



Third World Network
**Bangkok News
Updates and
Climate Briefings**

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BANGKOK NEWS UPDATES
AND
CLIMATE BRIEFINGS

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NOTE

This is a collection of the nine News Updates and six Briefing Papers prepared by the Third World Network for and during the Bangkok Climate Change Talks, held from 31 March to 4 April 2008 in Bangkok, Thailand.

Bangkok News Updates

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Bangkok News Update 1

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2 April 2008

Meet your commitments first, G77 tells developed countries

Bangkok, 1 April (Martin Khor) – The lack of fulfillment by developed countries of their commitments is a primary cause of the deteriorating climate situation and this impedes the overall goal of the UN Framework Convention on Climate Change.

In face of this “implementation deficit”, the UNFCCC’s post-Bali activities should firstly focus on enhancing the implementation of the developed countries’ existing obligations, including providing finance and technology transfer to developing countries.

This was the central message by the Group of 77 and China at the opening plenary of the first United Nations climate change negotiations since last December’s Bali conference.

The Bangkok climate talks, under the UNFCCC, kicked off on Monday with the initial plenary sessions of two working groups – one on fixing new emission-reduction commitments of developed countries and the other to discuss “long-term cooperative action” of countries to deal with the climate crisis. The Bangkok meetings are:

- The 1st session of the ad hoc working group (under the Convention) on long-term cooperative action (AWG-LCA) that is mandated to discuss financial resources, technology transfer, mitigation, adaptation and “shared vision”. This group (chaired by Luiz Machado of Brazil) is directly dealing with the Bali decision (known as the “Bali Action Plan”) to undertake a “comprehensive process” to come up with a decision on long-term action by the end of 2009.

- The 5th session of the ad hoc working group (under the Kyoto Protocol) on further commitments for Annex I parties (AWG-KP5). The first commitment period of the protocol ends in 2012 and this group is negotiating the emission-reduction commitments of developed countries for the second commitment period (after 2012).

At the opening ceremony, UNFCCC executive secretary Yvo de Boer said the huge task has to be broken into manageable bite-sized chunks, with member states agreeing on “the how, the what and the when.” The AWG-LCA needs to identify the issues needing clarification, such as what exactly “comparable effort” entails.

He added that according to the IPCC’s findings, the solutions need to “significantly increase the extent of adaptation to reduce vulnerability, stop the increase of global emissions within the next 10-15 years, dramatically cut back emissions by mid-century at the latest, and do so in a way that is economically viable world-wide.”

At the first formal session of the AWG-LCA, the G77 and China, represented by Ambassador John Ashe of Antigua and Barbuda, stressed that the Bali decision mandates the AWG-LCA to “launch a comprehensive process to enable the full, effective and sustained implementation of the Convention through the long-term cooperative action, now, up to and beyond 2012”.

It is therefore important to first focus on enhancing implementation of existing obligations under the Convention and the Kyoto Protocol, a critical requirement given the urgency of the need to address the unavoidable consequences of climate change. Demonstrated positive implementation would be an important element of the confidence building required in the face of the current implementation deficit.

The G77 and China said the AWG-LCA’s work must be guided by the principles of the Convention, in particular the principle of common but differentiated responsibilities, with developed countries taking the lead in combating climate change and its effects.

“The primary focus of the programme of work should be on closing the implementation gap and

fulfilling existing commitments under the convention and the Kyoto Protocol – in particular on enabling requirements for financing and the development and transfer of technology – while maintaining the balance of rights and obligations of parties,” said the chair of the G77 and China.

“We wish to highlight that the unfulfilled commitments and obligations of Annex 1 Parties are to date among the primary causes of the deteriorating climate situation and are barriers and constraints to implementation. These factors impede progress towards the overall goal for the Convention.”

Ashe stressed the importance of treating the “building blocks” in an integrated manner as they are inter-related, reinforcing and equally important.

[The four “building blocks”, in traditional UNFCCC terms, refer to finance, technology, mitigation and adaptation. Since Bali, another item, “shared vision” is referred to by some parties, as a new building block].

Added the G77 and China: “In this regard, and given that this is an iterative process, all issues must be considered in a holistic manner. Fragmented treatment of the building blocks will lead to confusion and unnecessary complication of the issues and this will impede progress on Long Term Cooperative Action.

“There needs to be clear commitment from developed countries to meet their obligations. In accordance with the principles of the Convention, developed country parties should acknowledge and honour their obligations to provide technology and financial support for the adaptation and mitigation needs of developing countries. The failure of Annex 1 parties to date has been a major source of concern.”

Ashe added that the two working groups are “two separate and parallel processes. It is important that these two processes be considered as distinct and separate, with different mandates, and therefore we should avoid any efforts to link the processes.”

He also stressed that there should be no ambiguity that the UNFCCC and the Kyoto Protocol serve as “the inter-governmentally agreed structure within the international community to address the challenge of climate change. Given the intensity of the challenge, other efforts will only distract and further compound the challenge.”

He said the G77 and China “remains concerned by the failure of the Annex 1 parties to honour their commitments in terms of emission reduction.”

Alluding to the group’s concern about discussions in small groups (that only a few countries were invited to at Bali), the G77 and China added: “We

cannot stress enough the importance of ensuring an all-inclusive open, transparent and participatory process.

“The success and effectiveness of the process going forward will depend to a significant degree on the extent to which we use openness, transparency and inclusiveness as our guiding principles. We should endeavour to afford equal opportunity for participation of all parties.”

China’s chief delegate, Su Wei, reiterated that the AWG’s goal was the full, sustained and effective implementation of the Convention and to contribute to sustainable development and that all discussions should be consistent with the “common but differentiated responsibilities” principle.

Equal treatment should be given to adaptation and mitigation. Mitigation, adaptation, technology and finance are 4 elements of the package and should be pursued in parallel and form an integral whole and must be discussed together. The timing of meetings should be planned in a way as to enable the participation of developing countries.

China said the process should address the quantified emission reduction obligations of the Annex I parties to the Kyoto Protocol and the comparability of efforts with those who are not parties. This, said China, is a concrete requirement in Bali.

[The US is a party to the UNFCCC but not to the Kyoto Protocol. China was referring to the Bali decision that there should be mitigation commitments or actions by all developed country Parties (of the Convention) while ensuring the comparability of efforts among them, in Para 1 (b) (i) of the Bali Action Plan].

China added that developing countries’ domestic actions should be in the context of sustainable development and supported by the developed countries in a measurable, reportable, and verifiable manner through technology transfer, finance and capacity building.

The mitigation action of developing countries should be determined by their national policies and the reference to actions that are “measurable, reportable and verifiable” should apply to actions that are taken, and not to mitigation outcomes, stressed China.

On technology transfer, developed countries should deliver on their legal obligation to provide technology and they should provide funds to an international technology fund to provide technology on a concessional or free basis to developing countries. International mechanisms for technology transfer must be set up to remove obstacles so that developing countries have true access that is affordable.

The developed countries should also deliver on their legal obligation to provide finance with stable and adequate flows that are separate and distinct from existing ODA, said China. While existing offers are welcome, they are far from adequate and the money should be within the UNFCCC framework. The monies should be linked to the realization of the obligations of the Convention.

On “shared vision”, China said that the Convention’s Article 2 provides a clear-cut overall objective. We should work towards this goal by strengthening the Convention and Protocol with support for technology, finance and adaptation, which is the best possible shared vision. It is critical to uphold the common but differentiated responsibilities principle and to meet the poverty eradication and development needs of developing countries whose efforts are in the framework of sustainable development.

Algeria, for the Africa Group, said that the Convention and Kyoto Protocol should not be reopened in any way. The AWG-LCA should focus on implementation and the obligation of Annex 1 countries to provide finance and technology, especially for adaptation.

The Africa Group said it had grave concerns that in Bali, certain parties were excluded from participation in the process. It therefore emphasized the need for full and inclusive participation, and the right of all parties to participate in all meetings. Both adaptation and mitigation must be supported by technology, finance and capacity building.

The European Union, represented by Slovenia, said the Bangkok meeting should produce an ambitious and efficient work programme for the AWG-LCA that enables completion of a “comprehensive global agreement under the UNFCCC in 2009.”

We should be able to leave Poznan (the venue of the meeting of the UNFCCC’s conference of parties in December 2008) with “a focused list of options to be addressed in the work programme for 2009, a work programme which should be guided by an agreement on the main elements of the shared vision,” said the EU.

The EU wanted an iterative process in which each session can build on the discussion of the former, with issues dealt with in parallel, to maximise the limited time available.

It wanted the work programme to start with the “shared vision dealing with perspectives on low-carbon development paths that ensure our collective action on climate change is sufficiently ambitious in order to avoid dangerous climate change, while we also start discussing enhanced action on mitigation and adaptation. We also need to begin exploring issues of substance for the supporting building blocks of technology as well as financing and investment in the first half of 2008.”

Japan also said that discussion should be conducted in parallel. “In particular, actions by both developed and developing country parties should be discussed in parallel. It is not appropriate to discuss each building block without holistic views on a future framework including a shared vision.”

Japan proposed that task forces be set up, with expert inputs on impacts and costs, for the four issues of mitigation, adaptation, technology and finance.

It also proposed that “legal issues” be addressed for establishing a new framework beyond 2012. “For example, we have to clarify the definition of “developed country parties” and “developing country parties” in the Bali Action Plan. Also, it is necessary to identify the scope and criteria of “developing country parties” which are expected to take actions, and those of vulnerable countries which require particular support.

“Regarding the participation of each party, we propose that each country be classified to tiers according to objective standards. When a country meets the standards, the country should be moved to the next tier. The base year should be reviewed from the perspective of equity.”

Japan requested the secretariat to develop a paper analyzing possible legal issues related to the new framework, and to report to the Poznan meeting. Parties should then decide how to proceed with this issue, including the establishment of a special task force.

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Bangkok News Update 2

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3 April 2008

North-South differences re-emerge in Bangkok talks

Bangkok, 2 April (Meena Raman) – Discussions at the Bangkok climate talks on “long-term cooperative action” showed differences broadly between developed and developing countries on priorities of issues and the sequence in which they should be discussed.

