Bonn Seminar

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TABLE OF CONTENTS

BONN SEMINAR 2013

The 2013 Bonn Seminar took place on 9 June at the Altes Rathaus, Bonn, Germany. Over 35 participants from developing and European countries attended, to discuss developments in the Standing Committee on Finance, the work of the Ad hoc Working Group on the Durban Platform, and the programme on loss and damage.

The Lord Mayor of Bonn, Jürgen Nimptsch, opened the Seminar and welcomed participants. Benito Müller, ecbi Director, then introduced the agenda and stressed the seminar was a conversation rather than a negotiation.

SESSION ON THE STANDING COMMITTEE ON FINANCE

The session on the Standing Committee on Finance (SCF) was chaired by ecbi Advisory Committee member Bo Kjellén. The discussion was initiated by a presentation by SCF Co-Chair Diann Black-Layne.

Black-Layne said the Conference of Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC) decided to set up the SCF in Cancun, to improve decision-making on finance issues, which were crosscutting over a range of other areas like capacity building and technology transfer. She noted that the SCF is entrusted with a range of functions, such as ensuring coherence of the UNFCCC financial architecture; feedback on biannual assessments; assisting in providing information on financial needs; and clear guidance to the operating entities.

She noted the SCF is a body that reports directly to the COP, and has 21 members nominated by COP. It has met three times so far over the eight months since it has been in existence, to deal mainly with procedural matters. The meeting to be held in September 2013 is expected to be more substantive, and will be a test to see if the SCF works as it is designed, and helps COP make better decisions.

A key issue that the SCF is dealing with is the arrangements between the COP and Green Climate Fund (GCF), a new operating entity of the UNFCCC's financial mechanism, which will be concluded at the next COP in Warsaw, Poland. She noted that this would already be an improvement over the 2-3 years it took the COP to finalize arrangements with the Global Environment Facility (GEF), the first operating entity of the UNFCCC.

Other areas of work for the SCF noted by Black-Layne include clarification on its relationship with other bodies under the Convention such as the Subsidiary Body on Implementation (SBI); long-term climate finance (LTF); and the role of the SCF in functioning as a redress mechanism for the Operating Entities.

She said the SCF is working very well so far, with members and participants with varied expertise, who are communicating well with each other. In particular, she said the practice of forming smaller groups and entrusting them with tasks was working well.

Noting that the first SCF Forum held in Barcelona recently received good reviews, she said a key message from the Forum was that the private sector is losing confidence in the ability of the UNFCCC to give long-term policy signals. In summary, she called for feedback on how the SCF can continue to improve.

In the discussion that followed, a participant noted the importance of the SCF members functioning as experts, instead of negotiators representing national viewpoints.

Black-Layne agreed that the transition from negotiator to committee member was a difficult one, but said the SCF is working on moving in this direction. Müller noted that smaller working groups within the SCF had been more successful in transitioning from negotiation mode, towards focusing on completing assigned tasks. Another participant noted that in the case of the Adaptation Fund Board, removing reference to countries in name tags helped make Board members work more as experts than negotiators.

A member of the SCF said that while he was not originally in favour of setting up the SCF, he now sees the value of having a dedicated committee which can spend time on the important issue of finance without having to focus on the other areas of work under the COP. He said what while some SCF members are still negotiating rather than acting as technical experts, this will fade away in time.

A participant asked whether the SCF is considering issues such as how to raise, manage and disburse climate funds. Black-Layne that the SCF will consider innovative and out-of the-box approaches that are not just cash-based, such as consideration of subsidies.

Müller noted the continued proliferation of climate funds, including a new facility to fund Nationally Appropriate Mitigation Actions (NAMAs) under the German International Climate Fund, and said while many actors expected the SCF to ensure coherence of climate finance, it was not clear how the committee could carry out this function. Another participant concurred that the mushrooming of climate-related funds is undesirable, but noted that the SCF's role is to assist the COP, which has no influence over bilateral funds. The COP could, however, provide guidance to Parties.

In response to a comment on scaling up of climate finance, the participant noted that before countries contribute to the GCF, they need confidence in its business model. The discussion on the GCF business model is still in its early stages, he said, with the GCF Board awaiting a report by consultants.

Another participant asked when the SCF would move on to addressing substantive matters. In response, Black-Layne said the SCF had already started consideration of substantive issues, and will initiate work on issues such as the levels of funding needed; monitoring, reporting and verification (MRV) of finance; and the financial implications of capacity building activities, and activities related to Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD).

