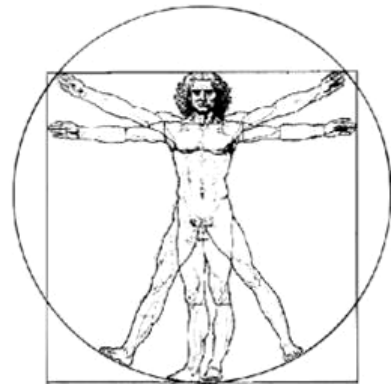

European Capacity Building Initiative (ECBI)

for sustained capacity building in support of the international climate change negotiations



2006 ECBI OXFORD FELLOWSHIPS AND SEMINAR

24/30 AUGUST – 1 SEPTEMBER 2006
TRINITY COLLEGE, OXFORD, UK

The 2006 ECBI Oxford Fellowships brought together 11 Fellows, Senior Fellows, and Supernumerary Fellows from Bhutan, Brazil, China, India, Maldives, Mexico, Niger, South Africa, The Gambia, and Zambia, and negotiators from France, Germany, Portugal, Sweden, the UK, the Finnish EU Presidency and the European Commission between 24

August and 1 September to engage in a number of trust-building activities.

In the first part of the Fellowships (24/26 August) the Fellows undertook a number of country visits. During a visit of the UK Foreign and Commonwealth Office (FCO) in London, the Fellows met with



Fellows and ecbi staff (from left to right):

Standing: Jigme (Bhutan), Kenneth Nkowani (Zambia), Haroldo Machado (Brazil), Song Dong (China), Izrael Monroy (Mexico)
Seated: Smangele Mqguba (South Africa), Branca Americano (Brazil), Bubu Jallow (Gambia), Benito Müller (ecbi), Amjad Abdulla (Maldives), Izabela Ratajczak (ecbi), Safi Solange (Niger). Missing: Manjeev Puri (India)

representatives from the FCO and the UK Departments of Environment, Food and Rural Affairs (DEFRA) and for International Development (DFID), after which the Fellows split to visit the Swedish and the French governments.

The French country visit to Paris consisted of four meetings with representatives from the following institutions and agencies:

- Ministère des Affaires Etrangères,
- Météo-France,
- Centre National de Recherche sur la Météorologie (CNRM)
- Institut Pierre et Simon Laplace (IPSL),
- Mission Interministérielle sur l'Effet de Serre,
- Ministère de l'Ecologie et du Développement Durable (IDDRI)

- Institut du développement durable et des relations internationales,
- Ministère des Finances, Agence Française de Développement et Secrétariat du Fonds Français pour l'Environnement Mondial.

On the first day of the Swedish Country visit, the Fellows met with officials from the Swedish Ministry of Sustainable Development and the Swedish Energy Agency and had lunch at the Prime Minister's Office. The second day was taken up by a visit to the Stockholm Environment Institute.

Returning to Trinity College, their Oxford base, the Fellows began the second phase of their Fellowships – the 'Fellowship Colloquium' 27/30 August) – which gave



London



Stockholm



Oxford

them the opportunity to discuss issues of their choice in depth among themselves. The topics discussed included equity, the Clean Development Mechanism, 'post 2012', adaptation funding (in particular, an international air travel adaptation levy), and the Adaptation Fund. The Fellowship Colloquium also included a meeting with Oxford University based climate scientists at the Environmental Change Institute.

The Fellowship Colloquium was followed by the Oxford Seminar (30 Aug/1 Sept) which gave the Fellows the opportunity to engage

with colleagues from French, German, Portuguese, and UK government agencies as well as representatives from the Finnish EU Presidency and the European Commission. The Seminar gave the Fellows in particular the chance to give a presentation concerning their own personal views on how to deal with the thorny issue of operationalising the Kyoto Protocol, views which later found their way into the Africa Group discussions for the forthcoming climate conference (COP12/ MOP2) in Nairobi in November 2006.

2006 ECBI Oxford Fellowships: Individual Themes

The following summaries of the discussions are based on the feed-back forms which had been filled in by the Fellows and participants after each session. Following the Chatham House Rule quotations are not directly attributed.