This picture emerged at the formal plenary (on Monday and Tuesday) as well as the informal plenary of the ad hoc working group on long-term cooperative action (AWG-LCA) of the UN Framework Convention on Climate Change (UNFCCC). (See first report of the meeting in Bangkok News Update 1, dated 2 April 2008).

Developed country members, such as Japan, Canada and the European Union, placed the stress on the role of developing countries in mitigation either directly, or indirectly through the issue of “shared vision” (in which they emphasised global emission reduction, which is a code for drawing developing countries into emission reduction targets).

Most developing countries on the other hand pointed to the poor performance of developed countries in meeting their existing commitments and stressed the need to have these commitments fulfilled as the first priority. Many wanted discussion on the shared vision to be broader than emission reduction goals, and to be phased after finance and technology were first discussed.

However, the LDC Group and the alliance of small island states (AOSIS) wanted to phase discussion on global goals for mitigation at the start.

In the formal opening plenary session, where an overview of the process and all issues of the AWG-LCA were discussed, Brazil said there should be a balanced treatment of the four issues and shared vision, and they should not be considered in a sequence but progress should be in unison. The objective of the work is full implementation of the Convention. The shared vision should be considered in all aspects, not just the long-term reduction target, but also

address mitigation and adaptation.

Saying technology is fundamental, Brazil stressed there was an implementation deficit. There must be differentiation between technology development and transfer that we need versus the “business as usual technology trade.” IPRs should be considered in this context.

On finance, new proposals should be coordinated within the Convention. Fair governance is needed and it is better for contributions to be made to financial mechanisms inside rather than outside the Convention, while new conditionalities should be avoided.

Pakistan said the most formidable problem is lack of fulfilment of Annex I countries’ obligations regarding emission reduction, finance and technology. A clearly outlined progress on this is critical to translate the Bali roadmap into reality. The proper sequencing of the agenda items in the next 2 years is needed. A review of implementation of existing commitments should come first, and a discussion on the obstacles to meeting the obligations and the means to overcome these obstacles.

India said the comparability clause in the Bali Action Plan is to ensure that developed countries not in the Kyoto Protocol take on the same level of obligations as developed country parties in the Protocol. All issues in this AWG should be taken together.

India added that the long-term stabilisation goal must be considered together with equitable burden sharing. It must be guided by Article 2 of the Convention in its entirety. The common but differentiated responsibility principle is critical. The Prime Minister of India has said that India’s per capita emissions will not exceed the level of developed countries.

Venezuela said that the legal regime of long-term cooperative action is already established under the Kyoto Protocol and UNFCCC. Principles therein

must rule. It does not agree that there is need for a new multilateral regime on climate change. "We are concerned with comments heard here on the Bali Action Plan as the basis for a new legal regime," said Venezuela. The current regime has been there for 17 years and we should not waste that effort.

Annex I countries must meet their historical responsibility and lower their greenhouse gases within their current legal regime. It is contradictory to see developed countries invest unimaginable amounts of money on warfare while not meeting their basic responsibility in UNFCCC and Kyoto Protocol. The lives of present and future generations are at stake. The developing world faces hunger and poverty and are now asked to accept responsibilities to reduce emissions.

The current legal regime is flexible and sufficient to address the issues. There are two kinds of modalities existing – binding on developed countries, as they are historically responsible, and the contribution of developing countries based on common but differentiated responsibility and taking into account national priorities.

Developing countries will contribute in line with the financial resources and technology transfer offered by developed countries, added Venezuela. The Bali Action Plan is a declaration where states agree to act but its mandate does not include a new legal regime. We are ready to debate what elements could be in the work programme but not to talk on a new protocol.

Venezuela said Annex I countries must assume their responsibilities without further excuses or delays. The focus of this AWG must be based on Article 2, and all the elements are there for setting emission reductions. Technology transfer must be carried out without conditions and without creating new debt. Finance and technology cannot create dependence as was the case in the past.

Malaysia said that as the primary purpose of the AWG-LCA is to enable full implementation of the Convention, we should focus on the implementation of existing obligations. Work should start with a focus on Annex I parties' obligations, examining failures and barriers facing their implementation in the first commitment period and identifying ways to address those failures and barriers.

It is vital to know how much funding is available to undertake technology transfer and adaptation and ensure this reaches developing countries. "We have spent much time on this issue but have yet to see any progress," said Malaysia. "Similarly there has been a disappointing lack of progress on technology transfer. It is important to ensure that

outdated and polluting technology is not transferred to developing countries as this will slow our efforts to address climate change. We must address these aspects before we can move on to other issues that are more difficult."

Malaysia proposed that discussions focus on a mechanism for technology transfer, the level and nature of public sector finance to be provided by Annex I countries, capacity building to be provided, and the means by which these will be measured, reported and verified.

Saudi Arabia said the Bali Action Plan is not meant to lead to an agreement to replace or supersede the UNFCCC or Kyoto Protocol. There should be no extraneous issues brought into the agenda. The initial focus should be on technology and finance, which are enabling factors. The extent to which developing countries take action depends on finance and technology.

How to accurately measure and verify this provision of finance and technology is an essential step. The tools available to developing countries must be understood and clarified, only then can developing countries know how much they can do. Success is not measured by consensus language but to have a breakthrough in providing a tool-box for finance and technology.

Barbados speaking for the Alliance of Small Island States said that all sessions must abide by openness and inclusiveness. On a shared vision, any decision must be guided by a mitigation pathway, which must be sufficient to ensure temperature increase well below 2 degrees and greenhouse gas concentration as far below 450 ppm as possible, with a global emission reduction of 50-85% cut. Some scientists have suggested a concentration level of no more than 350 ppm. More scientific work is needed on the means and cost of mitigation pathways.

Barbados said that any new initiatives for funding for adaptation should be through the UNFCCC. It also proposed the establishment of a Convention Adaptation Fund that is linked to greenhouse gas emissions, consistent with the polluter pays principle, to generate funding to address adaptation needs.

Bangladesh said the all important programme on adaptation cannot wait. A global emission reduction target is needed. A protocol on adaptation should be established.

Egypt wanted to limit parallel meetings (which would affect participation of developing countries) and insisted on transparency in the process. A mechanism is needed for finance and technology.

Canada supported Japan's proposal on legal aspects of the framework after 2012. All five build-

ing blocks should be discussed in each session. It spoke about a “single undertaking” that includes all “major economies” in Copenhagen in 2009.

The United States shared the enthusiasm that the Bali Action Plan is a breakthrough. It suggested the issues be discussed under 3 clusters: long-term vision, mitigation (with finance and technology), and adaptation (with finance and technology). It supported the G77 that the two working groups are separate and distinct processes.

Speaking as an NGO, the Third World Network said that the AWG’s work should be in two sets, with the implementation of existing commitments coming first and the new issues agreed in Bali – shared vision and enhanced mitigation actions of developing countries – coming later.

TWN said the issue of global emission-reduction goals has implications for burden sharing, because the cuts would affect both developed and developing countries and it is vital to have the data on scenarios on how the burden is to be shared.

Finally, on finance, there is a serious concern among NGOs about the World Bank’s new initiative to set up climate funds of up to \$11 billion which would undermine the finance negotiations at the UNFCCC as well as the funds under the UNFCCC.

(The above is the second of two reports on the formal plenary of the AWG-LCA. Details of the informal session that took place later are reported in a separate Update).

TWN

Bangkok News Update 3

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“Shared vision” occupies central debate in Bangkok talks

Bangkok, 2 April (Martin Khor) – The Bangkok climate change talks under the UN Framework Convention on Climate Change today finished an informal session on “shared vision”, one of the most controversial issues in the follow-up to last December’s Bali climate conference.

In the two-day debate, the developed countries attempted to place first priority on this issue, which to them meant an agreement on a long-term global goal for emission reduction.

The European Union and Japan have been explicit in setting the target at a 50% reduction in global greenhouse gases reduction by 2050. However the EU’s base year is 1990 while Japan said it wanted the emissions to halve by 2050 “from the current level.”

For many developing countries that spoke, the “shared vision” was broader than on a global emission target. It included how the climate regime would enable developing countries to be on the sustainable development path, slowing their emissions while retaining the capacity for development and poverty reduction through financial and technology support from developed countries.

The discussion took place in the ad hoc working group on long-term cooperative action (AWG-LCA), which is tasked with conducting a “comprehensive process” to complete by end-2009 new emission-reduction targets for developed countries as well as other decisions on mitigation, adaptation, finance, technology and a “shared vision”. The Chair is Luiz Machado of Brazil and the Vice Chair is Michael Zammit Cutajar of Malta.

The paragraph on shared vision in the Bali Action Plan is for the post-Bali process to address “a shared vision for long-term cooperative action, including a long-term global goal for emission reduction, to achieve the ultimate objective of the Convention.” This is to be done in accordance with

the Convention’s provisions especially the principle of common but differentiated responsibilities (CDR) and respective capabilities, and taking into account social and economic conditions and other relevant factors.

Bernardita Muller of the Philippines, speaking for the G77 and China, said the group wanted to answer two questions posed to the participants on the process – how and when. On “How?”, she said the group wanted an open, transparent, democratic, inclusive process with effective participation of all.

In-session or inter-session workshops and activities should be agreed to by parties, who should decide on presenters and experts of workshops, there should be open-ended participation and the meetings should be in easily accessible venues.

As to the question “When?”, the Philippines said that to discuss shared vision we first have to find out what we share and what is the vision. The shared vision was actually established a long time ago by the Convention. It includes but is not limited to a long-term global goal. It includes other mutually-supportive elements of the Bali Road Map.

The Convention’s Article 2 has a clear objective but it also includes the parameters within which to achieve the ultimate objective. These include to allow the ecosystems to adapt naturally, to ensure food production is not threatened and economic development continues in a sustainable manner. Any kind of shared vision must have sustainable development in mind.

It must also be in accordance with provisions and principles, such as Article 4 which has the CDR and equity principles, which are important for developing countries. This implies that the developed countries have to take the lead to combat climate change. The text also says “taking into account economic and social conditions”, and we have to look at that in our discussion on shared vision.

