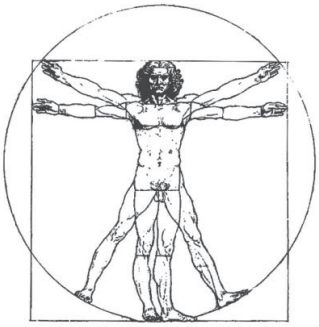

Oxford Seminar 2012

11&12 July 2012

Oxford Union, Oxford, UK

ecbi

European Capacity Building Initiative

www.eurocapacity.org

This report is written and edited by Anju Sharma.

Partners

giz Climate Protection Programme

Sida

CDKN Climate & Development Knowledge Network

TABLE OF CONTENTS

INTRODUCTION

The ecbi Oxford Seminar is an annual, two-day event hosted for senior climate negotiators from developing countries and Europe in the academic setting of Oxford University. It aims to promote trust among negotiators by providing an opportunity for them to exchange views in an informal and non-confrontational setting, and to understand better other national and group positions.

A three-day Fellows Colloquium for developing country negotiators precedes the Seminar, to promote 'South-South' trust building, and to prioritise and discuss issues of immediate relevance for the ongoing negotiations. The developing country Fellows then decide which issues they would like to discuss with their European counterparts in the Oxford Seminar.

The 2012 Oxford Seminar took place on 11 and 12 July, in the Goodman Library of the Oxford Union building, Oxford. Twelve Fellows from developing countries (including participants from Least Developed Countries, the Alliance of Small Island States, ALBA, the Africa Group, and the BASIC group), and 14 participants from Europe and the European Commission attended the Seminar.

The discussion focused on the implementation of the Bali roadmap; the post-2020 regime under the Durban Platform on Enhanced Action (DPEA), in particular common but differentiated responsibilities and relative capabilities (CBDR and RC); long-term finance, in particular the use of innovative sources of finance; and support for adaptation, in particular the National Adaptation Plans of Action (NAPAs) and National Action Plans (NAPs).

IMPLEMENTATION OF THE BALI ROADMAP

The first session, on pre-2020 expectations and implementation of the Bali Roadmap, was chaired by ecbi Advisory Committee co-chair Bo Kjellén. Benito Müller, ecbi director, listed a number of elements identified by the Fellows that were in the Bali Action Plan (BAP) and on the agenda of the Ad-Hoc Working Groups on Long Term Cooperative Action (AWG LCA) and the Kyoto Protocol (AWG KP), but could go missing in the transition to the DPEA.

Under the AWG-LCA, these include elements of Decision 1.b.i (including tons of reduction, and the role of International Assessment and Review in fulfillment of those numbers) and 1.b.ii (common reporting format for support) of the BAP; long-term finance (scaling-up and monitoring, reporting and verification, or MRV, of flows); linkages between new institutional arrangements for adaptation; the shape and outcome of the discussions on loss and damage; and elements of technology transfer, such as the issue of Intellectual Property Rights (IPR).

Under the AWG-KP, the issues listed included the EU's QELRO (whether it is 20 or 30 per cent); what to do with surplus assigned amount units (AAUs); the duration of the second commitment period; the legal implications of the mid-term review; the time scale for entry into force of the second commitment period, including the role of provisional application; and eligibility to participate in the Kyoto Protocol market mechanisms.

Müller called on participants to address how these issues can be best addressed in the next UNFCCC meeting in Bangkok, particularly if the AWG-LCA stands to be terminated at the end of the year and the fate of the AWG-KP remains uncertain.

A participant from Europe said addressing some of the areas listed under the AWG-KP will be a difficult task for governments, and some governments could even fall as a result of the choices they make. However, he said, the EU has one piece of good news for the next COP in Doha: the EU offer of a 20 per cent reduction in the second commitment period is on track with the IPCC recommendation to make a 25-40 per cent reduction by 2020. He said the EU intends to meet the 20 per cent target internally, without trading. The 30 per cent reduction offer will stay on the table, he said, but its adoption will depend on the success of the EU's effort to get other countries to accept emissions reduction targets in the second commitment period, including for instance Russia, Japan, the US, New Zealand and Australia.

He said the fact that there would be a surplus was well known at the time when the Kyoto Protocol was agreed, and those rules should be respected rather than changed mid-course.

On the duration of the second commitment period, he said it was not clear why the EU's ally, the AOSIS, was pushing them against the wall on a paramount element of the EU's strategy, which is for the commitment period to run for eight years until a more inclusive treaty is agreed in 2020. He said this was a red line for the EU, which represents 80 per cent of the total emissions under the second commitment period.

Saying it was uncertain when the second commitment period will enter into force, he reiterated that the EU is committed to ensuring that the trading mechanisms continue in the interim. He agreed that countries that are not part of the Kyoto Protocol should not be allowed to benefit from its trading mechanisms.

Another participant said all existing parties would continue to be party to Kyoto Protocol in the second commitment period based on Article 10, which has commitments even for those countries who do not have emissions reduction targets.

A developing country participant said the allocation surplus in the Kyoto Protocol came through grandfathering and the carry-over represents free riding of countries, saying the mistakes of the Kyoto Protocol should be corrected. He also questioned whether the Kyoto Protocol mechanisms should continue, and whether they are the most effective tools for achieving the desired results. He felt developed countries should be allowed to participate in the mechanisms only if they sign on to the second commitment period, and should not be allowed to participate in deciding the rules of the mechanisms if they don't sign on.

