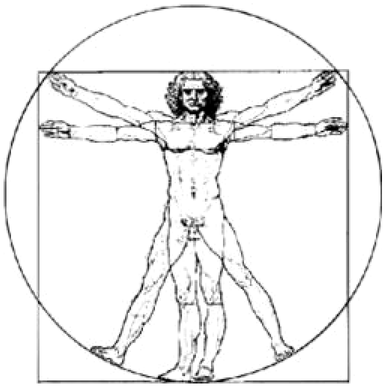

THE 2006 BONN SEMINAR

In May 2006, the ECBI's Oxford Fellowship Programme organised two capacity- and trust-building activities linked to the intersessional meeting of the UNFCCC Subsidiary Bodies in Bonn, Germany: the Bonn Seminar and the Senior Bursaries 2006.

The Bonn Seminar was organised on 21 May 2006 with the purpose of maintaining and strengthening the momentum of the trust-building activities of the Oxford Fellowships – particularly the North-South component. The format of the seminar was akin to the Oxford Seminar, which is part of the annual Fellowships, giving European ECBI Partners an opportunity to engage not only with the past ECBI Fellows, but also with potential candidates for the 2006 Fellowships, identified by the Executive Committee during the ECBI East/Southern African and South/South-East Asian Regional Workshops in 2005. The Seminar provided an opportunity to draw into the process senior developing country delegates – particularly from Least Developed Countries (LDCs) – outside the rather small circle of well-known protagonists.

Like the Oxford Seminar, the Bonn Seminar drew on the expertise of a number of resource people to moderate the discussion, but unlike in Oxford, it was more focussed on issues that were being negotiated at the intersessional meeting, which is generally more of a technical nature and less politically charged.

The first ECBI Bonn Seminar, held on 21 May 2006 during SB24, was attended by 34 participants from twelve developing and eight European countries (see Box 1).

The Seminar was divided into three modules. After a round of introductions, it began – somewhat unusually – with an 'agenda finding' session, chaired by Dr Lorenz Petersen from GTZ, where participants were asked to suggest topics for discussion. The strategy of deciding the agenda at the meeting rather than earlier, while somewhat risky, was chosen to facilitate the intended purpose of the Seminar - namely to provide an informal forum for discussion of issues arising from ongoing negotiations, and of importance to the participants. Based on suggestions, two sessions were planned for the Seminar - one on the Future of Mitigation, chaired by Dr Benito Müller and the other on Adaptation Funding, chaired by Dr Saleemul Huq.

The Future of Mitigation

According to one participant at the seminar, about 65% of projects in the pipeline at the time were unilateral, i.e. undertaken without industrial country finance. Moreover, while 43% of the registered projects are small scale, 8 HFC23 projects account for almost two fifths of the CERs. Given this situation, it was not surprising that participants were mainly interested in improving the prospects of CDM projects in low-emitting LDCs.

"We negotiated the CDM thinking we were building a church," as one African diplomat put it. "We thought that once it was built and we went in we would see God! This didn't happen. We tied

Box 1. 2006 Bonn Seminar Participants & Senior Bursaries

Klaus	Radunsky	Austria	Flores	Montalvo	Mexico
Tshering	Tashi	Bhutan	Ouafae	Bouchouata	Morocco
David	Lessole	Botswana	Naima	Oumoussa	Morocco
Mamadou	Honadia	Burkina Faso	Christine	Pirenne	Netherlands
Sun	Guoshun	China	Ricardo	Moita	Portugal
Youssouf	Hamadi	Comoros	Angela	Kallhauge	Sweden
Mohamed	El-Shahawy	Egypt	Thomas	Kolly	Switzerland
Nicolas	Lambert	France	Pongtip	Puvacharoen	Thailand
Paul	Watkinson	France	Bubu	Pateh Jallow	The Gambia
Lorenz	Petersen	Germany	Amal-Lee	Amin	UK
Emily	Ojoo-Massawa	Kenya	Martin	Hession	UK
Abdoulaye	Bayoko	Mali	Alan	Richmond	UK
Birama	Diarra	Mali	Jessica	Troni	UK
Manuel	Estrada	Mexico	Ian	Burton	ECBI
Alejandra	Lopez	Mexico	Tom	Downing	ECBI
Julia	Martinez	Mexico	Saleemul	Huq	ECBI
Izrael	Monroy	Mexico	Benito	Müller	ECBI

our hands when we negotiated the rules." This sentiment was shared by many of the participants from both North and South. The 5-year 'pilot phase' for the CDM revealed some success stories, but also a number of shortcomings which will have to be addressed with some urgency in the next couple of years. Four key themes for discussion emerged:

- The need to improve the participation of low-emitting LDCs in the CDM.
- The need for private sector involvement in CDM projects in these countries.
- The need to clarify what the CDM should and can deliver.
- Possible viable alternatives to the CDM for these countries.

According to one of the participants, domestic and foreign capacity building to improve access to CDM projects so far has been focussed on setting up the Designated National Authorities (DNAs) with the expectation that CDM projects will follow up automatically. But this has not happened. On-the-ground capacity building through CDM project consultants (not UN agencies) is needed to identify and prepare CDM projects. There was general agreement that a number of actual demonstration projects are urgently needed in LDCs, not only to raise the interest of the private sector, but also to generate the skills and institutional capacities needed to participate more successfully in the CDM.

It was highlighted that certain biomass projects ("avoided deforestation") could be very important to these low emitting countries – both from the perspective of sustainable development and from their potential size – but are still not eligible for CDM.