Muller said that for members of the G77 and China, adaptation is our overriding priority. A balanced treatment between adaptation and mitigation has to be achieved in the Convention. We need adaptation action now and not in 2012. The Bali road map says, "implementation now, up to and beyond 2012."

The Chair, Luiz Machado, agreed that the AWG is dealing with action starting from now, and people referring to 2012 should not mean they will act only after 2012, as this would be a pity.

Brazil said that, for it, the shared vision is a common understanding on the long-term cooperative action that Parties need to undertake and on the results they must achieve to ensure the full, effective and sustained implementation of the Convention, with a view to achieving its ultimate objective.

The shared vision must cover the full scope of long-term cooperative action, including adaptation, mitigation, financing, technology development and transfer.

Equally important cooperative elements that must be addressed are sustainable development and fair and equitable burden sharing. Advancing sustainable development contributes to achieving the ultimate objective of the Convention, as it strengthens national capacities to address climate change and increases the resilience of societies to the adverse impacts of climate change.

On the other hand, fair and equitable burden sharing establishes the essential condition for a joint effort directed towards the ultimate objective of the Convention.

Added Brazil: "The shared vision cannot be reduced to any one of these individual elements, which are all interconnected. A shared vision which picks and chooses among the different elements will generate distortions. This would happen, for example, if the shared vision were to consider adaptation without considering enabling technology and financial support or mitigation without fair and equitable burden sharing.

"Considering the long term global goal, Brazil believes that it could offer an important orientation for national and international mitigation actions. Consideration of a global goal should abide by the principle of common but differentiated responsibilities, recognizing that the commitments of Annex I countries and the actions of non-Annex I countries are distinct in nature.

"Consideration of a long term global goal should also necessarily include definitions regarding burden sharing. Burden sharing should be based on the historical responsibilities of countries for caus-

ing mean global surface temperature increase. From the industrial revolution to the present, different countries have established different emissions paths, thus contributing to global warming according to their natural resources and development patterns.

"The resulting greenhouse gas concentration level and the current temperature increase establish an historical responsibility, which is a fair and precise foundation that can be translated objectively and scientifically into specific national commitments or actions."

In 1997, Brazil presented a proposal to define burden sharing on the basis of the historical contributions of countries to global warming. It said the time is right for the proposal to be fully considered, in the AWG-LCA.

Brazil also stressed that a long-term global goal should take into account solid scientific information and be adjusted as our knowledge of climate change advances. The limits of science must be considered to avoid jumping to uncertain conclusions. It gave some examples:

- Current knowledge does not define the temperature increase limit which would securely avoid dangerous anthropogenic interference with the climate system.

- A long term global goal for temperature increase cannot be automatically linked to a specific greenhouse gas concentration stabilization level, as different concentration trajectories can produce the same temperature increase. This relation between temperature and concentration stabilization levels is also affected by the uncertainties related to climate sensitivity.

- A given greenhouse gas concentration stabilization level cannot be automatically linked to a specific greenhouse gas emissions path, as different emissions paths can generate the same effect on the concentration level.

Added Brazil: "The lack of scientific certainty can lead to subjective proposals or arbitrary choices that may create undue and unfair restrictions for sustainable development, particularly in countries which face the challenge of eradicating poverty, building infrastructure and providing for the basic needs of their societies.

"Fully considering what science offers us is a key aspect of the discussion on a long-term global goal. This issue deserves careful consideration and an extensive exchange of the views."

Brazil said an open debate on a shared vision is needed, with presentation of different proposals on a shared vision, including views on a long-term global goal and the associated scientific basis.

Slovenia, representing the EU, agreed with the G77 that a shared vision is not just on a long term goal, and it is linked to sustainable development and adaptation. But it should also contain a long term goal. The EU is convinced that to meet the ultimate objective, the global temperature increase should not exceed 2 degrees, the emission reduction of Annex I countries should be 30% by 2020 and 60-80% by 2050. The global goal requires emissions to peak in 10-15 years and be 50% below the 1990 level.

Barbados, for the small island states, was for an early discussion and common understanding on a shared vision. A decision on a long-term reduction global goal is a central element. More studies should be done on the impact on small island states of a temperature increase above 2 degrees. A greenhouse gas concentration level of 350 ppm is the safe limit.

Micronesia said a global goal is a central aspect, no matter how challenging. It also mentioned the targets of 2 degrees for temperature increase and well below 450 ppm for greenhouse gas concentration, and a 50-85% global emission cut by 2050.

Japan said all must share the task of emission reductions. It advocates global emissions peaking in 10-20 years and to be reduced by half by 2050 from current levels. Parties should recognise this as a non-legally binding shared vision. Innovative technology through international cooperation can be used to reduce emissions, and a low carbon society requires changing lifestyles. Japan again also stressed its proposal for a "legal review" to ensure each country's participation.

India said any shared vision must conform to the Convention provisions of CDR and also social and economic conditions. It must recognise that Annex I countries are already obligated for commitments in subsequent periods. "Comparability" criteria should be set for developed countries that are not part of the Kyoto Protocol to take on similar action as those in the Protocol. This would ensure that developed country parties to the Protocol cannot walk away.

On a long term goal, it cannot agree to any such goal without clarity on developed countries' obligations on funding, technology and capacity building. It would be a moral hazard to agree on a long term emissions goal as well as being meaningless, if the sharing of emissions rights is not within the agreed goal.

India said emission rights should ensure intra and inter-generational equity. It saw the convergence of emission rights for all in the foreseeable future. Mitigation action by developing countries must be enabled by technology and finance that are measur-

able, verifiable and reportable according to international norms.

Bangladesh called for early peaking and deep cuts in global emissions. Equity should be central while discussing different building blocks. Equal importance on adaptation is needed for the most vulnerable countries, and there should be an adaptation protocol.

South Africa, speaking on behalf of the Africa Group, also emphasised the need for a transparent and inclusive process. A shared vision should reflect finance and technology to realise full and effective implementation. The key is the means of implementation in mitigation, adaptation, technology and finance.

The US said with respect to CDR that responsibilities and capabilities evolve as countries evolve in the global economy, and differentiation is required. Global goals should not be structured in relation to burden sharing. It is something to inspire and aspire to. This will require national actions. Also required are data on countries' socioeconomic conditions and costs of stabilisation of emissions.

Ghana stressed the issue of equity. In light of the current imbalance between mitigation and adaptation, there should be an adaptation protocol. Maldives, for the LDCs, said new scientific findings call for deeper emission reduction. A shared vision should uphold equity and reduce the development gap, with special emphasis on small island states, LDCs, and the issues of water, food and energy.

Pakistan said any shared vision must be linked with science. But we should also consider the obligations that flow from that vision. How would this obligation be shared? Empirical evidence is needed. An impact assessment is needed to find out what is the residual obligation that flows to developing countries from a global goal.

Therefore, an impact assessment, empirical evidence and data are important to establish this shared vision. The EU had outlined that the developed countries can cut their emissions by 60-80% by 2050. If there is a global cut of 50%, there must also be a residual cut. We want to know who has to do this residual cut, and based on what empirical data. Pakistan requested the EU to provide the data.

Slovenia, for the EU, said that "hearing colleagues position themselves on the shared vision, we are worried whether the discussion would be long and burdensome and we are not sure if we can finalise it in this century if we go on like this." To be sure, Article 2 is there, but it is not enough, said the EU, adding "we need a flight schedule."

Algeria said we need a precise definition of a shared vision. Can we expect the developed countries to share our problems and difficulties to adapt to climate change and have real sustainable development to alleviate poverty which is also linked to consequences of climate change?

Saudi Arabia said that its interpretation of shared vision is that we have stabilisation but also adaptation and economic development, they are all interlinked. On the other component, the global goal, if it is a descriptive goal then there is no problem but once we get into numerical issues it gets complicated.

If it is aspirational and in a non-binding form, it can be tackled early as something to aspire to. But if it is to be a binding goal then we have to be realistic. We must be guided by scientific data. Although the IPCC provides ranges of scenarios, we must be further guided, and a step-by-step process of verification is needed.

The means of implementation requires finance and technology. If you are on a Pacific island with a small Cessna plane you can't fly to New York, said Saudi Arabia. You have to do with what is available. You can aspire to reach the moon but you need to be realistic to know what you can achieve with what you have.

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4 April 2008

World Bank climate funds under fire from G77 and China

Bangkok, 3 April (Martin Khor) – World Bank initiative to establish climate funds of \$5-11 billion has come under heavy fire from the Group of 77 and China and individual developing countries during a meeting of the UN Framework Convention on Climate Change.

“There are monies and funds outside the UNFCCC that undermine the efforts at the Convention on financial resources,” said Bernarditas Muller of the Philippines and coordinator of the G77 and China in the ad hoc working group on long-term cooperative action, which is tasked with following up on the Bali Action Plan adopted at the climate conference in Bali last December.

Speaking on behalf of the G77 and China at the working group’s plenary meeting on financial resources on 3 April, Muller referred to the recent initiative by the World Bank to set up three funds, a \$5-10 billion Clean Technology Fund, a \$500 million adaptation or climate resilience fund, and possibly a third fund on forest.

“For the G77 and China, transparency is very important in the funding issue,” said the group’s coordinator. “This (World Bank initiative) happened without the guidance of the Convention. The amounts are so huge they would dwarf the funds under UNFCCC and would also divert away from whatever funding is decided under UNFCCC.

“The governance of these funds is also donor-driven. There is clearly money for climate actions, which is the good news, but the bad news is it is in the hands of institutions that do not necessarily serve the objectives of the Convention.”

She remarked that the resources for climate funds created outside the Convention come from the same developed country Parties that could have given those resources to the financial mechanisms under the Convention to enable developing countries to implement mitigation and adaptation measures and

contribute to achieving the objectives of the Convention.

Muller added that a decision of the Conference of Parties of the UNFCCC mandated that there must be consistency in the funding of activities outside the Convention with the priorities and principles of the Convention, and these activities should not introduce new forms of conditionality.