Another European participant agreed that the countries that don't sign on the second commitment period should not be allowed representation on the boards governing the mechanisms. On the issue of more ambitious QELROs, he said this was not only an issue for the EU – more ambitious commitments were also needed from other countries, including the BASIC group. He noted it was a complex situation where everyone was waiting for each other, and called for more bilateral and informal discussions to resolve it.

Another European participant said the Kyoto Protocol will continue with the rule-based system already in place, and these rules should also constitute elements of a future regime. He said provisional application of the second commitment period would actually delay entry into force for her country, as it carried the same implications as ratification and would be disrupted by national elections. The situation will be similar in many other EU countries, he said, where constitutional restrictions are in place on provisional application. He felt countries would have to find their own way of trying to secure entry into force by 1 January 2013, even if it is through a political signal. He did not think this would imply a step away from the legal character of the commitments.

A developing country participant said that as a rule, they do value the cooperation between AOSIS and EU — especially in securing greater ambition between now and 2020. He said the question was not on the length of the second commitment period, but rather the status of the Kyoto Protocol going forward.

A European participant said the Kyoto Protocol would probably not result in reducing global emissions sufficiently or achieving wider participation, but its value lay in providing continuity of efforts and trust in climate policies for policy makers, businesses and the economy, and providing the right impulse to carry on the Durban Platform negotiations towards a truly global instrument.

He said the EU is probably the only group of developed countries that really wants to have agreement and achieve real progress, and hence it is easier to pressure the EU to take on 30 rather than 20 per cent emission cuts. However, he pointed out that European governments are struggling with an unprecedented crisis and are dealing with keeping the EU together, preventing economic destruction, and saving the currency – unless they succeed, the discussion on 20 or 30 per cent will be rendered irrelevant by economic failure. He felt just pressing on the EU takes the pressure off other countries that hold greater responsibility for historical and current emissions. The 10 per cent difference between a 20 and 30 per cent target equals what the world emits in five days, but for the EU it amounts to €200 billion.

He said the AAU surplus was a deliberate result of the decisions taken in Kyoto, and everyone knew then that this surplus would appear if the US was not part of Kyoto. He felt the discussion should instead focus on ways to use the surplus by monetizing it and perhaps using it for international climate finance, as proposed by his country since 2009. Finally, he said provisional application of the second commitment period would be as complicated as ratification in his country as well.

A participant from Africa listed five elements of importance to his region: the second commitment period; adaptation; the Green Climate Find (GCF); operationalization of the Cancun agreement; and overall importance of the multilateral regime. He asked how the mid-term review would be designed legally, and called for a better understanding of how the AAU surpluses could contribute to adaptation finance.

Another developing country participant reiterated that countries that are not part of the second commitment period should not be allowed to use the mechanisms. A participant from Europe asked whether all developing countries would be firmly willing not to trade with countries that are not part of the second commitment period. Another participant from Europe asked whether countries like the US and Canada, who are either not part of or have opted out the Kyoto Protocol, should be treated differently from others that are part of the protocol, like Japan and Russia.

A developing country participant said parties who reject the tree but want to benefit from its fruit, or sit outside the football pitch and influence the referee, should not be not allowed to participate in the mechanisms. He felt those that take on commitments should be given preferential treatment. On the question of provisional application, he said the EU has applied provisional application in more than 15 agreements with the African, Caribbean and Pacific Group of States (ACP), and asked what the difference is in the case of the Kyoto Protocol's second commitment period.

A legal expert present at the Seminar said unless COP decisions are formalized in a legal outcome, they are not legally binding and can disappear or be replaced by new decisions. Other conventions periodically review and retire decisions that are no longer relevant or obsolete. He said some non-government representatives were unhappy that the decisions in the BAP could face this future, as States are legally free to leave them behind and move on.

On the surplus AAUs, he said these could be dealt with through additional COP decisions. He said treaties and amendments to treaties could be applied provisionally, but the extent to which provisional application can bypass a parliament depends on the nature of treaty. In many countries, provisional application is only possible for urgent issues or those of national importance. He felt, however, that it would send out the wrong signal if countries don't at least agree with provisional application at the international level, and deal with the complexities at the national level.

On the question of whether countries should continue to influence the process without being party to the second commitment period, he pointed out that the US has stayed on as an observer in the Kyoto Protocol, and been very influential in the process. He said countries that stay in the Kyoto Protocol without taking on commitments would continue to have voting rights, unlike those that choose to withdraw.

A developing country participant said countries that do not to take on commitments for the second commitment period are in flagrant violation of the Kyoto Protocol, as Article 3.9 makes it clear that there will be negotiations for a second commitment period resulting in amendments to Annex B. If one party decides that they will not be party to this second commitment period in spite of clear agreement on amendments to Annex B, he said they should not get away lightly, and should certainly not be allowed to cherry-pick elements they would like to continue to participate in.

A participant from Europe called for the discussion to focus more on the 'landing zone' for the new agreement.

Another European participant said it was important to keep the rule-based regime of the Kyoto Protocol after 2020, even if only for a limited time. He said that several EU member states would like to move unilaterally to a 30 per cent reduction, based on a clear analysis suggesting that this would result not only in costs, but also in opportunities.

