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The Tenth Session of the Ad Hoc Working Group on Long-term Cooperative Action

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1 Introduction

The tenth session of the *Ad Hoc* Working Group on Long-term Cooperative Action under the UNFCCC (AWG-LCA 10) was held as part of the Climate Change Talks in Bonn (Germany) from 1 to 11 June 2010. The talks also served as the platform for the thirty-second sessions of the subsidiary bodies (of the COP) for Scientific and Technological Advice (SBSTA 32) and the Subsidiary Body for Implementation (SBI 32), and twelfth session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP 12).

In a significant departure from previous sessions, Parties met in a single contact group to discuss the AWG-LCA Chair's draft negotiating text (FCCC/AWGLCA/2010/6), modulated by sub-daily sets of probing questions from the Chair. A few break-out contact groups also availed Parties the opportunity to further exchange views on specific aspects of the text. Beyond my usual interest in climate finance, I seized he opportunity to attend and participate in discussions on cooperative sectoral approaches and shared vision.

2 Discussions

2.1. Climate finance

The fallout of the Copenhagen Accord (CA) immediately surfaced in discussions. Ardent supporters from developing countries take the amount of USD100 billion annual long-term financing as a cardinal reference point. Parties affiliated with the Umbrella and Environmental Integrity Groups also suggested that discussions on sources of funding would be better served by waiting for the report from the High-level Advisory Group on Climate Change Funding (AGF) established by the UN Secretary-General. The latter suggestion was refuted by G77+China which argues that the AWG-LCA has its own mandate on the subject and could not wait for a report that is only coming out close to COP 16. Nonetheless, G77+China is favourably disposed to integration of useful recommendations contained in the upcoming AGF report.

Many developing countries also called for assessed contributions pegged to GDP as the primary source of climate funding. My take on this issue aired during the plenary is for Parties to look at potential flows from public/official sources and innovative instruments simultaneously and compare the aggregate amount with funding requirements in order to establish (in)adequacy of public funding.

Discussions on reforming the architecture of UNFCCC financial mechanism is also coloured by Parties' commitment to the CA. Parties under the Umbrella Group Coalition make constant reference to the Copenhagen Green Climate Fund (CGCF) established under the CA; and the EU expresses it support for the establishment of the CGCF. Japan calls for the operationalisation of the CGCF and cautions against duplication of efforts. Parties more faithful to the AWG-LCA process talk of a new Climate Fund (as yet without a proper name) within the framework of a reformed financial mechanism (RFM) of the UNFCCC. Central to this perspective is the establishment of a "Finance Board" (FB) to carry out coordination and oversight functions. Examples of sound architecture and good governance drawn from the Adaptation Fund and Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM) were brought up for consideration by Parties.

Umbrella Group members question the rationale for an FB, arguing that its proposed functions could be carried out by existing entities. The EU takes the more cautious line on the issue by arguing that functions of the RFM should be discussed first before deciding on entities to carry them out. An initial kaleidoscope of ideas from developing countries on issues ranging from allocation, disbursement, and oversight in general narrowed down by the second week to a idea of new financial oversight body cum subsidiary body on finance (SBF) providing oversight of financial flows under the RFM and interfacing with non-UNFCCC entities funding climate change actions. This SBF is fully accountable to the COP which retains control over: 1) setting policies, program priorities and eligibility criteria for accessing finds; 2) allocation of resources between multiple focal areas and operating entities; and 3) prioritisation between eligible recipients. Notwithstanding, some developed countries contend that the statutory body for implementation (SBI) could discharge any new functions assigned to an SBF. Several parties also questioned the suitability of the SBF for undertaking matching and facilitation functions and prefer instead to have a climate registry working outside of, but closely with the RFM.

2.2. Cooperative sectoral approaches

Responding to the AWG-LCA Chair's request to deliberate on issues that need to be resolved before COP 16 in order to initiate a programme of work on agriculture; Parties' interventions indicate divergent perspectives on the matter. Saudi Arabia questioned the "fast tracking" of agriculture vis-à-vis other issues. Specifically, the EU spokesperson, and Umbrella and Environmental Integrity Group delegates, noted the omission of discussions on bunker fuels, and sought clarification on the matter from the Chair. I suggested re-instatement of text developed in Copenhagen in the Chair's draft negotiating text as a starting point for discussion. Saudi Arabia suggested that the subject of bunker fuels is best addressed through the International Civil Aviation Authority (ICAO) and the International Maritime Organisation (IMO). Several developing countries indicated that that adaptation in the agricultural sector is more important than mitigation.