Instead of placing funds into the World Bank, the G77 and China coordinator advocated that they be channeled into funds under the Convention. Muller proposed that an “umbrella fund” be set up that could mobilise and manage financial resources for climate change. This could complement existing funds under the Convention or Protocol, such as the adaptation fund whose resources are “woefully inadequate.”

At an earlier plenary meeting on adaptation on 2 April, the G77 and China coordinator also criticized the World Bank initiative. “We have a serious concern about the planned adaptation facility under the World Bank,” she said. “Developing countries’ views and engagement will not be fully taken account of in this fund nor are we able to contribute our views or to the management of this fund.”

During the finance plenary on 3 April, India also criticized the World Bank’s climate funds initiative. “The current moves by some donor countries to finance parallel initiatives through the World Bank, outside the UNFCCC framework, are seen as potentially detrimental to existing developmental financing flows,” said India.

“Further, they are seen as promoting potential conditionalities that would creep into other developmental and commercial financing.

“Given the asymmetrical governance structure of the multilateral financial institutes (MFIs), developing countries cannot avoid seeing this creep into multilateral environmental governance and the MFI

desire to deliver climate related global public goods within the context of declining relevance and waning revenue streams.

“These parallel funding channels could further marginalize developing countries from having a stake in the fight against climate change and create ‘solutions’ that undermine instead of supporting their efforts to develop adaptive capacities. In our view, UNFCCC must proactively provide governance and oversight in the management of such ‘additional’ financial flows under a multilateral framework.”

Other developing countries also advocated that funds for climate change should be channeled through the UNFCCC.

Barbados, speaking for the alliance of small island states, said that AOSIS noted with concern that some developed countries pledged support to some developing countries, but they attach conditionalities to the funds, which were not appropriate. “We want new initiatives to be made through the Convention process.”

South Africa said that funding for climate change should not be piecemeal and not in a multitude of institutions but in one institution. Referring to the Kyoto Protocol’s Adaptation Fund, it said: “We prefer not to have a proliferation of funding from other multilateral agencies.”

Meanwhile, the World Bank’s Environment Department Director, Warren Evans, gave a presentation of the Bank’s climate funds initiative at a side event in a hotel in Bangkok, and also held a meeting

with some NGO representatives.

Evans said the Bank now planned to have two climate-related funds – a Clean Technology Fund with \$5 billion, and a Strategic Climate Fund with some windows in it, including a window on climate resilience or adaptation with \$500 million. There is some uncertainty about a forest-related fund.

Evans indicated there was “reasonable confidence” on funding for the initiative and “we are in a detailed phase.” Over the next fortnight, the Bank will hold many consultation meetings in Washington with NGOs, developing country governments, donor governments and the private sector, culminating in a “design meeting” with donors and recipients on 14-15 April to “nail uncertainties” on scope, governance structure, decision-making process, etc.

On the funding he was confident about, Evans said that the UK had confirmed its participation, while the Bank was “not sure yet” about the US and Japan was also up in the air. Other donors were interested too.

The initiative will be “high profile” at the G8 Summit in July and in August-September the Bank expected to roll out the budget programme.

To a question on why the Bank was setting up another adaptation fund when there was already one in the UNFCCC framework, Evans said the Bank was not setting up an adaptation fund but was mainstreaming adaptation. If there is an objection to it, we won’t do it, he said, adding that “we are happy for someone else to do it.”

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UNFCCC meeting debates mitigation actions

Bangkok, 3 April (Martin Khor) – The climate change talks under the UN Convention on Climate Change held an interesting discussion on mitigation actions, with developing countries detailing their understanding of the different nature of obligations of developed and developing countries in acting to curb greenhouse gas emissions under the Convention and the Bali Action Plan.

However, the United States disagreed, saying the Convention does not define what constitutes a “developing country”, and moreover the Bali Action Plan does not say that developed countries have to take commitments while developing countries only have to take action, as this is an “open question.”

The session on mitigation also saw India orally presenting data on the different rates at which developed and developing countries would have to either reduce their emissions or have the space to increase their emissions on a per capita basis, under certain scenarios and using certain categorisation of countries.

Argentina asked the European Union to provide data on whether developing countries would have to reduce their greenhouse gas emissions, and if so by how much, under the European Union proposal of a global reduction target and a target for developed countries by 2050.

Some developing countries, notably Brazil, also warned against attempts to make use of a “sectoral approach” in mitigation. The developing countries are concerned that if this approach is adopted, it may be used to smuggle in the use of harmonised standards and concepts like a level playing field for international competitiveness, which would open the door to protectionist trade measures against developing countries’ products.

The session on mitigation took place in the ad hoc group on long-term cooperative action (AWG-LCA) which is tasked with implementing the Bali

Action Plan that mandates taking a decision on five main areas (mitigation, adaptation, finance, technology and a shared vision for long-term cooperative action).

At the start of the session, the G77 and China, represented by Bernarditas Muller of the Philippines, said that on enhanced action on mitigation of climate change, there is need to recognise the differences between developed and developing country parties.

Developed country parties have distinct commitments under the Convention which are different from those of developing countries. Developed countries have mitigation commitments which are quantified emission limitations and reduction objectives.

As regards measurable, reportable, and verifiable mitigation actions, there are also distinctions between developed and developing country parties. For developed countries, they are nationally appropriate mitigation commitments or actions including quantified emission limitation and reduction objectives which are measurable, reportable and verifiable.

For developing countries, nationally appropriate mitigation actions are in the context of sustainable development and these actions are enabled and supported by technology, finance and capacity building, in a measurable, reportable and verifiable manner.

There is need for clarification of what is meant by “ensuring the comparability of efforts among developed country parties”. There is need to develop clear criteria for comparability of efforts among developed countries who are parties and non-parties to the Kyoto Protocol.

On sectoral approaches referred to in the Bali Action Plan, these are allowable within the specific boundaries of Article 4.1c of the Convention and refer to cooperative approaches within that holistic consideration should also be given to the economic

and social consequences of response measures (of developed countries) as to the adverse impacts on developing countries.

On the holding of workshops, Muller said the G77 and China wanted the workshop to be open-ended and its organisation to be transparent. It wanted to have a say in how these workshops are to be conducted, and parties should agree on the topics, choice of experts and presenters, and there should be a balance of perspectives. There is a need to avoid proliferation of workshops, keeping in mind developing countries want to have full and effective participation.

The AWG-LCA chair, Luiz Machado of Brazil, responded that workshops will be held in a most transparent way, and the G77 would be consulted. It would be a Party-driven process and with ample possibilities for parties taking control and stewardship.

The Brazil delegation made a lengthy presentation. It said the objective of the Bali Action Plan, including its section on mitigation, is to enhance implementation of the Convention. Our consideration of mitigation, therefore, must respect the text and spirit of the Convention.

“The Bali Action Plan deals with mitigation in a way that confirms the principle of common but differentiated responsibilities,” said Brazil. “It addresses, on the one hand, mitigation commitments, including quantified emission limitation and reduction objectives, for Annex I Parties and, on the other hand, mitigation actions by non-Annex I countries in the context of sustainable development.”

Brazil added that Annex I mitigation commitments and non-Annex I mitigation actions are different in nature. In the first case, developed countries must reduce their emissions to comply with their quantified targets. In the second case, developing countries, implementing nationally appropriate mitigation actions in the context of sustainable development, will seek to reduce the rate of emissions growth, as indicated in the IPCC’s Fourth Assessment Report.

All countries should contribute to the common effort of mitigation, but Annex I Parties and non-Annex I Parties contribute in different ways, guided by their specific responsibilities, capabilities and needs regarding economic and social development and poverty eradication, said Brazil.

Developed countries have their infrastructure in place and the essential needs of their societies fully satisfied; developing countries do not and therefore face the challenge and extra burden of combining economic growth and mitigation actions.

Brazil proposed that the AWG-LCA should

establish criteria to define and ensure comparability regarding mitigation efforts of Kyoto Annex I Parties and non-Kyoto Annex I Parties. This would set clear boundaries to position Annex I countries within an institutional framework that is adequate to their level of development and their capacity to cope with climate change.

In Brazil’s view, “measurability, reportability and verifiability” are different for Annex I countries and non-Annex I countries. What must be measured, reported and verified, in the case of Annex I countries, is the extent to which emission limitation and reduction complies with a quantified emission limitation and reduction objective. This must follow Convention guidelines for Annex I inventories.

On the other hand, what will be measured, reported and verified, in the case of non-Annex I countries, is implementation of sustainable development actions that reduce the rate of emissions growth. Non-Annex I countries will implement measuring, reporting and verifying according to nationally defined procedures. Such procedures will define the level of implementation achieved by sustainable development actions, expressed in physical quantities that are easily verified. Additionally, the sustainable development impact of such actions would also be reported.

Brazil added that in both cases, “measuring, reporting and verifying” should enhance transparency, which is essential for the credibility of the climate change regime. Clear information on the results of actions by non-Annex I countries would also help foster international recognition of their meaningful participation in the global effort to face climate change, a fact that often remains neglected.

Added Brazil: “The extent of developing country actions depends on the level of support they receive by means of enabling technology, finance and capacity building. Brazil has made it clear that it will continue to fight climate change, through national actions, to the full extent of its capacity. However, Brazil is ready to do more, if international positive incentives are established.”

On the issue of “cooperative sectoral approaches and sector-specific actions,” Brazil said the Bali Action Plan is clear in defining that their role is to enhance implementation of Article 4, paragraph 1(c), which deals with promoting and cooperating in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent greenhouse gas emissions in specific sectors.

“There is no basis here for discussions on sectoral mitigation commitments or actions, international sectoral benchmarks or for initiatives di-

rected towards addressing issues totally extraneous to climate change, such as competitiveness levels among countries.”

Japan said it was determined to set a quantified national target. In order to ensure transparency in setting mid-term national targets, it proposed a bottom-up approach using sectoral reduction potential with indicators given to each sector, based on the advanced technology to be used in the future.