On the AAU surplus, he said the EU position is anchored but environmental integrity is very important and a compromise will have to be found. He felt the issue of surplus AAUs is an important one for Doha to resolve.

A developing country participant commented on the interlinkages between the Kyoto Protocol, LCA and ADP tracks in Doha. He said without any legal assurance of the bindingness of decisions taken in Doha, the regime would resemble a voluntary approach, and establish a perverse incentive for others to follow this approach. He highlighted the importance of agreement on the finance and technology streams in Doha, including monitoring, reporting and verification of support, and ways to overcome the issue of Intellectual Property Rights (IPR) around technology, perhaps by creating technology pools to benefit developing countries.

A participant from Europe said his country was one of the member states that felt it would be beneficial to increase the EU commitment to 30 per cent, but there was lack of consensus and hence unlikely to happen. He said his country was occupied with finding ways to raise ambition. He said some developing countries were trading bilaterally with Japan, and this was an area for concern, although they were also concerned with keeping Japan 'in the tent'.

On the LCA, he said the American reaction could be predicted: they are likely to say that the LCA issues have been resolved, either because agreement has been reached, or because explicit agreement is not possible. This will be worrying, as there are unresolved elements, like the 1.b.i accounting, and the meaning

of commitments for developing countries. On the other hand, he felt issues that have been resolved, but not to everyone's satisfaction, should not be reopened, as this will risk overburdening the ADP agenda. He asked which issues developing countries think the Adaptation Committee and the technology mechanism can deal with, and how best the finance issues, particularly accounting and pledges, are taken forward.

A developing country participant said addressing the IPR issue will not ensure technology access for the LDCs – the main hurdles for them include the low mitigation potential in their countries that serves as a disincentive to investors in search of cheap emission cuts, high transaction costs, and institutional issues.

He said the African group has been working to achieve the comparability of targets, rules, and compliance listed in paragraph 1.b.i of the BAP (on developed country action), but the lack of progress was causing anxiety. The Africa Group is also deeply concerned that paragraph 1.b.i and 1.b.ii (on developing country Nationally Appropriate Mitigation Action or NAMAs) appear to be converging, with no distinction being made between developed and developing countries. In addition, there was no progress on long-term finance after 2013, including amounts, sources and a common reporting format. There was no clarity on issues such as attribution for adaptation finance. All of this contributed to the level of distrust in the negotiations, and would have an impact on the ADP discussions.

A European participant said differentiation between developed and developing countries will be maintained.

Müller said the discussion on long-term finance should not take place in the Subsidiary Body for Implementation (SBI), as it is a political rather than implementation issue. He felt that it should be put to the newly created Standing Committee on climate finance, who could prepare a draft for the COP to consider.

A European participant said greater clarity was needed on how climate funds would be used. Another European participant said in her understanding, the Standing Committee was meant to be a technical, rather than political, body. Müller said the Standing Committee is a representative political body that supports the COP in its financial mechanism decision, with the mandate to monitor needs and financial flows.

Another European participant highlighted his preference for a rule-based system like the Kyoto Protocol, and supported the use of market mechanisms by countries who chose not to take on targets in the second commitment period, saying it was a way to keep them in the fold and in a single accounting system for all developed countries, with a place for developing countries to lock into in the future.

Another European participant said the issue of IPR is a 'hot potato', and it was unlikely the climate regime could solve it when the World Intellectual Property Organisation and World Trade Organisation had failed. He felt it was merely creating an additional hurdle in a process that was already complicated enough, and that it was a commercial trade-related issue that only providers of technology could solve. He said the cost of IPR was only a small part of the costs of mitigation, and it should not be made a big barrier in the climate discussions. On finance, he agreed that reporting had to be improved – but by both developed and developing countries, so the latter could also report on the funds they receive.

A developing country participant said they were not looking for a solution to the whole IPR issue, but rather a solution for technological needs related to mitigation and adaptation that cannot be accessed through regular channels.

A European participant said a clear decision was taken in Durban to close the LCA, and the discussion on what need to be done with the BAP had already taken place, so that should not be negotiated further. He said many issues on finance were being reopened at the recent meeting in Bonn, and it would be a real problem if negotiated issues were constantly reopened. He said the perception that there will be no differentiation between country targets without the LCA is incorrect – although everyone will be aboard, it will not be a binary world and there will be differentiation and different options.

He also felt that the question of climate finance post-2013 is a legitimate one. Fast-start finance was an experiment, with no rules agreed upfront. While some aspects of it worked, others didn't but the process served as a learning experience and many lessons could be drawn from it, including the need for a clear set of rules and definitions. He said this should not result in an excessively complicated system, however, and should make use of systems that already exist, like the OECD's system for tracking ODA. He also said these issues should be dealt with elsewhere, rather than under the LCA.

Another European participant said the COP should decide how to deal with issues left over from the LCA, and hoped this be done in a way that improves efficiency. He pointed out that the negotiations suffer from an enormous lack of efficiency – for example, as many as seven bodies will be negotiating simultaneously in Doha.

He felt IPRs were not really a problem for technologies related to mitigation and adaptation, and he had not come across a single case where they had come in the way – the problem with technological access had more to do with affordability and infrastructure rather than IPR. He also pointed to the need for growing South-South cooperation in this regard. He said the principle of common but differentiated responsibilities (CBDR) was sometimes abused and extended to everything, including technology, as a 'weapon of mass destruction', and should be properly defined.