2.3. Shared Vision

Parties expressed different views on the scope of the preamble, the bone of contention being expressive key words and concepts that need to be included. The content and scope of the Shared Vision (SV) *per se* was also debated without coming to an agreement. G77+China, AOSIS and other developing countries seek an elaboration of a vision for all building blocks of the Bali Action Plan. New Zealand and other developed countries expressed their preference for a less detailed SV. In this context, some Parties expressed doubts about the relevance of mid-term targets.

Concerning global warming, stalwart supporters of the CA and the EU argue in favour of a 2°C as opposed to 1.5°C advocated by SIDS, LDCs and Panama on behalf of Central American Integration System. Aspirational goals for CO_2 emissions reduction range from 50 to 85% relative to 1990 levels, by 2050. One of the few points of agreement was the need to periodically review the long-term emission reduction goal (based on rigourous science) and progress in implementation. The EU spoke in favour of CO_2 emissions peaking by 2020.

3. Related Side Events

A workshop convened by the European Capacity Building Initiative (ecbi) partly focused on the need incorporate the principle of subsidiarity in the RFM of the UNFCCC. Using the ratio of personnel to financial throughput of international institutions delivering climate finance, it can be demonstrated that the only way to make up for the capacity constraints in efficient delivery of climate finance is to build/strengthen capacity of national implementing entities (NIEs) conceptualised under the operation of the Adaptation Fund. It was further pointed out decision-makers involvement at the level of NIEs could be instrumental in mainstreaming of adaptation. Bangladesh and Indonesia which have experience in operating national Climate Change Trust Funds that attract external financial support are requested to bring these up in negotiations greater publicity.

The Least Developed Countries Expert Group (LEG) side event serving to launch the Chad National Adaptation Programme of Action (NAPA) for addressing climate change and discuss implementation of NAPA projects in Bhutan, underscored the need for: 1) additional fast-track financing; 2) updating the technical content and costing of country NAPAs; and 3) development of medium- to long-term adaptation programmes.

4. Concluding Remarks

Whilst advocates consider the Copenhagen Accord (CA) as a cardinal reference point, other parties consider it a distraction that must be ignored. Such contrasting views do not bode well for a SV and related building blocks of the BAP. Many negotiators do not recognise the inconsistency of the year 2050 and 2100 SV horizons, corresponding to proposed CO_2 emission reduction target and 1.5 °C or 2°C temperature increase respectively.

It is important to specify/reflect mid-term t CO_2 emission reduction targets insofar as Parties agree to periodic reviews. Otherwise the objective of reviews would be meaningless. In fact, there is an urgent and immediate need for upward revision of pledges made at the end of January 2010 by Parties subscribing to the CA in order for global warming to stay within the CA's own goal.

If interventions are anything to go by, mis-comprehension of specific terms used in budgeting and finance frequently results in confusion over the role of entities, and sub-entities under the RFM. One salient example of this is the use of the words "disbursement" and "allocation" in the wrong context. Since the CGCF has not been identified with the Climate Fund discussed under the AWG-LCA, the Chair has done well in excluding references to the Copenhagen Green Climate Fund (CGCF) by virtue of its potential for distraction and hindrance to progress in negotiations.

Although assessed contributions are important for political reasons, developing country negotiators should keep their eyes on the bigger picture. "Adequacy" should be seen as the dominant attribute of climate finance. It is important to recognise the potential turnover of innovative financing and negotiate for a cushion to offset price fluctuations detrimental to the achievement of annual resource generation targets. If too much caution by over-specifying assessed contributions results in the generation of surplus resources (relative to needs), these can always be carried over into the next accounting period and reflected in individual countries assessed contributions.

Finally, developing countries should be watchful of stealth attempts by the World Bank (WB) to position itself favourably in the RFM. At this juncture, special drawing rights (SDR) with the WB are now being touted as an innovative source of financing, not forgetting of course developed countries oblique and overt arguments in favour of the WB as the most qualified/appropriate channel for delivering climate finance, and coordinating financial flow streams.

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