Then, each country calculates the possible sectoral reduction volumes, based on the emission potential and size of future productive activities. The whole process could be subjected to peer-review. Sectoral reduction amounts are aggregated in such a bottom-up approach to arrive at a quantified national GHG emissions reduction target.

Japan said this proposed sectoral approach is not a replacement for a quantified national target. This approach should be used to ensure transparency and fairness in setting national reduction targets in accordance with common but differentiated responsibilities and respective capabilities.

“We are not trying to apply the uniform standard for developed and developing countries equally,” said Japan. “We believe that the equity reduction obligation is indispensable for the whole world to tackle climate change and that this approach enables countries to set equitable national quantified targets. We should not repeat the ‘develop first, clean up later’ approach.”

In this connection, the sectoral approach can also be used for technology transfer and identifying the best available practices for relevant sectors in terms of technologies, policies and measures whilst taking into account specific development conditions of each country.

“It will enable to establish a system which would allow developing countries especially major economies to identify most appropriate modern technologies which would ensure economic development as well as effective reduction of emissions... We will actively contribute to establish an effective framework beyond 2012 in which all major economies participate in a substantial manner, leading to the global peak-out and reduction of emissions.”

Barbados on behalf of the alliance of small island states (AOSIS) said global mitigation efforts must be ambitious and consistent with a mitigation pathway that safeguards the most vulnerable countries from adverse impacts of climate change. Some scientists recently suggested that the safe upper limit for atmospheric CO₂ is not more than 350 ppm. This suggests that we have already exceeded a safe concentration level of greenhouse gases.

Based on these findings, the 25-40% reduction range (by 2020) identified by the IPCC is clearly insufficient. Commitments by developed country parties must be drastically enhanced to reflect the present state of science.

We need to define the “comparability of effort”, said Barbados. This will be complicated if developed countries parties develop different “effort parameters”. For instance, if they decide on different base years, different metrics for measuring mitigation outcomes, such as the difference between reductions in emissions intensity compared with absolute emissions reductions, and different reduction targets such as national targets compared to sectoral targets.

There is thus the need to standardise benchmarks, to ensure that comparable efforts can be measured. Developed country parties should use quantified emission reduction actions based on national targets. It is inappropriate for them to have the option of picking certain sectors only.

Once a common set of parameters are agreed, then individual developed countries are able to interpret those parameters to suit their domestic context. In other words, a country could set a national target for emissions reductions but within its own national context it may wish to identify various reduction targets for certain sectors.

Further to the consideration of paragraph 1(b)(i), we see no need to have a discussion on the definition of developed country parties. This definition is already established under Article 4.2 of the Convention and those parties are listed in Annex 1.

On nationally appropriate mitigation action (by developing countries), we see the need for a process to clearly identify the necessary financial and technological incentives such that these actions can be measurable, reportable, and verifiable, said Barbados.

A possible approach is for individual developing countries to identify voluntary actions in sectors which they could take towards emissions reductions, and to design positive incentives to encourage national appropriate mitigation actions within sectors.

Regarding the economic and social consequences of response measures under 1(b)(vi), it would be useful to have a process to explore the economic and social consequences of taking actions to address climate change, in some emerging sectors and processes such as through the production of biofuels, the implementation of trade policies associated with food miles and flower miles, and the implications for countries dependent on tourism.

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Talks on mitigation actions show differences of views

Bangkok, 3 April (Martin Khor) – The informal plenary session at the Bangkok climate talks on mitigation saw several countries giving their views and interpretations on the meaning and implementation of the Bali Action Plan sections dealing with mitigation actions to address climate change.

The discussion was held in the UN Framework Convention on Climate Change (UNFCCC)'s ad hoc working group on long-term cooperative action (AWG-LCA) that is tasked with following up on the Bali Action Plan adopted at the meetings of the UNFCCC in Bali last December.

The European Union, represented by Slovenia, said it was surprised by the G77 and China's interpretation of Article 4(1)c of the Convention (in relation to the sectoral approaches). This could be interpreted in either a broad way or restrictive way, and the G77 interpretation was restrictive.

On mitigation, the EU would like to see parallel discussions on actions by developed and developing countries.

The EU recognised that finance would go into all issues. On developed countries' mitigation actions, we should not duplicate issues being dealt with in the ad hoc working group of the Kyoto Protocol (that deals with further commitments of Annex I countries). Areas requiring further discussion in the AWG-LCA include developed country actions, the issue of comparability of efforts, the issue of "measurable, reportable and verifiable", and the mitigation potential of non-Kyoto Annex 1 parties. A technical paper and workshop are needed on these.

On developing country actions, the EU said there is need for discussion on exploring a wide range of options for mitigation actions, incentives, responsibility and capability parameters. The "measurable, reportable, and verifiable" term should also be explored, and the meaning for developing countries with a view to achieve a common understanding.

On land use and land use change (LULUC), under the mitigation umbrella, there should be concrete policies to halt deforestation, underpinned by the SBSTTA on methodological issues. There is need for a holistic approach and to explore all aspects of the REDD (reducing emissions from deforestation and forest degradation) in the Bali Action Plan.

On sectoral approaches, there is need to define what these mean and discuss various theories. On differentiation (of countries), this is a timely issue. We should explore what "differentiated responsibilities" and "respective capabilities" mean between and within groupings.

The EU said it had endorsed a target for itself of a 30% emission cut by 2020 compared to 1990, provided other developed countries commit themselves to comparable efforts and that the economically more advanced developing countries contribute according to their capabilities.

This can take various forms including sectoral approach, non-binding LULUC, and enhanced clean technology.

For LDCs, the action can be to integrate climate change into sustainable development with a view to avoiding climate change impacts and in enhancing resilience.

Russia said the mitigation discussion should take on board technology as part and parcel of this, which is necessary to consider costs associated with this or what technology makes it possible to achieve these goals. It was interested in seeing the role of sinks, and the emissions of CO₂ in forestry.

Russia added it is important to work out an effective regime in cooperation in fighting climate change. An awareness of differentiation and specificities of different countries is needed. We do not contemplate a review or to reopen what is in the Convention.

The common but differentiated (CDR) prin-

principle covers not only differences between developing and developed countries but also within groupings of developed and developing countries. For the period beyond 2012 we need to understand the potential of the specific groups of countries and how they can contribute to achievement of the common goal.

China supported the Brazil statement. Developed countries should fulfill their mitigation commitments and there is a difference between developed and developing countries, as reflected in the documents. The future work programme should be clear about comparability of efforts between developed country parties to the Convention and non-Kyoto parties, which should reduce their emissions by 25-40% by 2020.

As for mitigation actions of developing countries in the context of sustainable development and in view of their own national conditions, supported by measurable, reportable and verifiable funding and technology, they can take voluntary actions which are based on domestic procedures and processes, and these can be reported, measured and verified according to national processes.

It is the mitigation actions that are to be reported, measured and verified, and not the effectiveness of such actions, said China.

It added that sectoral approaches are well defined in the Bali Action Plan and their purpose is the implementation of Article 4(1) c of the Convention.

South Africa said that the nature of mitigation commitments by developed countries and mitigation actions by developing countries are different. There is recognition that mitigation actions are to be undertaken by developing countries in the context of sustainable development needs. The issue of "measurable, reportable and verifiable" with regard to technology transfer, finance and capacity building needs to be addressed.

There is need to address the commitments of developed countries to ensure full and effective implementation of emission reduction commitments now, up to and beyond 2012 and to elaborate what that means. Another examination required is that of criteria for comparability of efforts and how to ascertain that and the methodologies for measurable, reportable and verifiable.

For developing countries, there is need to discuss positive incentives in the context of sustainable development and the means of identifying mitigation actions of developing countries that can have climate co-benefits. In relation to sectoral approaches, they should be within the context of common but differentiated responsibilities.

Indonesia stressed the need to address policy approaches for emission reduction from deforestation (REDD) and the role of conservation and enhancement of forest stocks.

Cuba said mitigation actions in developing countries must be determined in the context of sustainable development. Mitigation actions are to be integrated into the development plans, taking into account economic and social concerns. They must be connected to finance and technology in a measurable, reportable, and verifiable manner. There is need to look at how biofuels affect food security, and also need to address economic and social consequences of mitigation measures.

Ghana said the capacity for inventory management of greenhouse gases is important. The broadening of gases is needed as a number of gases are not reported in national inventories.

Argentina said that on shared vision, some countries have already started discussing scenarios. It asked the EU to provide more data. The EU had proposed cutting global emissions by 50% by 2050 compared to 1990 levels, with 60-80% cuts by developed countries. The EU needs to provide data on the following two scenarios, said Argentina.

First, if we set a global target of 50% in reduction of emissions by 2050, with a division of responsibility between our two groups (developed and developing countries), what is the implication for developing countries if developed countries take on cuts of 60,70 or 80% respectively?

Second, a UN report says that developing countries' population would double by 2050. What would this mean in terms of per capita emissions of developing countries in 2050 as compared to 2050?

This information can guide us in our consideration of the long term cooperative action, said Argentina. It would like to "tango" with the EU until it gets this information.

Saudi Arabia said there is need to be comprehensive, including addressing sources and sinks with equal importance, and addressing all greenhouse gases by expanding the list (including gases under the Montreal Protocol).

On common but differentiated responsibilities, Saudi Arabia noted new understandings are being put forward. In Rio, the understanding was based on rights and obligations and to differentiate between developed and developing countries. It is dangerous to reinterpret Rio. If this is done on this issue, then others will also seek to re-interpret other issues as well.

There is a clear division between mitigation commitments for Annex I countries and mitigation

actions for non-Annex I countries in line with sustainable development goals. Definitions that apply to one group would be different when applied to the other, for example, what is “measurable, reportable, and verifiable” and a clear distinction must be made. As we are discussing bigger numbers and more stringent targets, the impact of this is going to be higher and more devastating. Issues of response measures need to be taken more seriously.

Papua New Guinea was worried about compartmentalisation and process redundancy. For example, on deforestation and conservation, developing countries are interested and cannot do without a new system of positive incentives; they need new technologies, adaptation and co-benefits. This also relates to shared vision. All Annex I countries need to be actively involved. The issue of REDD needs a work programme with a holistic view.