Operationalising the Adaptation Fund

The Fellows' Oxford Seminar Proposal

A number of Fellows with particular interest in the ongoing Adaptation Fund (AF) negotiations put together a presentation for the following Oxford Seminar outlining their views on one of the topics which had proven to be particularly thorny during the most recent negotiation session: the nature/identity of the operating entity or entities for the AF. The position put forward in this presentation has – at the time of writing this report – been adopted by the UNFCCC Africa Group, which is why it may be appropriate to provide a brief summary of that position.

Instead of debating the merits and de-merits of specific institutions which have been put forward as potential operating entities of the AF, the Fellows put forward an 'architecture' – a number of necessary characteristics – for such an operating entity, based on two principles, namely:

- ✦ The decision making processes of the AF should be flexible, transparent and uncomplicated. They should be balanced and reflect the needs of the developing country Parties to the Kyoto Protocol.

- ✦ Funding should be reliable and adequate and on a full adaptation cost basis.

Governance of the AF is the key issue. The key elements of the proposed framework to implement these principles are all concerned with the governance of the AF. The Executive Body of the AF was, for one, meant to be under the direct authority of the COP/MOP (see figure). The ***COP/MOP is to take binding decisions*** concerning that body, and ***not merely issue guidance***. As to the balanced representation of the KP Parties on the Executive Body, the proposal was to use the formula of the Compliance Committee and the CDM EB, with the addition of an additional LDC representative.¹ Procedurally, the Executive Body is also meant to follow the example of JISC, CDMEB, Compliance Committee (i.e. to take decisions by consensus and, if

¹ 1 from each regional group (Africa, Asia & Pacific, Central and Eastern Europe, Latin America & Caribbean, Western Europe & Others), 1 AOSIS, 1 LDC, 2 Annex 1, 2 non-Annex 1, 11 Alternate members

impossible, by ¾ majority of the members present and voting).

Developing country Parties to the Kyoto Protocol are meant to be eligible for the funding from the Adaptation Fund to meet costs of adapting to climate change; and the funding is to be directed particularly to activities benefiting the most vulnerable communities.

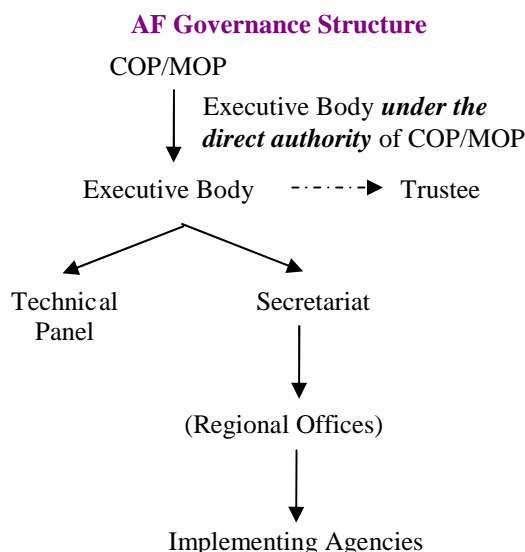
The Discussion

The discussions during the Oxford Seminar and the country visits left no doubt that for both European and developing country Parties, the adaptation fund agenda item is paramount importance. The *AF was seen to be unique because of its unprecedented private sector replenishment through the CDM levy*. Given that adaptation funding needs are unlikely ever to be covered through ODA-like voluntary sovereign donations, arguably the only way in which these funding needs might ever be met is through additional private sector contributions. The AF, as the 'natural home' of this type of contributions, thus has the potential to become far more important than any of the other climate change funds. Thus the Seminar's view was that instead of trying to rush operationalisation of the AF by forcing a choice between a number

existing agencies, it is more important to decide on a mutually satisfactory governance structure for this fund which institutions would have to satisfy to become an operational entity of the AF.

Two aspects of governance emerged as key in the Seminar discussion, namely the 'sovereignty' of the COP/MOP over any AF executive body and the representational composition of any such body. It was strongly felt, particularly by Fellows, that the COP/MOP should be able to give legally binding instructions to any such executive, as opposed to just 'providing guidance', as in the case of the GEF. Concerning the issue of representation, it was also felt – particularly by Fellows from LDCs – that apart from a regional representation, any executive body of the AF should also have special representatives for designated (UN) constituencies, such as the Group of Least Developed Countries and AOSIS, to lend a voice to these constituencies 'at the table' particularly if decision making is to be primarily by consensus. Moreover, it was felt that the individual members of any executive body should have experience in climate change, and particularly adaptation matters.

