



Bonn Seminar 2016

Altes Rathaus, 22 May 2016



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European Capacity Building Initiative
www.eurocapacity.org

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BONN SEMINAR 2016

The 2016 ecbi Bonn Seminar took place on 22 May 2016 in the Altes Rathaus, Bonn. It was attended by 34 participants, who discussed climate finance post-Paris, the ambition mechanism included in the Paris Agreement, and the Agreement's review mechanisms.

The Seminar was opened by Gabriele Klingmüller, Mayor of Bonn, who welcomed participants. She noted that the Seminar, hosted in the Altes Rathaus for several years now, was an opportunity to exchange views in an informal setting and to build mutual trust among the partners from North and South.

Thanking the Mayor, Bo Kjellén, Co-Chair of the ecbi Advisory Committee noted the important role Bonn has played not only in the climate negotiations, but also for the UN Convention to Combat Desertification.

Climate Finance

This session was chaired by Kjellén. Presenting the issue, ecbi Director Benito Müller summarised the key decisions on finance in the Paris Agreement, which he said relate mainly to collecting information, developing accounting methodologies and institutional matters. He said the Paris Outcomes were weak compared to those of the last UN climate change agreement, from the 2010 Cancun climate conference, which he noted:

- took note of the collective commitment by developed countries to provide new and additional resources, approaching US\$ 30 billion for the period 2010–2012;
- committed to a goal, for developed countries, of jointly mobilizing US\$ 100 billion per year by 2020; and
- established the Green Climate Fund.

He said more ambitious elements put forward by some parties, such as the call by Least Developed Countries (LDCs) for a joint replenishment cycle for all entities serving the Financial Mechanism, had not made it into the Agreement. The proposal for a joint replenishment cycle was included in the negotiating text in Paris, but dropped at the last minute.

Müller went on to describe the proposal for a joint replenishment, saying under Stage I, all entities would undergo an independent performance review to feed into the periodic review of the Financial Mechanism under the aegis of the Standing Committee on Finance (SCF). The outcome would provide a basis for formulating Principal Guidance for the replenishment period in question, drafted by the SCF. This would help rationalise the guidance process, and avoid the repetition of the same guidance every year.

Under Stage II, the Funds in question would prepare costed programming scenario options for the next replenishment period. The SCF could convene a process to consolidate these scenarios on the basis of the Principal Guidance, with the particular view getting the entities to talk to each other, and improve coherence and complementarity between them. The pledging and replenishment process would then take place under Stage III. Müller noted that Stages I and II are still relevant even without the actual joint replenishment, to make the system more coherent.

He said that a collective quantified goal for climate finance without a common understanding of how progress will be measured is a recipe for unhappiness on all sides. He was becoming disenchanted with the narrative of grand targets that then become a subject of disagreement and distrust. Instead, he said, ways should be sought to genuinely enhance the predictability of public sector contributions to international climate finance.

Müller went on to describe one such initiative by ecbi, to encourage sub-national contributions to international climate finance. Facilitated by this initiative, the Quebec government had pledged CAD 6 million to the LDC

Fund in Paris. Funds were also pledged by the city of Paris and three Belgian sub-nationals. He described efforts by ecbi to encourage contributions from other sub-national trading schemes in future, either as a share of emission allowance auction proceeds, or as a share of emission allowances that could then be auctioned by the Funds, as proposed by Norway in 2008. The latter have the advantage of being “off-budget”, and not subject to budgetary considerations.

He said the ecbi was also exploring alternatives such as crowdfunding, and implementing a voluntary air passenger levy through the cooperation of airlines. Under the latter option, airlines could agree to include a button on their websites, asking for voluntary contributions to one of the multilateral climate funds.

In the discussion that followed, a developing country participant said he was not sure a long-term financial goal was not useful.

Müller responded that targets are fine as long as there is agreement on measurement. Under the proposed joint replenishment cycle, the replenishment envelope could have been the target without the need for complicated definitions of climate finance.

