countries (DCs) on a set of agenda which will be brought up in the following 2-day dialogues with the A1 participants. The list of participants, programme and presentations are attached.

The following paragraphs are a summary of the points raised by the Meeting on specific agenda:

1. Developing Country Mitigation Package

Background:

This is a strategy paper brought together by a working group consisting of Mexico, China, Ghana, Argentina and South Africa. This framework basically looks at unilateral action in developing countries that create comprehensive national strategies that also contribute to sustainable development and how will/can these actions be supported by developed countries? The China and South African proposal are good examples. There is a general feeling by the Meeting that there is a need to go beyond CDM-type reductions, scale up unilateral actions in DCs to meet global "shared vision". However, the idea is broadly supported but A1 wants DCs specify what they will do and what they would like to be financed.

Some points for consideration:

- There is concerned by A1 if there are sufficient resources. Auctioning revenues is an option on top of the carbon market and ODA. DCs need to specify the structure they're looking at i.e. funding will be given to countries which are able to achieve a 15-30% reduction below BAU.
- There is concern from DCs that participation might be limited to only the top 10 DCs (emerging economies). What about the smaller DCs (non-emerging) who can also participate significantly?
- How to determine who funds what activity/action?
- Is there a need for a separate institution i.e. GEF, World Bank, IMF? A special entity to manage the carbon flow or match make actions in DCs and funding
- Negotiations – where to and what in Copenhagen? What can be achieved in the next 18 months? Need to set up a structure and a political signal as well as concrete outcome

2. Annex1 LULUCF – counting forest carbon fluxes in Annex 1 Countries Post-2012

Background:

This is a new agenda in the dialogues. The aim of this agenda is to have a quick review on the accounting rules agreed for the 1st commitment period, its challenges and grey areas. The agenda will then be led into discussing ways to overcome these challenges by modest modification suggestions for the next commitment period.

There was not much discussion this agenda as most of the participants are less forestry savvy and thus were more interested in the policy and political implications/needs of the accounting rather than discuss the detailed elements of what the accounting consists of. There is however, a general awareness and certain level of concern for measurable, verifiable and reportable accounting of emissions from forestry. An important message from this presentation is that we need to define clearly the rules first before negotiations of targets. A second valid point also is the need to simplify the rules to get the ministers to understand and better informed on the issue.

3. Sectoral CDM

Background:

Proposals for “sectoral CDM” or other CDM modifications are being put forward in the AWG – KP as one of the potential means that Annex I countries might use in deciding how stringent their post 2012 national reduction targets can be. It is also on the agenda for the AWG-LCA under the sectoral approaches element. This agenda aims to discuss some of the implications and proposals for how sectoral approaches could interact with the existing and future CDM.

The reason behind suggesting sectoral CDM is to increase the comfort level for politicians and others so that no one is being asked to do more than the others (Japan is concerned about the booming energy sectors in China and India which have significantly increased emissions. CDM is one way to incentivize emissions reduction and perhaps sectoral CDM ‘might’ be able to address this. Emissions from emerging countries urgently need to be curbed. Baseline setting is important to ensure real reductions from BAU). There is a general agreement that there is a need to scale up beyond project scale but sectoral CDM may not be the best way to scale up. We need to define this but defining the boundaries of a sector will be difficult especially since it goes beyond the EB scope.

3. Comparable Effort Modeling

Background

At the February 2008 meeting of the Dialogue, CCAP presented initial insights from the *Annex I targets workgroup* on the “comparability” of Annex I further emissions reductions. This agenda will provide an update on the continued work of that group, including the priority indicators that the group considers the “core” and updated quantitative analysis of a number of these indicators. It will discuss what other factors, beyond the indicators, will shape the discussion around further developed country efforts. The

session will also tee-up a discussion on how the issues that are being discussed in informal settings—such as in the Dialogue—will be taken into the formal negotiations: what is the timing and process for formally considering the key issues around “comparability” of Annex I effort?

The presentation was received well and is seen aimed to increase a comfort level for politicians so that no one is doing more than others. However, it is agreed that a sensitivity analysis in assumption on GDP and population growth also needs to be assessed. There is also a need to agree on which country models to be used to run for all country scenario (Marcel – Netherland would like to see more volunteers for examples, more participation instead on just the CCAP modelers). An interesting remark made by Leif (Norway) is that most A1 meeting members may not too concerned on how the numbers can be achieved but how will these numbers be used? It implies ‘justice’ of actions/responsibilities)

Day 2, July 3, 2008

4. REDD

The Bali decisions highlighted the importance of Reducing Emissions from Deforestation and Degradation (REDD). While policy debates continue on the overall framework for the international response (e.g., market, non-market, or hybrids), key methodological issues will need to be resolved for any approach. In addition, the agreement reached in Bali identified a broader set of issues than simply REDD, including the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks. In addition, afforestation and reforestation projects under the CDM have faced difficulties because of concerns about long term liability and permanence. This agenda will discuss the key methodological issues and some proposals around REDD, AF/RF and the broader set of forestry issues in developing countries.