The US said the Bali Action Plan includes consideration of all parties for actions which are measurable, reportable and verifiable. The world has changed since 1992 and the Convention must also change. The agreed outcome should involve emission trends to reflect tomorrow’s emissions.

Mitigation actions should meet criteria, including that they are nationally appropriate. They should attract widespread participation of parties. In accounting of national action, they should address whether this is voluntary, domestically binding etc, which needs to allow change over time for upgrade of actions by countries.

It strongly disagreed with previous statements about distinctions between groups of countries. It said that Article 4.2 of the Convention does not set criteria for what constitutes a developing country. The Bali Action Plan does not say that developed countries have commitments and that developing countries would take actions. It is an open question. On sectoral approaches, it did not agree that Article 4.1(c) limits the consideration of sectoral approaches.

On process, the US said it is premature to discuss national action now. It can discuss action by sectors and suggested a workshop. It can focus on land use and land use change. Several concepts need to be elaborated, such as “measurable, reportable, and verifiable”. Some say this should apply differently to developed and developing countries, but the US does not agree with that.

Another concept is “common but differentiated responsibilities and respective capabilities.” Its application has evolved as responsibilities and capacities have changed. On the issue of developed and developing countries, the Bali Action Plan refers to “developed countries” as opposed to Annex I and

non-Annex I countries. The criteria of a “developing country” in relation to mitigation should be talked about. The US added that the discussion on mitigation should be combined with technology and financing.

Venezuela said there was need to repeat the principles that guide actions of developing and developed countries. On common but differentiated responsibilities, it has heard comments about the fact that some developing countries’ circumstances have changed. Some developing countries may have done better economically, but all of them still face problems. National priorities have not changed. Poverty and social marginalisation are still priorities. No developing country can ignore that. We have not overcome poverty because of the international structure of economic power.

There are countries which are called emerging economies but they still face clear problems of poverty which must be their national priority to overcome.

On what is “measurable, reportable and verifiable”, Venezuela said this applies in relation to international cooperation. It is this cooperation that should be given to developing countries that is measurable, reportable and verifiable. The promises of the last century have not been delivered.

On sustainable development in relation to mitigation, criteria should be set on how existing economic models may negatively affect the climate and impact negatively on sustainable development, and this must be taken into consideration.

Norway spoke about the conclusions of a workshop in Oslo on aviation, that the absence of policies on bunker fuels was due to a political and not a technical barrier. Work is going on at the IMO and ICAO (international maritime and aviation organisations). It suggested a workshop on how these sectors can be included in a new regime and how targets can be reached.

Australia wanted further collective understanding on “measurable, reportable and verifiable.” It agreed with the EU that we should examine differences within groups and economic criteria should be given a bigger role than political criteria.

India said that instead of talking in abstract terms about mitigation and long term goals, we should look at hard numbers. It then presented some scenarios, confined to CO₂ emissions as data on this is reliable. In 2005, the world emitted 28 gigatons. At the normal ranges of stabilisation, the per capita emission in 2050 should be 1-3 tons.

If we use the upper figure (3 tons per capita) as the permitted level (in 2050) then the world is di-

vided into exactly two halves. Half the world today is emitting more than 3 tons and the other half is emitting less than 3 tons. In the upper half are two categories, Category I comprising the OECD countries emitting 11.6 tons per capita a year and Category II comprising some developing countries emitting an average of 5.6 tons per capita. The lower half of the world is in Category III, developing countries which emit an average of 0.9 tons per capita.

India said that even if the countries in Category III are eliminated, countries in the other two categories would still need to reduce their emissions by about 60% to meet the target of 50% global emission reduction. And if only the OECD countries are asked to make emission reductions, then they must reduce their emissions by over 100%.

In another scenario, assuming that Category III countries are not to be eliminated, and we are still to achieve a 50% global cut by 2050, then the per capita emission worldwide would have to be 1.16 tons in 2050. With this assumption, Category III of countries can grow their emissions by 110%, while Category I countries would cut their emissions by 95% and Category II countries must reduce their per capita emissions by 76%.

However, if Category II countries do not want to reduce their per capita emissions (but only maintain their existing levels), then Category I countries must reduce their emissions by 150%.

If we relax this assumption of a 50% cut but assume that per capita emissions worldwide are to average 3 tons in 2050, Category III countries can increase their emissions by 450%, OECD countries have to cut their emissions by 70% and Category II countries have to cut theirs by 36%. However if Category II countries do not reduce their emissions, the Category I countries would have to cut their emissions by over 100%.

India said that whatever the cooperative action to be taken, the Category III countries' emissions will have to grow. All emission reduction will have to come from the first half of the world. The bottom half cannot contribute to this reduction as their emission is so low today, so there has to be some form of convergence and equity to give them the space to grow their emission.

India concluded that the levels of reductions required cannot happen without major technological changes. There is thus need to use these hard numbers to have a proper perspective on the issue.

Switzerland, referring to the notion of developing countries, agreed with Japan that there should be a flexible approach to be able to have countries change from one category to another, and to have more than 2 categories of countries (developed and developing). The world has changed and the Bali Action Plan is a cornerstone for a new world.

TWN

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Climate: Meet your financial obligations, developed countries told

Bangkok, 4 April (Neth Dano) – An interesting debate on finance took place at the Bangkok climate talks as delegations aired their views on what they considered the significant issues on financial resources that had to be tackled in combating climate in the context of the follow-up to the Bali climate conference.

As developing countries stressed that there had been little progress on developed countries' obligations to provide financial resources, the United States told them to "get real" since most of the money must come from the private sector.

China replied that the private sector is not a party to the UN Framework Convention on Climate Change, whereas governments of developed countries are. And as to the point made by many developed countries that the world had changed (and thus developing countries that progressed should no longer be treated like developing countries), China said that if a person borrowed some money, he still had to repay the loan even if the one who lent it had become a little better off.

These exchanges were made on 3 April in the plenary discussion on finance of the Ad Hoc Working Group on Long-Term Cooperative Action (AWG-LCA) under the UNFCCC.

The G-77 and China strongly called on developed countries to deliver their financial obligations under the Convention, instead of undermining the financial mechanisms that have been adopted by the Parties such as the Adaptation Fund. This was strongly supported by the small island developing countries and the least-developed countries.

The Philippines, speaking on behalf of G-77 and China, reiterated issues on adequacy and accessibility of the funding under the Convention to address climate change by developing countries, namely the Special Climate Fund (SCF) and the Least Developed Countries Fund (LDCF) which both have the Global Environment Facility (GEF) as the oper-

ating entity, and the recently established Adaptation Fund (AF).

It said that these existing funds are not enough, and will not be enough in the near term, to meet the financial requirements of developing countries to achieve the objectives of the Convention, especially in the area of adaptation. It reiterated that the developed countries have so far failed to deliver their commitments in finance and technology transfer to assist developing countries to contribute in fulfilling the objectives of the Convention.

G-77 and China stressed that the issue is not so much the availability of financial resources, but the fact that the available funds are not being brought under the aegis of the Convention. It raised the serious concerns of developing countries on the establishment of bilateral and multilateral funds on climate change recently which appear to undermine the financial mechanisms under the Convention and the possibilities of bringing in more funds for these mechanisms.

It singled out the World Bank's recent announcement of the creation of its Climate Investment Fund comprised of a Clean Technology Fund with an estimated allocation of around \$5-10 billion and a Strategic Climate Fund which includes a Pilot Program for Climate Resilience with an estimated initial fund of \$500 million (See article in SUNS dated 4 April).

The G-77 and China envisaged the establishment of an umbrella fund under the Convention that will bring together the existing financial mechanisms, including possible additional funding mechanisms such as a technology fund and a risk insurance fund.

Groups representing the small island developing states and the LDCs also lamented the serious inadequacy of funding for adaptation measures which are considered urgent for vulnerable countries.

Barbados, speaking on behalf of the Alliance of Small Island Developing States (AOSIS), said that while most adaptation technologies are already available and are inexpensive, that is not the case for most coastal adaptation technologies which are extremely expensive and are in the hands of developed countries.

It proposed that the Convention set up a Greenhouse Gas fund to complement the existing adaptation fund under the Kyoto Protocol. The new fund can obtain funds on the basis of the “polluters-pay principle” by linking the greenhouse gas emission of Annex 1 countries to the amount of their contribution to the funding for adaptation.

It also cited some proposals for mobilizing finance through market-based measures such as the auctioning of emission allowances, extending positive incentives for forest conservation and concessional financing for renewable energy projects.

The Maldives (representing LDCs) and Bangladesh also stressed the need to scale up the current funding available within the Convention. Maldives stressed that the existing funding is inadequate compared to adaptation needs. Bangladesh also stressed that IPRs should not block technology transfer.

South Africa reiterated that funding for climate change should be sustainable and holistic, not piecemeal and not in a multitude of institutions but in one institution. The funds should also be easily accessible for developing countries. It supported the governance structure of the adaptation fund (under the Kyoto Protocol) and called for this governance approach to be adopted by other financial mechanisms.

In response to calls of developing countries for the delivery of legal obligations on finance under the Convention and the concerns on establishment of climate funds in other bilateral and multilateral forums, the US delegation gave this short message: “Get real!”

It emphasized that the bulk of financing for climate change will come from the private sector and the challenge for all countries is to stimulate such investments. It’s not the governments that will pay, said the US.

It found it disturbing that funds are useful only if they come under the Convention, and that the US Technology Fund is not popular here. “Our taxpayers want to attach strings to how our money is spent,” it said.

The EU, Norway and the US proposed that issues in finance and investment under the AWG-LCA will be best understood and discussed in an in-session workshop specifically on the theme. They pro-

posed that the Secretariat’s paper on *Investments and Financial Flows to Address Climate Change*, earlier prepared for a workshop on the topic held in Vienna in October 2007, be used as the main reference to guide the proposed workshop.

The Philippines, speaking for itself, said that this report needs to be updated by the Secretariat to make it consistent with the decisions taken by the Convention, such as that funding for climate change from other institutions should be consistent with the policies, criteria and priorities agreed to by the parties.