A developed country negotiator noted that they were not in favour of an overall target in the first place, and it was a redline for the EU in Copenhagen, along with a new Fund. But they found themselves agreeing to both the target and a new Fund, following the push from developing countries. Noting that they were now working hard on accounting rules, he said he was not convinced by the proposal for a replenishment cycle, as there would be problems with harmonising the cycles for the Funds. The replenishment cycle of the Global Environment Facility will take place in 2017/2018, by which time the GCF will not be ready for a second replenishment – it will still not have spent the US\$ 10 billion pledged in the first round. Moreover, donors were not keen to have a replenishment system for the LDC Fund and Special Climate Change Fund – this idea had already been discussed.

Müller said that start-up issues such as uncoordinated replenishment cycles could be easily overcome.

Another developing country negotiator said many think tanks had tried to quantify climate finance, but there still not enough clarity because of the lack of a common and mutually acceptable definition.

A developed country negotiator said there would be other channels of climate finance in addition to the entities, including other multilateral entities and bilateral channels, and noted that national treasuries were unwilling to make long-term commitments on finance.

A developing country participant asked how the 0.7% of GDP goal was agreed in the past, if national treasuries were unwilling to make commitments in advance.

Another developed country negotiator said there is an upward trend in climate finance, which should be viewed in a more positive and constructive manner.

A developing country negotiator said the long-term target is a given, decided at the political level, and was in fact less than the needs of developing countries. He agreed trust and transparency was needed, to incentivise countries to do more. He noted that the “fast start finance” promise was a missed opportunity to create more trust, and hoped the US\$100 billion pledge would not be reduced to the same.

A developed country participant asked whether it was useful, or just a distraction, to look only at a subset because it is easier to measure, instead of concentrating on achieving the long-term goal.

Müller said the intention was to ensure predictability of at least a portion of the pledge, and given the “earmarking” constrains that treasuries in developed countries often cite, alternative funding mechanisms may be the only way of ensuring some amount of predictability.

A developing country participant agreed that there is little certainty surrounding the US\$100 billion, while developing countries were spending out of national budgets for mitigation and adaptation. He said there was backtracking instead of progress in some elements of the negotiations, such as the exclusion clause on liability for loss and damage in the Paris Agreement. He noted a proposal to fund loss and damage on the basis of historical responsibilities, which had been rejected. Meanwhile, he said, evidence was being uncovered of fossil fuel companies actively hiding information on climate change, as they had done in the case of tobacco. He said 15 states in the US were investigating these claims, which amount to fraud.

At the end of the session, Kjellén noted the importance of finance in the negotiations, and the need to think positively. He said the World Bank and regional development banks have already demonstrated the success of replenishment cycles.

From Contribution Framework to Ambition Mechanism

This session was chaired by Achala Abeysinghe.

Introducing the topic, Müller said the focus would be on how actions are sequenced under the Paris “Contribution Framework” for Nationally Determined Contributions (NDCs), which would include “review cycles” and “communication and updating cycles”.

He noted lack of clarity on precisely how this sequencing will take place in the Agreement, saying the one thing that was certain was that there would be five-year “global stocktakes” starting from 2023. These stocktakes are meant to inform parties in updating and enhancing their actions and support.

Parties are expected to submit NDCs at least 9-12 months in advance of the Conference of Parties serving as Meeting of Parties to the Agreement (CMA) where they will be formalised. This period of 9-12 months is where parties can engage informally on seeking clarifications. After the CMA, there will be a synthesis report of what has been communicated or updated. This process will then be repeated for the next round of NDCs.

On the timeline for the NDCs, Müller noted that there are two tracks: paragraph (§) 23 of the decision adopting the Agreement is for parties whose initial NDCs (INDCs) were for a five-year timeframe; while §24 covers parties with a ten-year time frame.

The former (§23 parties) are expected to communicate a new NDC by 2020, and then every five years thereafter. §24 parties, whose INDCs cover a ten-year period, are asked to communicate or update their INDCs by 2020, and do so every five years thereafter. While all parties will need to engage in internal negotiations every five years, the two tracks are not adequately harmonized over five year cycles, to have a maximum impact on driving ambition. As thing stand, harmonised activities occur at best only every ten years – for instance in 2020, when all parties will submit a 2030 NDC; and 2030, when all parties will submit a 2040 NDC.

Moreover, while §24 parties will have to communicate or update, §23 parties will communicate – updating is not mentioned in their context.