A number of questions were raised from the presentation including;

- Should conservation, degradation, SFM and increase of carbon stocks be included in the REDD mechanism?
- How will leakages and permanence be addressed?
- Accounting – national or sub-national? Comprehensive net accounting?
- Financing structure – carbon market?
- Should REDD be part of the CDM
- Address methodological issues for assessing and monitoring REDD activities

These questions were aptly addressed by the respondents and have generated a number of other questions/comments for consideration:

- Is there a possibility of an over-supply of funds for REDD markets?

- (Kozuhko - Japan) – with forests being a non-permanence issue, the risk needs to be average out over the length of the project time much like how its done with CDM. (Mike McMahon – UK) – private sector in UK are not interested in forestry credits due to this risk of non-permanence
- In response to the non-permanence issue, it was suggested (Marcel-Netherland) if payment can be spread out in installments over the accounting timeframe/project length
- With a range of activities within the REDD, how will emissions be accounted for? Net across the board of activities?
- What happens when there is a high level of deforestation in one year but then increase in carbon stocks in the following year. How will this be accounted for?
- Do countries pick and choose which range of REDD activities a country would like for respective countries (national circumstance) or is REDD a one holistic package for all countries to adopt?

5. Mexican Proposal on World Climate Change Fund

The proposal was first presented in the FAD meeting in Tokyo held earlier this year and again now presented taking into considerations suggestions and comments made:

Background:

The aim of this proposal is to build through common understanding a complementary scheme to the KP, a multilateral fund for mitigation actions in developing countries

The advantages of this approach are; (i) increase access to resources, (ii) expand global mitigation scale through positive incentives, (iii) promote broader participation, (iv) predictable and verifiable regime subject to independent supervision, (v) not necessary to demonstrate additionality

Elements of the proposal include;

- participating countries contribute according to the principle of common but differentiated responsibilities - developed countries will contribute more and DC will also be contributing but will receive more than they are contributing
- Contributions to be agreed multilaterally and determined by criteria such as GHG emissions (total and per capita), GDP (total and per capita) and population. Also based on polluters pay principle
- can include national and sub-national activities
- guidelines to be issued from by COP
- proposes 2 funds; adaptation and technology

- eligible countries need to determine that the resulting emission reductions are real, measureable and verifiable, reportable (MRV)
- possible eligible activities; AR, REDD, energy efficiency, renewable energy
- Governance; to be operated by an Executive Council with participation from contributing and beneficiary countries. 2 support committees; Scientific and Multilateral Banks
- council to report to COP annually
- options for funding sources; e.g. existing auction revenues, taxation

Other points for consideration:

- Negotiation for criteria for determining contributions
- Definition of multilateral body to administrate the fund
- Conditions for Least Developed Countries
- Possible links to existing carbon market
- Funding:
 - o Is the idea more sell-able if funding is provided based on policy changes (i.e. tariff, subsidies) to address mitigation
 - o Funds for capacity building is also essential to ensure that policy changes can take place effectively
 - o There are a number of existing levy used to fund activities but the possibility of using existing or doubling ODA to meet this funding requirement should also be explored

6. Supporting mitigation work in developing countries

A number of mechanisms for supporting developing country mitigation actions are being discussed in various countries. As a part of the Bali Roadmap, Parties agreed to monitoring, reporting, and verification (MRV) of these actions in return for monitorable, reportable and verifiable financial and other support from Annex I countries. This agenda will explore how MRV could work for A1 country support for developing countries; ((1) what mechanisms would be put in place for conducting MRV of this Annex I support; (2) how would the negotiation of that support occur and over what timeframe; and (3) what are the implications of the different funding streams in terms of the negotiation process and MRV?

MRV is included in the detailed National Communications including technology-transfer flows, financing (findings receive and disbursed) and technology transfer as pointed out by Trigg – US. however, it was

suggested and agreed by Netherland but perhaps it can be beefed to include some of the concerns presented or improve/make a new policy. Therefore, there was nothing much to be discussed.

Concluding Remarks

Ned Helme, CCAP Director recapped and summarized the decisions and comments for all agenda. However, it is in my personal observation that there is genuine interest from meeting participants to explore different angles to mitigate climate change, even to the extent of proposing new ideas to be brought forward to shape the post-2012 agreement, these includes CDM and REDD. Consisting of economists and policy analysts, they are less exposed to the technicalities involved in the development of REDD (for instance) and so have come to appreciate the feedback/clarification I managed to contribute in being the respondent for the REDD agenda together with Federica Bietta of the Coalition of Rainforest Nations. It is apparent from this meeting that there is advantage of getting researchers and policy makers (at ministry level) to come together. Economists and policy makers are able to better gauge appropriate policy and/or market approaches taking into account the on-the-ground feasibility assessment which can be offered by researchers.

No doubt that having a FRIM or Forestry Dept representative in this meeting will greatly assist the Meeting with technical know-how, I would still strongly recommend, as before this, that a representative from the Ministry, particularly the Forestry Division, also attend as there are a number of policies/approaches that the Meeting is exploring in guiding future UNFCCC negotiations. As the Meeting is held in an informal manner, this would be the best opportunity for our Malaysian negotiators to gauge heads-up the position of our A1 counterparts and understand their position better.

NEXT MEETING: Feb 3-5 2009, Wellington, New Zealand

Objective:

1. issues or position for Poznan
2. To draft summaries of concepts for Accra, Ghana and beyond

Workgroups: developing country package, forestry, comparable efforts, sectoral options