“We want to know, when an amount is given, how much of it is in loans, and the purpose of the loans, and if the activities contribute to the activities under the Convention,” said the Philippines.

“These institutions say they are regional banks and have programmes relevant to climate change, but we want an idea who determines these programmes, how they support developing countries to meet Article 4.1 of the Convention, how consistent are they with the priorities of the Convention.

“If workshops are held, are conditions met to make them consistent with the decisions of the conference of parties, especially on capacity building? It is not enough to just ask development banks how much they use in climate change funds but more importantly we need to know how the funds are used.”

China said that the finance issue had been discussed for many years in the Convention, but there had been little progress made. Implicitly responding to comments (by the US) that most funding would have to come from the private sector and not governments, China said that the developed countries are parties, and the private sector are not parties to the Convention.

It agreed with some developed country delegations that had said that the world is changing. “In the case of developing countries, it is because of their hard work,” replied China.

It then gave an example of why the obligations of developed countries still had to be met towards developing countries that had progressed.

“Ten years ago I borrowed ten dollars from you and ten years later I find that you have become a bit richer. Then I think I don’t owe you anything anymore, and the obligation to repay you is not there anymore. I don’t think this attitude can be accepted.”

Thus the developed countries should carry out their legal obligation, said China. It proposed that the developed countries allocate at least 0.5% of their GDP to help developing countries to confront climate change.

TWN

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Bangkok talks conclude with 2008 work programme

Bangkok, 6 April (Martin Khor) – The Bangkok climate talks under the UN Framework Convention on Climate Change (UNFCCC) ended after midnight on Friday (4 April) by adopting two conclusions.

The first is the “Development of a work programme” for the ad hoc working group on long-term cooperative action (AWG-LCA) which is the main UNFCCC body tasked with following up on the Bali Action Plan. The Plan (adopted in Bali in December) mandates that a “comprehensive process” produce decisions on five themes (a shared vision, mitigation, adaptation, financial resources and technology transfer) by the end of 2009.

The second is the conclusion of the group working on new commitments (to reduce greenhouse gas emissions) to be undertaken after 2012 by developed countries that are Parties to the Kyoto Protocol.

The conclusion of the ad hoc working group on further commitments for Annex I parties under the Kyoto Protocol (AWG-KP) is entitled “Analysis of means to reach emission reduction targets and identification of ways to enhance their effectiveness and contribution to sustainable development.”

These two working groups met in Bangkok on 31 March to 4 April in parallel sessions.

The AWG-LCA meetings were mainly in the form of formal and informal plenary sessions, while a contact group met to draft the conclusions. The AWG-KP meeting was mainly taken up by a workshop that lasted 3 days, while a contact group also met to draft its conclusions.

The AWG-LCA meeting overshadowed the AWG-KP meeting as it was the first time the AWG-LCA was meeting, and its task was to have a first hearing of views on the five themes of the Bali Action Plan and to produce a work programme for the rest of the two years.

There are high expectations from the public worldwide that this AWG-LCA will produce a global plan to tackle the climate change crisis by De-

ember 2009. The Bangkok meeting plotted out how another three meetings of the group will be organized this year, while leaving the schedule and topics for 2009 to be determined later.

Although the discussion in the contact group was on the surface about “process” (to determine the agenda items for the next three meetings this year), in fact it was about substance since the choice of topics and the sequencing of these topics were seen by delegations to reflect or affect the priorities given to the specific topics.

The fight over sequencing became a proxy for the fight over priorities of issues and how each issue is to be treated in the forthcoming two-year process, with the Parties realising the high stakes involved.

Of the five themes (shared vision, mitigation, adaptation, finance, technology), most developing countries wanted adaptation, finance, technology and mitigation by developed countries to come first in the work plan, as these reflect the existing commitments of developed countries which, to the developing countries, have been largely unfulfilled.

They wanted a discussion on the implementation of the existing 16-year-old commitments to be fulfilled first. The new issues – shared vision and enhanced mitigation actions by developing countries – should come later, as the decisions on these will be significantly dependent on the enabling factors of finance and technology and the building block of developed countries’ mitigation actions.

However, although a day was spent specifically on finance and technology, it was obvious the developed countries were not really interested in these two topics, nor on concrete pledges on their own mitigation actions in the post-2012 period. (The first commitment period of the Kyoto Protocol, in which developed countries that are Parties have been set targets to cut their emissions collectively by an overall 5%, with different rates for each party, expires in 2012.)

The United States, Japan and some others were more keen on soft-pedaling the new commitments they have to make to reduce greenhouse gas emissions, and to pull developing countries (or at least the “major economies” or “advanced developing countries” among them) into making commitments.

Under the Kyoto Protocol, only developed countries are legally obliged to reduce their emissions, and most developing countries are fighting to keep it that way.

The Bali conference agreed that only “developed countries” (including those like the US that are not in the Kyoto Protocol) have to make a “commitment” to reduce their emissions, while developing countries have to only “take actions” on mitigation in the context of sustainable development.

The US caused a stir when it said this distinction was still up for discussion, and in any case there is no agreement on what constitutes a “developed” or “developing” country.

The implicit threat is that some of these developed countries will refuse to make a new commitment (for the period after 2012) unless some developing countries join in. The criteria of choosing which developing countries have not been clarified, although China and India are usually mentioned because they have large emissions in absolute terms.

But these countries argue that’s because of their population size. Their per capita emissions are still much lower than those of the rich countries, so they should not be picked on.

The developing countries wanted to place the developed countries’ mitigation commitments at or near the start of the agenda, together with finance and technology. They wanted to distinguish between this and the enhanced mitigation action by developing countries, which should separately come later.

But this was opposed especially by the United States, which did not want the mitigation of developed countries upfront. Moreover the US insisted that this topic should be discussed simultaneously with the mitigation actions of developing countries. This was in line with its stance of wanting to pull in some developing countries to also make some kind of binding commitments, and thus to tie this as a condition to the new commitments by developed countries.

This US position was initially opposed by developing countries, which wanted the developed countries’ commitments to be settled first. In the end the US view prevailed, and it was agreed the two topics (mitigation action by developed and developing countries) be discussed in the same workshop, but that this will be held next year.

An understanding on this (as read out by the

AWG-LCA’s chair, Luiz Macado of Brazil at the closing session) will be included in the report of the meeting, although not in the Conclusions of this meeting.

However, the developing countries succeeded in placing adaptation, finance issues and technology transfer as topics for the three workshops to be held in the next meeting of the AWG-LCA.

On another topic, the developed countries, especially the European Union, wanted “shared vision” to be put up front in the work plan, whereas many developing countries (excepting the small island states) wanted this item to be much later.

The EU, together with other developed countries, had been stressing that the central aspect of “shared vision” was to decide on a global emission-reduction target, which to it would be a 50% reduction by 2050 compared to 1990 levels. The EU wanted “shared vision” to be the first item to be discussed.

Many developing countries argued in the plenary that the “shared vision” should be much broader than an emission-reduction target and should also include a vision of finance, technology and adaptation. They also argued for placing the “shared vision” at a later session, next year.

Eventually, as a compromise, it was agreed that a workshop on shared vision will be placed in Session 4 (to be held in December in Poznan).

The biggest issue to dominate the last two days of the Bangkok talks, in the contact group drafting the conclusions, was unexpectedly a “sector-based approach” to mitigation actions, promoted strongly and even obsessively by Japan.

It put forward this concept at the plenary discussion on mitigation, and then at the contact group it insisted not only that a workshop on “sectoral approaches” be held, but it had to be in the very next session (in June in Bonn). Diplomats said that Japan wanted its position on sector-specific actions to be agreed to by the AWG-LCA before the G8 Summit to be hosted by Japan in July.

The Japanese initiative almost torpedoed the Bangkok talks. There was a lot of confusion, as the Japanese delegation could not explain their proposal in detail.

But according to some delegations, it seems that Japan wants countries to take on obligations within specific sectors (for example, steel, aluminum, transport, energy) by adhering to set standards (for example, of carbon intensity or energy efficiency) or targets (for example, for reducing carbon dioxide emission, etc).

The developing countries were very concerned that this kind of “sectoral approach” opens the door

to protectionism. Firms in developing countries lack up-to-date technology or the same level of finance to upgrade, and so their products tend to be more “polluting” or to have higher carbon intensity.

One concern of developing countries is that if sectoral standards and targets are set in a multilateral framework like the UNFCCC, then foreign investors could be less interested to invest in developing countries, since they would be obliged to establish stringent standards like the developed countries. This may happen even if the standards agreed to for developing countries are to some extent lower than the standards for developed countries.

Another concern is that those products that do not meet the standards could ultimately be blocked out of export markets, or else countries can impose extra duties on them on the grounds of their carbon content or energy content.

Since many developing countries’ products are less environmentally competitive, although they may be more cost competitive, the developing countries would be at a serious disadvantage with this kind of sectoral scheme.

These, anyway, were the fears of some delegates of what the Japan proposal would lead to. Suspicions were heightened when Japan insisted on its “sectoral approach” to be among the issues to be discussed at the very next meeting in June.

After long discussions in the contact group, it was finally agreed that a workshop on sectoral approaches and sector-specific actions would be held not in June but in the meeting after that, in Accra in August/September.

Due to the contentiousness of sequencing the negotiations, or on how to place each of the five themes on the agenda for the rest of the year, the AWG-LCA eventually decided that all of the five themes will be on the agenda of each of the remaining three sessions this year (Session 2 in Bonn on 2-13 June; Session 3 in Accra in August/September; Session 4 in Poznan on 1-12 December).

The five themes, for discussion in each session, are listed as follows in the Conclusions:

- Shared vision for long-term cooperative action.
- Enhanced national/international action on mitigation.
- Enhanced action on adaptation.
- Enhanced action on technology development and transfer to support action on mitigation and adaptation.
- Enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation.

It was agreed at Bangkok that each session will also organize workshops. They are supposed to facilitate the group’s work by deepening understanding and clarifying elements contained in the Bali Action Plan, according to the Conclusions. The Chair will produce a report of views expressed at the workshops.