Müller noted that to optimise the system to encourage ambition, there should be a moment in the cycle when all parties take stock of progress at the same time in the context of the common overall goal, to compare like with like. This consideration was addressed in the proposal submitted by Brazil on the “Dynamic Contribution Cycle” (DCC), where all countries update the NDCs for the upcoming five-year cycle, while communicating the NDC for the one after. All parties would have to update their ‘near-term’ NDCs – at this stage, they could encourage ambition amongst each other, while aiming to meet the reduction targets set out by scientists.

Müller proposed harmonising the two tracks of the Paris Agreement to maximise the potential for ambition, simply by requesting, in 2025, all parties to communicate a 2035 NDC and update their 2030 NDC, and to do so every five years thereafter.

In the discussion that followed, Müller highlighted the disadvantage of a ten-year cycle, saying parties will be locked in for too a long time, without pressure to update or enhance ambition. Also, there will be no advance information on what §24 parties intend to do after 2030, as they will only be submitting that NDC in 2030.

A participant from Brazil agreed, saying this was an issue that they sought to address in the proposal from Brazil referred to by Müller. He said that parties were locked into different five- and ten-year timeframes after they submitted their INDCs, and although an intense discussion took place on this issue during the first week of Paris, no one wanted the regime to be prescriptive over the timeframes. However, he said, the issue of common timeframes will be discussed at the first CMA (CMA1). The intention was not to create a permanent two-track system, but merely to reflect the timeframes that parties had already communicated in their INDCs.

He concluded by saying that unless this is changed, no party will want to submit five-year NDCs, with the longer ten-year timeframe offering them greater reprieve with regard to having to increase their ambition. Why would other countries want to be subject to a review every five-years, when others are only reviewed every ten years. If countries continue to choose their own timeframes, he concluded, they may even choose 20-year timeframes next time.

Müller said that while even common timeframes may not be needed, common endpoints are necessary.

A developed country participant agreed that political moments that could encourage ambition can be created by communicating and updating in harmonised cycles. He also agreed that the two-track system of the Paris outcome was not written in stone and could be changed.

Another developed country participant said instead of focusing on specific aspects, the deal should be viewed as a whole. He said the UNFCCC Secretariat will have ample time to provide a synthesis report during the 9-12 months between countries submitting their NDCs, and the relevant CMA.

A developed country participant agreed that NDCs should be harmonised after 2030, with all parties following the same cycle, as this would be the only way to create the dynamics for a cycle of ambition.

A developing country participant said there were a number of other elements that were also essential to drive ambition. Müller agreed.

A developed country participant warned that it may not be possible to agree to a harmonised approach in future – it had not been possible to do so in the past.

The participant from Brazil said without synchronised five-year cycles, one might wonder why five-year stocktakes are necessary. He highlighted the need for defining elements such as timeframes and cycles, to avoid confusion.

Müller said the paper that the presentation was based on did attempt to provide some initial definitions. He said it was essential to build in some certainty with regard to NDCs, and to provide an indication of where we are headed – an element that was missing in the Kyoto Protocol.

Effective Review of Action and Support

This session, on the three elements of the review mechanism in the Paris Agreement (the transparency framework, global stocktake and compliance mechanism) was chaired by Müller. Abeyasinghe made the first presentation, on the transparency framework and compliance mechanism.

The transparency framework and compliance mechanism

On the **transparency framework**, Abeyasinghe described the scope (action, support, implementation and achievement of NDCs), flexibility, principles, sources of input (based on existing regime, national reports and inventories to track progress), institutional arrangements (review by technical experts), and outputs.

She noted that LDCs and SIDS had been given flexibility with regard to the transparency framework, but asked how flexibility for other countries could be determined. Asking if self-determination by countries, in light of capacities, would be sufficient, she noted that while flexibility could encourage participation, it could also limit the predictability and usefulness of the transparency framework going forward.

Abeyasinghe said the frequency of reporting has been decided for all but LDCs and SIDS, but the frequency of review has not been decided. She asked if this should happen every five years; after the submission of each report; or at different times for different levels of reviews.

In terms of the scope of the review on action and support, she said they could focus on particular issue areas and themes, and asked if group reviews were an option.