A participant listed two areas of work for the SCF – defining and tracking private finance for adaptation, and addressing why it is more difficult to raise finance for adaptation than it is for mitigation.

Müller noted the importance of national funds to enable national private sector actors to access finance. Black-Layne agreed, saying funds must be delivered to local actors.

A participant elaborated on a regional fund model that provides loans to entrepreneurs, and ensures that the funds are recycled back into the kitty.

SCF Co-Chair Stefan Schwager agreed the SCF should work on coherence of finance, but highlighted the complications of ensuring coherence between the public, private, multilateral and bilateral funding. He said existing organisations that have been trying this for several years, such as the OECD's Development Assistance Committee, have to make several assumptions. He also agreed with the importance of engaging Small and Medium Entrepreneurs, and of clear and simple procedures with national and sub-national options for accessing funds.

Another SCF member noted the powerful potential role of the SCF, given that it reports directly to COP. He said, however, that the COP decides the activities of the SCF and there is currently no process to discuss mobilization and MRV of finance under the SCF. On an earlier comment related to the relative difficulties in raising adaptation finance, he said from an economics point of view, adaptation is about absorbing risks – as in the case of a market failure – and has to be dealt with mainly by the public sector. Mitigation, meanwhile, is about maximising shareholder value.

Session chair Kjellén said he felt optimistic about the work of the SCF, and the discussion indicated a sense of communality and joint responsibility.

SESSION ON THE ADP

This session was chaired by Black-Layne. The discussion was initiated by a presentation of an ecbi policy brief on lessons for the work of the ADP by co-authors Adéyêmi Freitas and Xolisa Ngwadla.

Freitas said the policy brief analyzed factors that could affect the future post-2015 regime; drew lessons from the Bali Roadmap negotiations for the ADP; and put forward initial thoughts on the architecture and legal form of the future treaty. She said the effectiveness of the ADP would be decided by its ability to address the overall goal of the UNFCCC, which is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, within a timeframe that will allow ecosystems to adapt naturally to climate change. This effectiveness will be a function of the overall ambition of the future treaty; the level of participation by countries; and of compliance measures to ensure that the commitments are met.

Ngwadla said there has been a paradigm shift in the global climate discourse, from top-down to bottom up. Under the 'top-down' approach of the Kyoto Protocol, Parties followed a multilateral process to decide commitments, and to assess the adequacy of these commitments. More recently, however, the process has become more bottom-up, and refers to commitments "as communicated by" countries. Underlining the importance of the multilateral process, he said, however, that the outcomes of the Kyoto process do not inspire confidence – developed countries pledged a 5.2 per cent reduction below 1990 levels, while the actual reduction was 4.9 per cent (including land use, land use change and forestry, or LULUCF). Meanwhile the bottom-up process, he said, may have attracted broader participation but did not show adequate ambition and national pledges are not based on science or multilateralism.

He said there was no basis for foregoing stronger legal rigour in the 2020 agreement, and also highlighted the importance of taking into account adaptation, technology, capacity and finance targets to reach the overall objective of the UNFCCC, and including a strong compliance mechanism.

Ngwadla said further that the Bali Roadmap process produced quite a lot despite the inefficiency of the process, including mechanisms for finance and MRV, but came short of getting the commitments that will make those mechanisms effective. He concluded by saying that fairness, equity and commitments will define the ambition and strength of the future agreement.

Müller noted that the new regime was more like a notice board where countries posted the cuts they would like to achieve, and asked if the paper included a proposal where national pledges can become part of a multilateral regime. A participant noted that while a voluntary approach will not work, a system like the annexes and schedules of the General Agreement on Trade in Services (GATS) could be used in the climate context. Annexes prescribe emissions reductions for countries and schedules allow them to interpret how they define and implement the elements. The challenge will then be to identify the equitable responsibility of countries.

Another participant said that while we are embedded in the Kyoto system of pledges, notifications and monitoring, it is not going to solve the problem. One reason for this, he felt, is that it is a very inert system, with commitment periods and annexes, where changes to annexes have to be negotiated and ratified. He called for a more dynamic system that allows for adjustments and modifications. He also emphasized the importance of technology in addressing climate change. The process is not driven by science, he noted, but by elections and creation of new jobs. On adaptation, he said it has to become an attractive opportunity for the private sector, by not only managing risk but also providing opportunities to develop and to reduce risk.

Ngwadla responded that it is a problem when science is applied ex-poste. He said the schedules proposal has been discussed for a while, and it will be interesting to see how it addresses Article 2 commitments. He said any schedules-based approach will have to be tested against action on providing support, which could lead to a WTO-style negotiation. He also said if responsibilities under a compact between nations are devolved to non-state actors, it could lead to incoherence and could lead to difficulties in quantification and MRV.