Adaptation Funding & Five-year Work Programme on Adaptation



Funding: A Levy on Air Transport

Cameron Hepburn and Benito Müller made a presentation of their idea of an International Air Travel Adaptation Levy (IATAL) to raise private sector funds as an international levy on the rich (regardless of their origin) to help the poor to adapt to climate change.² The reception of the idea during the different Fellowship activities was by and large very positive, although

² See Benito Müller and Cameron Hepburn, *An 'International Air Travel Adaptation Levy' (IATAL): Outline Proposal*: Oxford: Oxford Institute for Energy Studies: October 2006. www.OxfordEnergy.org

there were some critical voices during the Oxford Seminar. Most of the Fellows (“a good proposal worth pursuing; an attractive, innovative way of financing for adaptation”) and many of the European participants (“Good idea, needs to be further promoted”) were supportive of the idea and thought it should be supported.

Although a number of the European participants of the Oxford Seminar raised some concerns, mainly on grounds of a perceived inferiority to the current EC position on including aviation emissions under an emission trading scheme. Yet the Fellows did not appear completely convinced, as one of them put it: “valid, but not that valid!” While rejecting the alleged inferiority, the authors themselves pointed out that it would be possible to obtain at least part of IATAL's expected annual revenue of €3bn to €8bn — if the traded permits are auctioned and the revenues hypothecated for adaptation. Moreover, if an emission-based levy is seen as a competition to the proposed emission trading schemes, then it would always be possible to make it a purely price-related “solidarity contribution” which could easily co-exist with mitigation efforts through market mechanisms.

According to a number of the Fellows, such a levy should be used to further replenish the Adaptation Fund. Some of them also raised the potential problem concerning the acceptability of such a levy if it were to be perceived as a new mitigation commitment on developing country Parties – even though it would be directly levied on individual passengers. Indeed, for the very delicate point, one of them suggested it might be better to negotiate a IATAL outside the UN climate change framework, for the levy to be “channelled to the adaptation fund anyway, as an ‘outside’ contribution.”

Post-2012 Mitigation

Having established the need to continue the Kyoto Protocol regime beyond the end of the first commitment period in 2012 (particularly the need to continue the CDM), and with the

The key point, according to everyone involved is that alternatives to ODA type sovereign donations must be found to fill the expected adaptation funding gap in developing countries.

Five-year Work Programme on Adaptation

The key obstacle in the negotiations of the Five-year Work Programme (5YWP) on Adaptation are a number of different views on two key issues, namely what is the aim of the programme, and how could it be achieved. First: *is the Programme aimed at studying adaptation or is it aimed at adaptation itself?* After some discussion, the consensus emerged that the aim was to gain knowledge on adaptation and not to solve the problem of adaptation *per se*. However, the discussion also brought out clearly that doing adaptation projects on the ground is not inconsistent with this aim. Indeed, it was recognised that in the context of adaptation, the most valuable knowledge to be gained is probably not through modelling studies (no matter how good they may be) but through 'learning by doing' on the ground. In other words, *it is not inconsistent with the aim of the 5YWP to carry out concrete adaptation projects, provided they are 'pilots' primarily designed to draw lessons on how to do adaptation.* Another significant outcome of the discussions in this context was the proposition that G77 in general, and LDCs in particular, may have a wealth of indigenous knowledge on adaptation – particularly after the National Adaptation Plan of Action (NAPA) process – which they should harness and share with developed countries, in the context of the 5YWP.

European participants reconfirming that the EU will not be pressing for developing country emission reduction commitments in the ongoing negotiations, the discussion on

"post 2012" -- i.e. on how to continue the multilateral greenhouse gas mitigation regime after 2012 -- was able to focus constructively on how to integrate developing countries into such a regime. ***There was consensus that the mitigation problem cannot be resolved by Europe alone, indeed it cannot be resolved without addressing the emissions of all large emitters.*** But it was also recognised that, as concerns commitments, the Kyoto regime would have to evolve in a more differentiated manner if it is to include (large emitters from) developing countries. While legally binding Quantitative Emission Limitation and Reduction Obligations (QELROs) remain the appropriate type of commitments for industrialised countries (particularly in the context of the existing trading mechanisms), other types of commitments have to be incorporated in the Kyoto architecture if the regime is to be extended to non-Annex I countries. The CDM could play a significant role as a mechanism in which industrialised countries can address

Low Emitters and the CDM

Not surprisingly, the issue that dominated the mitigation debates throughout the Fellowships was the fact that low emitting countries – such as the members of the group of Least Developed Countries, and many of the Sub-Saharan African ones – have thus far not been able to attract CDM projects in any significant numbers. A number of reasons were identified, *inter alia*:

- Competitive price disadvantage relative to large CER-volume projects in China and India due to comparatively high transaction costs for the type of projects feasible in these countries.
- Unfavourable credit rating for foreign direct investment in general.
- Institutional short-comings: lack of (adequate) DNAs, lack of domestic private sector participation or even awareness.