In terms of support and facilitation, Abeyasinghe said the Agreement does not clarify how support will be delivered, and to whom. She noted the need to identify barriers to implementation, such as gaps in funding and the capacity to track implementation.

She noted the role of non-party actors in acting as expert reviewers, and providing written and oral input to expert reviews, saying all the proceedings for the expert review and/ or the multilateral considerations will be open to observers. She said the output should clearly identify areas for improvement.

On the **compliance mechanism**, Abeyasinghe said the scope was not very clear, as to whether only compliance with the legally binding elements would be sought, or the entire Agreement (including decisions). Under other multilateral environmental agreement, including the Kyoto Protocol, the parties decide which provisions are subject to the compliance mechanism. She said while “facilitating implementation” could focus on the non-legally binding elements, “promoting compliance” could focus on binding obligations. Flexibility should be based on the capability and circumstances of countries.

Abeyasinghe noted that there were no legally binding obligations with regard to review of action and support. She said a facilitative committee would be set up for implementation and compliance. She asked if the scope and mandate of this committee could cover individual and collective commitments; and what would

trigger a case of non-compliance and hence intervention. She said a referral from other parties or group of parties was probably not preferred, because of the non-punitive nature of the mechanism. She noted that a recommendation from the technical expert review under Article 13 could provide a trigger, as could recommendations from non-party actors – the latter was controversial, but still on the table. The outcomes of the facilitative process could be a meeting of the facilitative committee, a report, or recommendations.

During the discussion, a developed country participant noted that information about support received, not only provided, was included in the Agreement. Abeyasinghe said countries have to provide this information, but it is not part of the review process.

In response to a question on the two most important elements of the review mechanism agreed in Paris, Abeyasinghe listed national reporting to provide clarity and transparency; and what is then done with these reports.

A developed country participant noted that for countries to be able to deliver, barriers to implementation will have to be addressed. Some of these may be structural, and some may be country specific. It was not clear, however, how the new regime will address these barriers – whether it would do so through the compliance committee, expert review, or the stocktake.

Abeyasinghe responded that the transparency mechanism and technical expert review does provide space to address barriers. Paragraph 12 of the adopting decision requires countries to identify areas of improvement, and there is also a strong emphasis on capacity building. In addition, the provisions on “promoting compliance” is meant to avoid non-compliance by countries. In response to a query on what “promoting compliance” means, she said it is a forward-looking mechanism to ensure parties comply with their obligations, rather than looking backwards and being punitive.

Enhancing the scope and equity of stocktakes

Christian Holz from the Climate Equity Reference Project spoke on this topic. He said the presentation would cover proposals made before Paris; the ambition ratchet in the Paris Outcome; and suggestions on strengthening the ratchet and reviews.

Holz noted that in the submissions made by countries before the Paris Conference, there was broad support for individual party reviews, and the inclusion of elements of equity and fairness in the review process. The proposal from Brazil discussed in the second session, for instance, included a consideration process and an adjustment period before NDCs are confirmed. There was also support for a strong ex ante review process for mitigation, adaptation and means of implementation, at least at the collective level, with specified inputs for the assessment, including on individual historical responsibility, and individual country contributions to mitigation success.

He highlighted the Equity Reference Proposal from the Africa Group, and several proposals from civil society. He said civil society could conduct parallel reviews, exploring approaches that cannot be agreed at the negotiations, to complement the formal process.

Holz listed the following elements as part of the “ambition ratchet” in the Paris Outcome:

- the bottom-up NDC process;
- conditional NDCs, expressing ambitious mitigation action conditional to support provided;
- the dynamic contribution and update cycles, discussed in the second session;
- the progression clause in Article 4.3, to avoid backsliding;

- the transparency framework, to allow everyone to see what everyone else is doing; and
- the global stocktake and 2018 “facilitative dialogues”.

He noted that stocktake was limited to collective ambition, rather than individual parties. A big win, however, was the inclusion of adaptation and means of implementation in this process, and the reference that it should be conducted in light of equity and best available science. The modalities would be negotiated, and while some inputs for this stocktaking process were obvious, others could be discussed.