Freitas noted that several proposals had been put forward with reference frameworks to decide national commitments. Another participant said an objective framework should have scientific and multilateral elements, and noted the challenges of progressively building this framework in a way that allows a review of the adequacy of commitments and creates higher ambition. For instance, he asked if countries that are more ambitious should have lighter follow-up.

Kjellén noted that the paper presented comes at an opportune moment, and said a overview of what is currently being discussed in the ADP would be helpful. He said the essential element on reflecting where we are is very much the notion of equity, and asked how the process could be made more open.

Freitas remarked that the Kyoto approach did not work sufficiently, and nor does pledge and review. She said models that include both approaches are needed, and highlighted the importance of talking about commitments rather than pledges; ensuring broad participation; transparency; dynamism; and durability. She also highlighted the importance of minimum criteria to decide commitments; addressing adaptation as an integral part of sustainable development; and stable sources of funding.

Another participant expressed concern over approaches that come down to emissions and quantification, saying a different narrative on sustainable development is needed, which talks about changes in energy, agriculture, forestry etc.

A participant said it is important to dispel the notion that adaptation is difficult to define, and instead focus on implementation. Another participant noted that adaptation should become a common responsibility and fully integrated.

SESSION ON LOSS AND DAMAGE

This session was chaired by Bo Kjellén. Saleemul Huq, Director of the Bangladesh-based International Centre for Climate Change and Development (ICCAD), presented an overview.

Huq described research on loss and damage carried out by ICCAD in collaboration with the United Nations University and Germanwatch, which included eight case studies carried out in Bangladesh. He said as a result of the study, Bangladesh is moving towards a national mechanism for loss and damage. The funds set aside for emergencies under the National Trust Fund for Climate Change will be used as a loss and damage fund, and a recent cyclone will be used as a case study, he said.

Huq said the issue of loss and damage has been raised by the Alliance of Small Island States (AOSIS) for many years in the negotiations, as they have the most to loose, but other countries also face loss and damage from slow or rapid onset disasters. The challenge so far has been attribution. The decision to address loss and damage in the negotiations, which was taken in Durban, was a breakthrough, and should be viewed as an opportunity for Annex I countries to engage rather than resist, looking for common ground before negotiating more politically sensitive elements. He said it is wrong to think of loss and damage as only a developing country issue, citing the case of the recent floods in Germany, where a compensation fund of €100 million for loss and damage had been created.

In the discussion that followed, a participant agreed that loss and damage is an issue for all countries, but said there are some countries with special circumstances that face higher risks and have lower incomes. He proposed the establishment of a Board made up of the private sector actors to look at options for addressing these special circumstances – for instance through an international insurance mechanism – and of a clearinghouse mechanism.

Another participant said the issue of loss and damage speaks to the heart of the process. She asked how the work programme on loss and damage could be organized better, to involve existing processes and actors, and create coherence and add value to those activities.

Huq said the issue of loss and damage went beyond the traditional paradigm of the rich helping the poor, and in many cases poor countries like Bangladesh can help the rich based on their experience. He cited the example of Cyclone Nargis in South Asia, where deaths and damage in Bangladesh were minimized through disaster preparedness measures such as early warning and cyclone shelters. Neighbouring Myanmar was not as well prepared, and as a result 1,20,000 people were killed.

A participant asked whether the issue is best dealt with under the convention, or could be addressed in other related fora. Another participant said there are a large number of other institutions, including non-government institutions, working on disaster management. He felt the institutional architecture to address may already exist, but lack coordination, streamlining and exchange of information.

Huq responded that loss and damage is a much larger intellectual issue than simply mechanisms, given that we are knowingly locking ourselves, and future generations, into a future where global temperatures could rise by 2,3 or 4 degrees.

Another participant felt there was a significant vacuum not filled by existing institutions. He said the natural disasters framework had a limited mandate, and a holistic institutional approach to climate change is lacking.

He also noted that for AOSIS, loss and damage is an existing, rather than future, issue and insurance could help deal with it.

A participant asked whether insurance is the same as loss and damage, or whether there are two different takes on the issue. Müller noted that insurance could be seen as a part of adaptation as well as loss and damage because it helps reduce the risk ex-ante, and pay off the costs ex-post.

Other participants noted the need to engage the private sector, which will also be impacted by climate change, and the need to include microinsurance.

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