On the issue of loss and damage, he felt it was premature to discuss the shape of the outcome at this stage, although it seems like it would emerge as a platform for information exchange, rather than a mechanism.

A developing country participant proposed a matrix listing pending issues, to help decide where they should be dealt with. He listed a few such issues, including clarification of goals; global target and peaking; review and scope; market mechanisms and other approaches; general framework for sectoral approaches; new market mechanisms; long term finance; and equitable access to sustainable development. He agreed that the ADP should not be overburdened if progress is to be achieved by 2015.

He said the LDCs had requested information on the disbursement of fast start finance, and were referred to a website. The group was carrying out an analysis of fast start finance, to inform their inputs in the Doha conference.

Chair Kjellén summed up the session by highlighting the importance of trust, equity, and an efficient system for the negotiations. He noted that negotiators should aim to achieve the middle path between the desirable and necessary, and the possible.

THE POST-2020 REGIME

Emmanuel Dumisani Dlamini from Swaziland, current chair of the Africa Group, chaired the session on the post-2020 regime.

Müller presented a list of issues on the post-2020 regime, discussed by the Fellows in the preceding Fellowship, including: the options for engagement for different countries; the spectrum of obligations; how to operationalise the principles of equity and CBDR; elements of Kyoto Protocol that could be taken over into the ADP outcome; and how to deal with the US.

Müller also presented a matrix that set out different options for countries to take on various levels of commitments, based on equity (see Annex 1). He said it is important to lay out the options that will be available for countries, before any discussion on equity. He pointed out, however, that the US was unlikely to sign on to any of the options.

Several European participants asked for clarification on whether the matrix continued to differentiate between developing and developed countries. Müller clarified that the matrix was not intended to prejudge what action each country or group of countries should take on. He agreed that the options laid out in his presentation should not make distinctions on the basis of countries being either developed or developing, and countries should be classified instead on the basis of agreed equity parametres.

A European participant presented a similar 'spectrum of commitments' developed by his country's delegation as a starting point, and listed a number of questions, including the following:

- Do we seek to differentiate what countries do by type of commitment?
- Can we agree a measure of capability?
- How could a dynamic framework, which allows countries to move between groups and categories, work?
- How can support promote differentiation and encourage dynamism?
- Where and how can we build consensus around some of these ideas?

Müller then made a presentation on the definitions of 'capability' in the context of the climate change discussions. He noted that any system of differentiation among countries cannot be based on capability alone – responsibility and national circumstances should also be taken into account. While the term capability could include many aspects, for instance institutional capability, the most common definition in the climate change context is macroeconomic, based on a country's ability to pay. He presented a capability index using the taxation model used in most countries, where taxable income is calculated on the basis of gross income, from which tax allowances are then deducted.

A developing country participant said the principle of CBDR could be looked at both, in the context of historical responsibilities and in terms of respective capabilities. A workable solution must respect the principle, and be dynamic and flexible, to adapt to evolving national capabilities and responsibilities.

A European participant described the system of 'derogations' used within the EU, which allows for all or part of EU directives to be applied differently, or not at all, based on a system of differentiation among member states. He asked if a similar approach would work in the climate negotiations. He emphasized the need for a simple way to differentiate between countries. He also asked if special provisions should be made for the US and China to allow for domestically binding rules, given the present deadlock between the two countries.

Another European participant said differentiation between countries could be based on different levels of legal 'bindingness'. He felt definitions based only on GDP could miss out differences in different sectors (he gave the example of the steel sector) and go against the objective of getting as much mitigation done as quickly as possible. He warned against perverse incentives that discourage countries from graduating to a higher level.

Müller pointed out that the index could not be kept simple, and at the same time take into account sectoral components within each country. Another European participant expressed concern that some countries with successful sectors could hide behind overall poverty levels.

Kjellén pointed to the Greenhouse Development Rights (GDR) framework, which he said took into account different levels of income within a country. Müller said the GDR framework took into account the number of rich people within countries, but not the number of poor people in its calculations. He agreed that the rich within developing countries should pay – but for addressing national poverty, not necessarily climate change.

Another European participant said he did not agree with the notion of zero or negative capability that appeared in the index presented by Müller, which implies that everything is a burden and countries should not take even no-regret measures such as energy efficiency policies. He also asked how the index showed the EU as having four times the capability of Japan, given that the GDP of Japan is higher than that of the EU. He did not agree that the rich should pay to address national poverty, as that does not happen. He said the size of a country does matter, as big countries are likely to have more capacity than small countries.

A developing country participant said it would be useful to have a similar index for mitigation potential. He said the rich would not give out of their free will, but could be subject to fiscal measures at the national level.

A European participant said the use of objective indicators is important to inform the debate and push the ambition discussion, but may not be politically feasible.

Another European participant said it was important to differentiate between capability for mitigation, adaptation and finance. He also agreed that while such an index is useful, it would not be politically feasible, given, for instance, the differences between the US and China. He said the categorization must not be static or reward inequality. A European participant said any such index or categorization is likely to be subjective.

A developing country participant said the index was a good start, providing a basis for an exchange of views, and demonstrating the complexity of the equity debate. He hoped that the options would be clearer before the Doha meeting.