While efforts have been made to facilitate small-scale projects, the general investment climate in many of the poorest countries is simply not sufficient to attract foreign direct investment (FDI), and this situation is not going to change just because there now is this additional investment mechanism. It was also pointed out that while ODA and FDI may be significant for the economy of these countries, most of the investment is still from domestic sources.

Another solution suggested for such low-emitting LDCs was to focus more on the voluntary emissions reductions market, which has been developing in parallel to the mandatory schemes such as the EU ETS, and the Kyoto mechanisms.

A European government representative also suggested 'Certified Emission Reduction Obligations' (CEROs) as a means to ensure fairer access to CDM projects, where industrialised countries take up an obligation to generate a certain amount of CERs as part of their emission reduction obligations. Yet, while the introduction of such obligations may be a way of addressing

Box 2: Adaptation Funding

A recent World Bank Report on *Clean Energy And Development: Towards An Investment Framework* estimates that 'climate-proofing' investments in developing countries – excluding additional investment needed to reduce the exposure to current climate risks and unavoided climate related damages – will cost between US $9 and $41 billion annually.

How are these costs to be covered and managed? Different forms of disbursement mechanisms will be needed for different aspects of the costs, and a number of proposals have already been made. The instruments need not deal exclusively with climate change aspects, nor is it necessary that the UNFCCC (COP) or the Kyoto Protocol (COP/MOP) should govern them. Apart from the traditional instruments used in climate change funding – such as the Global Environment Facility (GEF) - other options include:

- The World Bank proposal for an Investment Framework, probably most suited to deal with the transfer of adaptation technologies.
- Insurance-related instruments (both strictly climate-related insurance instruments or more general ones such as the proposed EC/WB Global Index Insurance Framework) to deal with climate impact risks.
- A reformed disaster relief fund administered by the UN Office for the Coordination of Humanitarian Affairs (OCHA) for funding climate- and weather-related disaster relief efforts.
- The Exogenous Shock Facility of the IMF, to deal with economic shocks due to weather-related disasters.

The key issue, however, is how to raise "predictable and adequate levels of funding" [Art.1.b; 7/CP7] and develop "appropriate modalities for burden sharing among the Parties included in Annex II" [Art.1.d; 7/CP7] as agreed in the Marrakech Accords. Given the anthropogenic nature of these costs, and in light of the experience which ultimately led to these decisions, it may well be that these decisions can really only be implemented through a legal instrument – such as a protocol – under the UNFCCC, with the remit to regulate not only sovereign contributions, but more importantly, private sector levies (e.g. an adaptation levy on international air travel), since it is only such private sector contributions which might be able to provide the sort of sums estimated by the World Bank.

developing country emissions without imposing an additional burden,[1] it is unlikely to make a difference to the current distribution of CDM projects among non-Annex I countries. A voluntary agreement between a number of industrialised Parties – akin to the funding pledge at COP6bis in the so-called Bonn Declaration (IISD 2001) – to generate a certain amount of CERs in the relevant developing countries could overcome this problem. This would ensure that they would be able to carry out a number of demonstration projects needed to raise the profile of CDM in the domestic business sector (particularly for unilateral projects) and it would establish the institutional capacity needed to handle such projects.

Adaptation Funding

The discussion on adaptation funding, chaired by Dr Saleemul Huq, Head of the ECBI Workshop Programme, began with a presentation by Dr Müller on the adaptation funding provisions in the recent World Bank Investment Framework initiative (Box 2). The ensuing discussion was somewhat more polarised than the discussion on CDM issues.

One of the donor agency representatives felt that before discussing how much money can be raised for funding adaptation activities, better information is needed on the actual risks faced by countries due to climate change, and to consider the 'absorptive capacity' of many of the recipient countries. The dearth of fundable adaptation projects in many of the vulnerable countries was also raised.

Other participants insisted that it would not be acceptable to tie adaptation – or any other type of funding – to the provision of complete information, which may not even be available in

[1] See Benito Müller, *Framing Future Commitments: A Pilot Study on the Evolution of the UNFCCC Greenhouse Gas Mitigation Regime*: Oxford OIES, 2003, available at www.OxfordClimatePolicy.org

industrialised countries. Interestingly, the polarisation was not along North-South lines. A number of developing country participants agreed with the need for more reliable regional and local information about projected climate change impacts and vulnerabilities.

It is not particularly helpful to policy makers if, for instance, one model predicts more precipitation and another less, or if all that can be inferred from model projections is that there is likely to be some change in climatic conditions. Some of the participants who were more familiar with mathematical modelling techniques pointed out that more complex models do not necessarily lead to more certainty in results. Therefore, climate change decision-making will always have to deal with uncertainties, and it would be wrong to make climate change action conditional to reliable information on vulnerabilities.

Against this background, it is not surprising that funding for adaptation is not seen as a priority and LDCs face similar problems with respect to adaptation funding as they do with the CDM, and a combined approach that addresses both problems may be useful. Dr Huq highlighted some relevant experience from the South-South-North initiative (http://www.southsouthnorth.org), which tries to combine mitigation and adaptation in demonstration projects in selected developing countries.

The point was also made that just because there is at present a dearth of adaptation projects in LDCs does not mean that projections of adaptation costs – such as the recent estimate by the World Bank for the cost of 'climate proofing' current investment of between US$ 9 billion and 41 billion annually – no matter how rough, cannot be used to conclude that funding mechanisms other than the traditional ODA are needed.

Reception at the Beethoven Haus

The event was concluded with a drinks reception at the BEETHOVEN HAUS BONN, birthplace of the German composer Ludwig van Beethoven