A number of possible ways to improve these shortcomings emerged during the discussions. ***The competitive disadvantage due to project size and transaction costs could, for example, be addressed by creating specific simplified***

developing country emissions without imposing an additional burden on them, but it was made clear that there could never be enough demand for CERs (particularly in the absence of the US) to address these emissions adequately on its own. In short ***there has to be (additional) domestic action in the large developing country emitters.*** The crucial post-2012 question then becomes: ***how can the multilateral regime assist these countries so that their economic growth is sustained and not endangered through such actions?*** A very interesting point arising in the discussion in this respect was that ***the regime should facilitate South-South cooperation in general, and technology transfer in particular.*** What became clear was that more informal discussions of the sort provided in the Oxford Seminar and the Country Visits are needed to generate progress on this very important but controversial issue.

methodologies (such as for the small-scale projects) and procedures for low emitters, by ‘programmatic’ CDM, or by direct transaction cost subsidies for ordinary projects. Moreover, it was suggested that low emitters should also complement their CDM efforts by entering the growing voluntary emission offset market in creating a niche market of value added “platinum standard” sustainable development offsets for, say, large international conferences or corporate social responsibility portfolios.

As concerns the handicap of unfavourable credit ratings, it would be unrealistic to expect the CDM to overcome this problem. The prospect of a project generating CERs is in most cases unlikely to outweigh an unfavourable credit rating in the decisions of foreign direct investors. The primary focus for attracting foreign CDM project investments has to be to improve the general investment climate. However, if this is not feasible ***in the near term, then the focus should be on ‘unilateral’ projects through***

mobilising domestic investments which are not subject to these constraints.

A number of interesting ideas were proposed to unplug the institutional bottleneck. To avoid costly (unnecessary) duplications of institutions, the idea of establishing regional DNAs, or at least expert panels (CDM secretariats) was put forward, particularly for regions with existing regional institutional frameworks – such as Francophone West Africa. As to the involvement of the domestic business sector, and indeed the acquisition of the practical knowledge required to participate

in the CDM process, the feed-back also reflected a proposal discussed during the Oxford Seminar that *the EU/Annex I should – as a gesture of good will – commit at COP12/MOP2 to carry out at least one CDM pilot/demonstration project in each of the most vulnerable low emitter countries*. As in the case of the Five-year Work Programme, it was felt that the key to overcoming these institutional shortcomings is to provide the opportunity for learning by doing.

List of Fellows and Participants in 2006 ecbi Oxford Fellowship Activities

- Bubu Pateh Jallow (Fellow), The Gambia Permanent Secretary, Chair of the LEG, ecbi Country Coordinator, Department of State for Fisheries and Water Resources
- Amjad Abdulla (Fellow), Maldives Director, Strategic Policy Ministry of Environment, Energy and Water
- Branca Americano (Fellow), Brasil Technical Advisor, General Coordination of Global Climate Change Ministry of Science and Technology
- Haroldo Machado (Fellow), Brasil Special Adviser of the Interministerial Commission on Climate Change I Ministry of Science and Technology
- Jigme (Fellow), Bhutan National Environment Commission
- Smangele Mgquba (Fellow), S.Africa Senior Energy Policy Negotiator Department of Minerals and Energy
- Izrael Laguna Monroy (Fellow), Mexico Subdirector de Metodos de y Estudios para de Mitigacion de Cambio Climatico National Institute of Ecology
- Kenneth Nkowan (Fellow), Zambia UNFCCC Focal point Ministry of Tourism, Environment and Natural Resources
- Manjeev Singh Puri (Fellow), India Joint Secretary Ministry of External Affairs
- Safi Solange (Fellow), Niger Unité Changements et Variabilités Climatiques/ Cabinet du Premier Ministre
- Dong Song (Fellow), China Third Secretary Ministry of Foreign Affairs,
- Alain Lafontaine (EX), Belgium, President Baastel Ltd.
- Jürgen Lefevre (OS), European Commission
- Tita Korvenoja (OS) Finland, Ministry of Environment, EU Presidency
- Serge Janicot (EX, F) France Directeur de Recherches IRD Université Pierre et Marie Curie
- Joffrey Célestin-Urbain (F), Ministère de L'Economie des Finances et de L'Industrie
- Frederic Joureau (F), France Ministère des affaires étrangères
- Nicolas Lambert (F), France Ministère des affaires étrangères
- Anne Touret (F), France, Deputy Head of Official Development Assistance and Multilateral Development Institutions Division, Ministère de L'Economie des Finances et de L'Industrie
- Elisabeth van Den Akker (F, EX), France, AMMA International Project Office, Analyse Multidisciplinaire de la Mousson Africaine (AMMA) 8 Pierre Bauer F, EX France Deputy Director of Research Department National Center for Meteorological Research, METEO France