A European participant said whereas some developing countries were calling for a better reflection of changing global realities in other fora such as the UN Security Council, they hesitate to enter into a similar debate in the climate change context. He called for the discussion to be made more palatable, so major economies can stop worrying that they will lose a lot, and can step up and do what they have to do.

Chair Kjellén said part of the problem was that big developing countries like China and India were not being given incentives to take on more responsibilities in areas of interest to them in these other fora, where they faced refusal.

A developing country participant pointed to problems with the second index presented, saying very small countries like Trinidad and Singapore come out having high capability. He said respective capability could not be equated to ability to pay, and CBDR and RC must be looked at in totality, not in isolation. He said adjustments could be made for parametres such as levels of poverty, total debt or infrastructural development. Simplicity should be the key, without allowing for 'gymnastics'. It was early days yet, he said, and further analysis could be carried out to see how it could contribute to the negotiations.

A European participant asked whether it is feasible to agree on criterion for engagement by the Doha meeting, and have a set of principles to guide the selection of criterion.

A developing country participant said that if the issue of equity can be addressed effectively, it would untangle a lot of the complications in the current debate.

Another developing country participant asked if the 2°C goal can be used as a basis to disaggregate mitigation, finance and adaptation targets for countries. Given than more than 85 per cent of the emissions in future will come from developing countries, he asked if a quantification of the massive deviation they will have to undertake could serve as a starting point. The same could be done for adaptation and for finance, with a set of trajectories indicating where the finance should come from on the basis of factors such as historical responsibility, GDP per capita etc.

Another developing country participant said US engagement was a critical element, and asked how the EU could convince the US to come on board. A European participant said the question relates not just to the US, but to all major economies, including China, South Africa and Brazil, for instance.

LONG-TERM FINANCE

The discussion on long-term finance (LTF) for climate change took place on the second day. A developing country Fellow listed the following issues for discussion:

- The institutional process for addressing LTF in the current negotiations, and the role of the SBI, contact groups and the Standing Committee;
- Sources of LTF, including innovative sources, whether they can be sectoral, and how to track them;
- Delivery of LTF, including the design, coherence and coordination between the Green Climate Fund, Adaptation Fund, Global Environment Facility (GEF) and national funding entities; and
- Monitoring, reporting and verification of LTF.

Another developing country participant said workshops are not adequate to address the issue of finance in the negotiations, and called instead for a designated forum. He said innovative mechanisms should be multilateral, and emphasized the need for climate finance to be public-sector focused, additional, grant based, and predictable. He also called on adequate funding to be made available for adaptation, and easy accessibility for vulnerable countries.

A European participant said innovative mechanisms were being targeted by several other sustainable development sectors, and climate-specific innovative sources such as air travel levies should be targeted, instead of general sources such as levies on financial transactions.

Another European participant said the question of access to funds relates to how instruments work, rather then the source of funds. He agreed aviation and maritime sources seemed particularly appropriate for

climate finance and even the US may be willing to consider them as they could avoid national treasuries. Although his country is keen on using financial taxes to raise funds for development, he said there is no consensus on this within the EU. He said a decision on sources in Doha was unlikely, but the possibilities for scaling up funding will have to be looked at seriously.

A European participant said a common assumption appears to be that the problem is finding the money. Instead, he felt the focus needed to be on establishing trust and convince donors and treasuries that the intended results were achievable, by establishing a portfolio of projects. He also highlighted the need to leverage private finance; blend public and private finance; help countries access funds if they have problems doing so; and find ways to compensate countries in case of net incidence.

A participant from an LDC said the group is launching further research on its earlier proposal to raise funds through an International Air Passenger Adaptation Levy (IAPAL).

Another developing country participant stressed the need to talk about sources of funding; access, and a review of existing institutional arrangements including the GEF and Adaptation Fund; country needs, including how to ensure that a country is not oversubscribed; a system to MRV contributions; and a way to balance funds for mitigation and adaptation.

A European participant said fixed allocations for each country such as those made by the GEF could avoid the problem of 'donor darlings' and oversubscription by some countries. The Standing Committee could assess needs. He felt it would be a priority to take out as much mitigation potential as possible, through a performance based system.

Müller pointed to a recent publication on mobilizing private sector finance, which considers option such as 'reverse auctions', where companies bid on the basis of the reductions they can make, and are paid ex poste. He agreed that a flat allocation per country would have to be part of the resource allocation framework, to ensure equity and effectiveness. On innovative sources, he asked participants to consider the role of the UNFCCC in mobilizing such sources.

A European participant said decisions by other international bodies are required to mobilise these innovative sources, but a COP decision could be helpful in indicating to these international bodies that such sources should be considered. He said a paper by the UNFCCC secretariat could be a useful starting point.

A developing country participant said private sector finance could be mobilized for mitigation, but public sector resources will be needed for adaptation.

A European participant pointed to the need for guidance on the use of the funds, based on advice from the Standing Committee, but said the problem of finding and delivering money is not something a COP can do, as it lacks revenue raising powers at the international level. He said the COP could, however, send a message to international bodies such as the International Civil Aviation Organization and the International Maritime Organization to consider the issue.

On the issue of agreed contributions, he said the EU was concerned that other developed countries were not pulling their weight, and looked forward to a discussion on fair burden sharing in that regard. He said the EU contributed a third of the total amount of fast start finance.