The facilitative dialogue, however, would be limited to the long term goal, which probably means only mitigation will be included, though at least means of implementation should be part of it. He proposed making a strong link between the 2018 dialogue and the 2023 stocktake by applying the 2023 modalities to the 2018 dialogue, and said the facilitative dialogue should also trigger some review and resubmit activities.

Reviewing missing elements in the ambition ratchet, Holz said uncertainty about the scale, delivery and scope of public climate finance is, and has been, the biggest impediment to progress. Without more clarity, some of the elements of the ambition mechanism, such as the conditional NDCs, would be rendered ineffective.

The other missing element, according to Holz, was a robust review mechanism that includes a science-based, normative, ex-ante assessment process (not just ex-post reviews) at the level of individual parties (not just the aggregate), with a scope that includes both direct domestic action and support for cooperative international action, and not just for mitigation.

On why an equity assessment is essential for a robust ambition mechanism, Holz said climate change is a commons problem, which can only be solved when all major actors see others doing their best to contribute fairly. He noted that this is unlikely to happen within the formal process, but civil society must take the assessment discussion beyond the limited space that the parties are willing to agree. Think tanks and academics could develop informal assessment initiatives, to even assess individual NDCs instead of aggregates. Meanwhile, the space for formal review must be expanded as much as possible, for instance by applying the relatively expansive terms of reference of the Article 14 stocktake to the 2018 facilitative dialogue.

In the discussion that followed, Müller noted that equity arguments can also help governments justify greater ambition if it is considered their fair share.

A developing country participant noted that countries will be required to justify why their NDC is fair and the stocktake, even if it considers aggregate figures, will provide valuable information on how fair and ambitious individual contributions are. Moreover, governments will have to be accountable to their own civil societies, which can help increase ambition over time.

A developing country participant said the vast pool of financial resources that the private sector is sitting on will have to be brought into play to address climate change effectively.

A developed country participant noted that some felt the issue of equity was dead and buried after the Paris Agreement, while others felt it was alive but just not in the Agreement. Although the global stocktake refers to equity, he asked how this could influence the negotiations, or be brought back to the formal process.

Müller said parties will have to justify their NDCs on basis of equity, and therefore the issue will remain on the table as part of their own submissions.

Holz responded that while equity may not be part of the formal process, countries will have to justify their NDCs as fair and ambitious. If it can be demonstrated that certain issues can be addressed in a solutions-oriented manner through an equitable approach, parties might become more supportive. He said individual-level assessments in a “non-finger pointing” way, comparing peers, could also be helpful. If done right, it could counter some of the forces that are pushing against ambition. He concluded by saying that the formal process can help the equity discussions by making sure there is enough information available for these discussions to take place.

The Long-Term View

The Seminar ended with a short presentation by Kjellén, on a long-term view of the climate negotiations.

Kjellén said the Paris Agreement was the product of 25 years of climate negotiations. 2015 was a year of breakthroughs, with the Addis Ababa Agreement on Financing for Development, and the agreement on the Sustainable Development Goals.

He noted that the original Convention, the UNFCCC, was negotiated in the short time of 18 months. At the first UNFCCC Conference of Parties (COP 1) in Berlin in March 1995, however, it was decided that the commitments included in UNFCCC Articles 2 (a) and (b) were not adequate to meet the objectives of the Convention. This led to the adoption of the Berlin Mandate for the negotiation of the Kyoto Protocol. However, he said, climate change is much more than an environmental issue, and it has become clear that fundamental societal change cannot be imposed on Governments through international legal text, even if adopted by consensus.

Within this perspective, UNFCCC COP 15 in Copenhagen had two faces: on the one hand it looked towards the second commitment period of the Kyoto Protocol until 2000, which failed; but on the other hand the Copenhagen Accord opened towards the long-term beyond 2000, shaping a process which ultimately led to the Paris Agreement. He noted that the NDCs are not binding international law, but the procedural obligations are. Finally, Kjellén underlined the importance of the ongoing energy revolution which will strengthen international climate politics, as the world moves towards 2030 and 2040.

He concluded the Seminar by saying that the discussion had been full of energy, exploring new avenues, and the Paris Agreement has clearly created a new dynamic.