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- Paul Watkinson (F, OS), France, UNFCCC Focal point Mission interministerielle de l'effet de serre (MIES)
 - Carine Barbier (F), France, Senior Programme Officer Institute for Sustainable Development and International Relations
 - Lorenz Petersen (OS), Germany, Climate Protection Programme Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
 - Ricardo Moita (OS), Portugal, Ecoprogresso
 - Bo Kjellen (EX, SE, OS), Sweden, Steering Committee Chair
 - Caroline Dickson (SE) Sweden, Head of Section Ministry of Sustainable Development
 - Anna Forsgren (SE), Sweden, Head of Section Ministry of Sustainable Development
 - Phillipe Meunier (SE), Sweden, General Secretary Ministry of Ecology and Sustainable Development
 - Jenni Ranhagen (SE), Sweden, Desk Officer Ministry of Sustainable Development
 - Anders Turesson (SE), Sweden, Chief Negotiator, Senior adviser Ministry of Sustainable Development
 - Elin Enfors (SE, EX) Sweden Natural Resource Management Stockholm University
 - Angela Kallhauge (SE, OS), Sweden, STEM
 - Axel Michaelowa (EX), Switzerland, Perspectives Climate Change
 - Diana Liverman (EX), UK, Director Oxford University Centre for the Environment
 - Mark New (EX), UK, University Lecturer Oxford University Centre for the Environment
 - Lavanya Rajamani (EX), UK, Lecturer in Environmental Law Cambridge University & Legal Research (Fellow),
 - Dave Stainforth (EX), UK, Atmospheric, Oceanic and Planetary Physics University of Oxford
 - Paul Watkiss (EX), UK, Research Associate Paul Watkiss Associates
 - Michael Grubb (EX, OS), UK, Professor Faculty of Economics
 - Cameron Hepburn (EX, OS), UK, James Martin (Fellow), in Climate Policy ECI
 - Saleemul Huq (EX, UK, OS), UK, Director Climate Change Programme Workshop program Director
 - Justin Mundy (OS), UK, Senior Advisor to the Special Representative for Climate Change, Foreign & Commonwealth Office
 - John Ashton (UK), UK, Special Representative for Climate Change, Foreign and Commonwealth Office
 - Fergus Auld (UK), UK, Team Leader Foreign & Commonwealth Office
 - Tom Downing (UK), UK, Director Stockholm Environment Institute, Oxford office
 - C. Ian Pickard (UK), UK, Head of International Climate Change Policy Unit Defra
 - Christopher Reynish (UK), UK Desk Officer Foreign & Commonwealth Office
 - Jessica Troni (UK), UK, Partner Contact DFID
 - Jos Wheatly (UK), UK, DFID
 - Sean Smith (UK, OS), UK, Climate Change Policy Adviser Defra
 - Rod Janssen (OS), UK, Energy and Environment Consultant
 - Benito Müller (EX, UK, SE, OS), UK Managing Director Oxford Climate Policy
 - Izabela Ratajczak (UK, F), UK, PA to the Managing Director , Oxford Climate Policy

Legend:

- (UK) = UK Country Visit;
- (F) = French Country Visit;
- (SE) = Swedish Country Visit;
- (OS) = Oxford Seminar;
- (EX)= Expert