Another European participant said he sensed concern over how the funds promised at Copenhagen will

be raised, and agreed there was a need for a trustworthy proposal that developing countries can respond to. However, he said, developing countries should respond with flexibility instead of dogmatic opposition. He also pointed out that the discussion on the next GEF replenishment is coming up in 2013, and greater clarity on the role the GCF and GEF would be needed before then.

Another European participant underlined that the EU was deserving of more trust, as it had kept its promises of finance in the past and intended to in the future, despite the uncertainties posed by the rapidly changing economic climate.

A developing country participant responded that they would be much more appreciative of the EU's contributions if there was a clear system of accounting.

A European participant said it would be easier for developed countries to provide the funds if there is more clarity on what the funds will be used for. He said absorptive capacity could be a concern.

A developing country participant said small countries should not be left out of mitigation efforts, saying even they can play an important role by developing low emissions trajectories and avoiding emissions in future.

A European participant agreed on the need for transparency with regard to contributions, saying his country has played a key role in setting up a website for tracking fast start finance. He felt the COP should not be too prescriptive on sources of funding, as national treasuries hate to be told what they have to do. He also felt the allocation of the funds will be done through different parts of the financial architecture.

STANDING COMMITTEE

Müller presented a summary of the discussion held by the Fellows Colloquium on the Standing Committee. He said there was a diversity of opinions among parties on the exact nature of the Standing Committee, and whether it was a representative subsidiary body like the SBI, or an expert group like the LDC Expert Group. He said it was probably a new type of institution, a mixture of the two, given that it will report directly to the COP; drafts guidance for the operating entities, for the COP to consider; and is responsible for the review of the financial mechanism.

He said the Standing Committee could play a key role in operationalizing the accountability of the GCF to the COP, as it has more time and meets more often that the COP.

Müller pointed out that the SBI has been asked to begin a review of the financial mechanism in Doha, and the Standing Committee is mandated to provide input into the process. An efficient way for the SBI contact group and the Standing Committee to work together in this process will be needed, to avoid duplication of work.

Another area that the Standing Committee can play a role in, he said, is to come up with proposals to address the issue of mid-term (pre-2020) finance, and how this will eventually scale up to the US$ 100 billion promised in Copenhagen.

A European participant said the nature of the Standing Committee was not so important as long as its functions were clear, although it was more like a subsidiary body as it reports directly to the COP.

On the relationship between the COP and GCF, he said the GCF will be an independent legal entity with its own Board, although it will be under the guidance of, and accountable to, the COP. This relationship will probably be spelt out through a memorandum of understanding, which may or may not be elaborated by the Standing Committee. The priorities for the Standing Committee's work will have to be set out when it meets for the first time in September 2012.

On the review of the financial mechanism, he said the bulk of the work, like seeking external input, will be done by the Standing Committee, and then go to the COP for consideration. He said he hoped that the reviews would be done seriously, because the reviews of the operating entities carried out so far were insufficient.

Another European participant said he agreed that the Standing Committee is a 'strange beast' – it was not clear whether it would be a technical or political body. In his view, it would be a technical body that would not be drafting text for the COP, but could make a contribution in the operation of the financial mechanism. He cautioned against a higher expectation of it.

A developing country participant sought clarification, saying in his understanding the decision establishing the Standing Committee clearly stated that it would draft COP decisions. The participant from Europe agreed that it would produce draft decisions of a technical nature, but said it would not be at the same level as, for instance, the Transitional Committee set up to establish the GCF.

Müller asked how an overlap between the work of the Standing Committee and the SBI contact group could be avoided. A European participant said the issue would need to be looked at by COP but most likely, where the Standing Committee does good work, it will be sent straight to COP. If it needs further work, he thought it would be sent to the SBI for further work.

Another European participant said in his view, the report of the Standing Committee will be reviewed by the SBI, which will then use elements of it to draft guidance for the Financial Mechanism. A contact group would then be set up to consider the draft. He also saw a periodic review of financial flows as one of the roles of the Standing Committee.

One of the participants presented a summary of the First Workshop on Long Term Finance meeting held in Bonn from 9-11 July 2012. He said the COP in Durban mandated the establishment of a work programme on LTF in 2012, including workshops, under the guidance of two co-chairs who are expected to present a report to the next COP in Doha. He described the discussions from the five sessions of the workshop: setting the scene; understanding LTF needs of developing countries; sources; options for mobilizing climate finance; and lessons learnt from fast-start finance.

A European participant who also attended the workshop said the discussions were productive and included lessons learnt from the disbursement of fast start finance. Multilateral development banks are starting to work on ways to track climate finance, including for instance from the OECD DAC, although improvements could be made. He felt it would be a challenge to track adaptation finance in particular. He also felt the large climate finance requirement estimates put forward at the Bonn meeting were not easy to sell to developed country governments, and emphasized the need to discuss how to 'unblock' and incentivize more finance. He said the G20 would play a key role in mobilizing finance.

A developing country participant expressed his dissatisfaction with the G20 discussing multilateral issues such as climate change, when major constituencies were not represented on the forum.

Another developing country participant who was also present at the Bonn meetings said he observed that FSF prioritized mitigation – there were few adaptation projects, and little emphasis on capacity building and technology transfer. He noted that the amount of emissions reductions achieved by FSF for mitigation funding was unknown. He also raised the issue of finance for the 2012-2020 period, and the need for further clarity in differentiating between development and climate finance.

A developing country participant said that in his experience, developing countries were told how much they were allocated in FSF and asked to identify priority areas. Missions were then sent to make assessments and develop project profiles and terms of reference. The capacity building element was built into project components.

On the sources of funding, Müller noted that off-budget, earmarked and dependable sources were needed, preferably not linked to volatile carbon prices.

Another participant asked for an update of the discussion on subsidies in the Bonn workshop. He was told that a presentation at the workshop noted that getting rid of fossil fuel subsidies in developed countries could generate about US$10 billion, which could then be used for climate finance. A large amount used to subsidies fossil fuels in developing countries could also be channeled to low carbon growth.

A European participant said it was worth looking at the removal of subsidies as a way of raising additional funds. He quoted a study by the International Energy Agency, which estimated that only about 8 per cent of the subsidies meant for the poor get to about 20 per cent of the poor. He conceded that removing the subsidies will harm the few recipients that do benefit from them and they will need to be compensated, but this could still free up resources to put to better use.

A developing country participant said developing countries take their cue from the agricultural subsidies in developed countries, which have been a barrier to development in developing countries. Moreover, he said, developing countries have not seen any positive benefits of removing subsidies under the structural adjustment programmes many of them were subject to in the past.

Another developing country participant commented on how the discussion on LTF always seems to end up in a discussion on how developing countries can raise their own money. He said of course developing countries would have to look into raising national finance, but he did not see how a discussion on national subsidies connects with LTF. He said a similar discussion had taken place in the Rio+20 negotiations, where developing countries said they would remove fossil fuel subsidies if developed countries remove agricultural subsidies.

Another developing country participant said the effectiveness of subsidies has to be looked at case by case. He pointed to the sub-Saharan region, where there is no financing available for the capital or incremental costs of installing renewable energy capacity as an alternative to fossil fuels-based energy. Countries in the region are forced to invest in fossil fuel because it is the cheaper option, and there are no sources of finance to ensure that countries that are already low carbon emitters stay that way.

ADAPTATION

Pa Ousman Jarju, LDC Chair, presented on behalf of the developing country fellows for the session on adaptation. He emphasized the need to address financing for NAPAs and NAPs, while ensuring that NAPs do not interfere with the implementation of NAPAs; flexibility in the NAP process to ensure that countries can chose their own entry points (for instance, those that have already started work on national strategies); and the importance of capacity building and technology support.

He also emphasized the need to address medium and long term finance and ensure that it takes into account both adaptation and mitigation; decide the relationship between the Adaptation Committee, the Adaptation Fund, the Technology Executive Committee, GCF and Standing Committee; and consider whether the private sector can contribute to adaptation efforts (for instance, through micro-credit).

He pointed to the need to respect the Principle of Subsidiarity in decisions regarding adaptation, and devolve decision making to the lowest possible level through national funding entities. He said this would allow governments to better decentralize planning to the local level. Finally, he asked how the global goal could reflect the fact that the more we mitigate, the less we need to adapt.

During the discussion that followed, Müller said that the 'global goal' is always phrased in terms of mitigation. Adaptation action, which will mostly need to be undertaken by developing countries, is not reflected in this goal. He asked how this effort could be better reflected.

Kjellén agreed that it is immoral to put the burden of adaptation on developing countries. He said vulnerability analysis is not taken into account, for instance, when people talk about the world's 20 biggest emitters fixing climate change. The provision of technological and financial resources is also a question of ethics, he said, and agreed that the role of local authorities and financing to the local level is an important element to consider.

Müller pointed to work being done already by scientists on risk profiles, and how they had changed since the 1990s. He said this measure could be used to incorporate adaptation action in the global goal discussion.

Another European participant said he felt effective action on the ground was more important than a formulation for a global goal. He said the process of implanting action had started eleven years ago with the LDC Fund and the Special Climate Change Fund, but progress was slow, and the amounts disbursed remain low. He felt this could be because partly because of the lack of projects coming forward, and delays in approval, but was also because of a lack of capacity at the national level. Available funds are not being spent at a normal speed, he said, and as a result governments feel that rather then giving money to financial institutions for them to collect interests on, it would be better to wait until the funds were needed.

He said Cancun did agree on the NAPs, but more effort was spent on planning exercises and not enough on implementation on the ground. He felt it would be helpful if developing countries came up with more project ideas. He felt bilateral disbursement was performing better than multilateral disbursement as countries, particularly in the EU, were focusing on climate proofing development projects.

A developing country participant agreed that the slow utilization of funds was a cause for concern – but, he said, in some cases the ceiling placed on the amount each country could get was the problem.

A European participant said adaptation is relevant in the equity discussion because it is all about distribution, and distribution of impacts is not something a party can choose or decide but is confronted with. The global ambition level for mitigation is important because only a higher level can keep adaptation needs manageable. This is reflected in the discussion in the overall ambition. He felt vulnerability assessments were important in this regard, and called for vulnerability indices, along the lines of the capacity indices discussed earlier in the Seminar.

A developing country participant said that once a global goal is set, there would be many pathways to reach it. A risk profile for each of those pathways would be helpful.

Addressing the issue of the role of the Adaptation Committee, a European participant said it would serve as an advisory body as explicitly stated in the decision, and would not have a normative role. It would serve as a centre of expertise to dialogue with other bodies within and outside the UNFCCC process, and feed in its understanding of adaptation processes.

On finance, he said it was clear that sufficient attention to adaptation is important, but raised concerns on the issue of absorptive capacity. He said a message from the Intergovernmental Panel on Climate Change on the link between the level of mitigation and costs of adaptation would be important. He asked if anything new was needed in the next phase of the Durban platform, after taking into account the institutions and processes that have already been set up, including the loss and damage discussions. One issue, he said, could be a longer-term discussion on economic diversification – how countries can plan there their long-term development if fundamental assets on which they depend change fundamentally or disappear.

A European participant said it was important to start the discussion on the global goal, and discuss the repercussions of overshooting the agreed global temperature goal. Going back to the presentation by Ousman, he asked how micro-finance for adaptation could be differentiated from other development subsidies.

Responding to the question on micro-credit, a developing country participant gave the example of the fishing industry his own country, where fisherfolk have to go out further to catch fish because of climate impacts. He said micro-credit provided for equipment for safety and storage, and to cover damage to fishing equipment, which is becoming more prevalent, would clearly qualify for adaptation micro-finance.

Another developing country participant said developing countries are still struggling to understand how best climate impacts can be reflected in development plans. He called for a greater focus on risk reduction rather than risk transfer, saying the poor cannot benefit from risk transfer mechanisms.

On the issue of absorptive capacity, Müller said the Adaptation Fund and the World Bank's Pilot Program for Climate Resilience have not fared well in terms of disbursement. In comparison national funds, like the one set up by Bangladesh, have performed much better in terms of projects on the ground. He said an important lesson was to be learnt there when it comes to designing the GCF, to minimize bottlenecks.

A developing country participant said the lack of projects put forward by developing countries is indicative of the problem of institutional capacity. He said this issue of institutional capacity has been left out of the agenda and not been addressed. Müller agreed, saying the Adaptation Fund made a big mistake when it decided not to fund capacity building projects.

A developing country participant said they were getting mixed signals, when on the one hand they were told money was limited, but on the other hand, funds were being made available for low emission strategies and other processes outside the UNFCCC.

The Seminar closed after Ousman thanked participants for the fruitful discussion. He said the bonds of friendship forged over the course of the Seminar would help create a common understanding and conducive environment in the negotiations, contributing towards a more successful outcome.

Annex 1: Options for engagement

european capacity building initiative ecbi

Options to Engage

Developed Country: Option A

				Binding (Obligation)		Non-binding (Aspiration)
				Domestically	Internationally	
Mitigation Targets	Unsupported	Quantitative	Absolute		✓	
			Relative to baseline			
		Qualitative	PAMs			
	Supported	Quantitative	Absolute			
			Relative to baseline			
		Qualitative	PAMs			
	n/a					
MRV	KP rules			✓		
	ICA rules					
	IAR rules					
	New ex ante Accounting Rules				✓	
	n/a					
Compliance Regime	n/a				✓	
Finance	Assessed Contributions			✓	✓	✓
	Voluntary Contribution					

Options to Engage

Developed Country: Option B

					Binding (Obligation)		Non-binding (Aspiration)
					Domestically	Internationally	
Mitigation Targets	Unsupported	Quantitative	Absolute	Assigned Amounts, Intensity	✓		
			Relative to baseline	Assigned Amounts, Intensity			
		Qualitative	PAMs				
	Supported	Quantitative	Absolute	Assigned Amounts, Intensity			
			Relative to baseline	Assigned Amounts, Intensity			
		Qualitative	PAMs				
	n/a						
MRV	KP rules					✓	
	ICA rules						
	IAR rules						
	New ex ante Accounting Rules					✓	
	n/a						
Compliance Regime							
	n/a					✓	
Finance	Assessed Contributions					✓	
	Voluntary Contribution						

Options to Engage

Developing Country: Option A

					Binding (Obligation)		Non-binding (Aspiration)
					Domestically	Internationally	
Mitigation Targets	Unsupported	Quantitative	Absolute	Assigned Amounts, Intensity			✓
			Relative to baseline	Assigned Amounts, Intensity			✓
		Qualitative	PAMs				✓
	Supported	Quantitative	Absolute	Assigned Amounts, Intensity			✓
			Relative to baseline	Assigned Amounts, Intensity			✓
		Qualitative	PAMs				✓
	n/a						
MRV	KP rules						
	ICA rules						
	IAR rules						✓
	New ex ante Accounting Rules						
	n/a					✓	
Compliance Regime							
	n/a					✓	
Finance	Assessed Contributions						
	Voluntary Contribution						✓

Options to Engage

Developing Country: Option B

					Binding (Obligation)		Non-binding (Aspiration)
					Domestically	Internationally	
Mitigation Targets	Unsupported	Quantitative	Absolute	Assigned Amounts, Intensity	✓		
			Relative to baseline	Assigned Amounts, Intensity	✓		
		Qualitative	PAMs		✓		
	Supported	Quantitative	Absolute	Assigned Amounts, Intensity		✓	
			Relative to baseline	Assigned Amounts, Intensity		✓	
		Qualitative	PAMs			✓	
	n/a						
MRV	KP rules						
	ICA rules					✓	
	IAR rules						
	New ex ante Accounting Rules						
	n/a						
Compliance Regime							
	n/a					✓	
Finance	Assessed Contributions						
	Voluntary Contribution						✓