However, delegates at the Bangkok meeting believe that the discussion and the Chair’s summary of the workshops may have significant influence on the outcomes of each issue. Thus much of the discussion at the contact group was spent on the topics of these workshops and the sequencing of them in the various forthcoming meetings.

In the end it was agreed that there would be eight workshops for the rest of this year. In Session 2 (June, Bonn), there will be three workshops:

- Advancing adaptation through finance and technology, including NAPAs.
- Investment and financial flows to address climate change.
- Effective mechanisms and enhanced means for the removal of obstacles to, and provision of financial and other incentives for, scaling up of the development and transfer of technology to developing country Parties in order to promote access to affordable environmentally sound technologies; and ways to accelerate deployment, diffusion and transfer of affordable environmentally sound technologies.

In Session 3 (August/September, Accra) there will be two workshops:

- Policy approaches and positive incentives on issues related to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.
- Cooperative sectoral approaches and sector-specific actions, in order to enhance implementation of Article 4, paragraph 1 (c) of the Convention.

In Session 4 (December, Poznan), there will be three workshops:

- Risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance.
- Cooperation on research and development of current, new and innovative technology, including win-win solutions.
- Shared vision for long-term cooperation.

The Conclusions of the meeting said that “the AWG-LCA agreed to undertake its work, seeking

progress on all elements assigned to it by the Bali Action Plan, in a coherent, integrated and transparent manner. It further agreed to organize its work at each session to include each of the elements, taking into account the interlinkages among them and with the work of the Convention's subsidiary bodies in the context of the Bali Road Map.

“These sessions shall be organized in such a manner for there to be sufficient time available for the negotiations of the AWG-LCA in order to enable the Conference of the Parties to reach an agreed outcome and adopt a decision at its fifteenth session.” [The 15th session will be held in December 2009 in Copenhagen, Denmark].

The Conclusions further stated that the AWG-LCA decided to hold at least four sessions in 2009 of a total duration of up to eight weeks. It will start considering its work programme for 2009 at its 2nd session in 2008 and complete this by the 4th session.

The group's work should be “facilitated by workshops and other activities to deepen understanding and clarify elements contained in the Bali Action Plan. Accordingly, the AWG-LCA requested the secretariat, under the guidance of the Chair in consultation with Parties, to organize the workshops listed in the annex. The AWG-LCA requested the Chair in his summary of each session to include the views expressed at the workshops.

“The AWG-LCA invited other relevant inter-governmental processes, the business and research communities and civil society to take note of this work programme so that the process is informed by their outputs or insights consistent with paragraph 11 of the Bali Action Plan.”

The Secretariat is also asked to compile an information note on ongoing work under the Convention related to issues identified in paragraph 1 of the Bali Action Plan.

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Conclusions on Kyoto Protocol meet on Annex I commitments

Bangkok, 6 April (Martin Khor) – Emissions trading and project-based mechanisms under the Kyoto Protocol can continue to be used by developed countries as a means to meet their targets for reduction of greenhouse gas emissions.

This is one of the main conclusions of a working group under the Kyoto Protocol negotiating the further commitments of developed countries to cut their emissions after the expiry of the current first commitment period that ends in 2012.

The ad hoc working group on further commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) had the first part of its fifth session at Bangkok from 31 March to 4 April. The meeting ended late last Friday night.

It was one of the two meetings taking place under the UN Framework Convention on Climate Change, the other being the first session of the ad hoc working group on long-term cooperation.

Another decision of the AWG-KP was that measures to limit or reduce greenhouse gas emissions and to enhance removals resulting from land use change and forestry (LULUCF) activities can continue to be used by developed countries as a means to reach their emission reduction targets.

The group also agreed to consider five topics at its future meetings, including improving the emissions trading mechanisms; addressing guidelines for the treatment of LULUCF; approaches that target sectoral emissions; broadening the coverage of greenhouse gases, sectors and source categories; and approaches to control emissions from aviation and marine bunker fuels.

Some of these issues were particularly sensitive or even contentious during the meeting to draft the Conclusions of the meeting.

Developing countries were cautious in the discussion on the proposals led by Japan on the use of emission-reduction targets at the level of specific

sectors as a means for Annex I Parties (developed countries under the UNFCCC) to reach their emission reduction targets.

This is because of the concern that Japan would eventually advocate the use of this sectoral methodology or approach to also apply to developing countries, or at least some of them.

The use of sector-specific targets and standards had also been a major issue of contention between Japan and several developing countries in the other meeting taking place in parallel in Bangkok, i.e. the first session of the working group on long-term cooperation (See Bangkok News Update 8).

Another contentious issue was the proposal to introduce control of greenhouse gases arising from the use of marine and aviation fuels.

According to a front-page article in the 4 April issue of the Thai daily, *The Nation*, the European Union had submitted a proposal to control emissions from marine and aviation fuels. The paper reported that EU delegates had stated that airline and shipping lines are important sources of emissions which were growing fast and neither is covered by the Kyoto Protocol.

The article also reported serious concerns by a senior Thai official that such a measure would adversely affect airline and shipping operators and companies in developing countries.

Sitithan Parirojborriboon, director of Thailand's Greenhouse Gas Management Public Organisation, said that if the proposal is adopted, airline operators such as Thai Airways and other Asian carriers will be affected significantly as they would have to control their emissions or be charged for such emissions.

He warned that the burden would be heavy for developing countries' airline operators as currently they have no obligations on emission controls under the Protocol. "These operators could be forced

to pay even though the total emissions of their countries is not within the level of Annex I countries,” Sitithan was quoted as saying.

According to him, the EU suggested two options: allowing an emission trading system among airlines or initiating a carbon dioxide charge on airlines. The EU proposal faced strong opposition from many developing countries, he said, adding that they fear that a rise in costs from this measure will affect air fares or route management and in the end reduce the airline industry’s competitiveness. The proposal will be debated more widely at the next meeting of the group in Bonn in June.

Most of the time of the AWK-KP was spent in a workshop held to discuss various issues. The negotiations took place in a contact group to draft the Conclusions of the session.

Late on 4 April night, the AWK-KP chairperson, Harald Dovland of Norway, convened the final plenary session of the working group. It adopted the Conclusions proposed by the Chair.

The Conclusions, entitled “Analysis of means to reach emission reduction targets and identification of ways to enhance their effectiveness and contribution to sustainable development”, said that the AWG initiated work on the analysis of means that may be available to Annex I Parties to reach their emission reduction targets and identification of ways to enhance their effectiveness and their contribution to sustainable development and to the ultimate objective of the Convention as set out in its Article 2.

The AWG held an in-session thematic workshop on 1-3 April 2008 on the means that may be available to Annex I Parties to reach their emission reduction targets, and the AWG took note of the views and information presented at the workshop, the summary report by the co-chairs and the possible ways to enhance the effectiveness of the means and their contribution to sustainable development that were discussed at the workshop.

The Conclusions stated that “the AWG agreed that emissions trading and the project-based mechanisms under the Kyoto Protocol should continue to be available to Annex I Parties as means to meet their emission reduction targets and could be appropriately improved. In considering possible improvements to the mechanisms, due attention should be paid to promoting, inter alia, the environmental integrity of the Kyoto Protocol and the contribution of the mechanisms to sustainable development. It further noted that the use of such mechanisms should be supplemental to the implementation of domestic actions at the disposal of Annex I Parties.

“The AWG also agreed that measures to limit or reduce greenhouse gas (GHG) emissions and to enhance removals resulting from anthropogenic land use, land-use change and forestry (LULUCF) activities should continue to be available to Annex I Parties as means to reach their emission reduction targets.

“The AWG noted that some of the definitions, modalities, rules and guidelines relating to LULUCF activities under Articles 3, 6 and 12 of the Kyoto Protocol, as contained in the annex to decision 16/CMP. 1, apply only to the first commitment period of the Kyoto Protocol. It acknowledged that further discussions on this issue should take into account the principles that govern the treatment of LULUCF, as set out in decision 16/CMP. 1.

“The AWG acknowledged that the choice and effective use, in accordance with agreed rules and relevant decisions under the Kyoto Protocol where they apply, of means that may be available to Annex I Parties to reach their emission reduction targets depend on national circumstances and the international context.

“The AWG will continue, at its resumed fifth session and at the first part of its sixth session, its work on the analysis of means that may be available to Annex I Parties to reach their emission reduction targets and on ways to enhance their effectiveness and their contribution to sustainable development.

“Work undertaken on these issues by the AWG will require the participation of experts and should take into account relevant results achieved and work under way in other bodies and processes under the Convention, especially its Kyoto Protocol. The AWG agreed to consider, with due attention to improving the environmental integrity of the Kyoto Protocol, in particular:

(a) Possible improvements to emissions trading and the project-based mechanisms under the Kyoto Protocol on their scope, effectiveness, efficiency, accessibility, contribution to sustainable development, capacity to generate co-benefits and the transfer of technology;

(b) How to address, where applicable, the definitions, modalities, rules and guidelines for the treatment of LULUCF in the second commitment period;

(c) How approaches targeting sectoral emissions could be used by Annex I Parties as a means to reach their emission reduction targets;

(d) Possible broadening of the coverage of GHGs, sectors and source categories and its implications, based on sound science;

(e) How approaches to limit or reduce emissions of GHGs not controlled by the Montreal Protocol from aviation and marine bunker fuels could be used by Annex I Parties as a means to reach their emission reduction targets, taking into account Article 2, paragraph 2, of the Kyoto Protocol.

“In the context of its ongoing work, the AWG will also consider the implications for the carbon

market, in particular the supply and demand for tradable units under the Kyoto Protocol, resulting from changes to the means that may be available to Annex I Parties to reach their emission reduction targets.”

The next meeting of the AWG-KP will be a resumed fifth session to be held in Bonn on 2-13 June.

Climate Briefings for Bangkok

Review of legal status of Annex 1 Parties obligations for second and subsequent commitment period under Kyoto Protocol

Summary

Despite claims to the contrary by Annex 1 countries, developing countries have a strong legal position in the Ad-Hoc Working Group on Further Commitments for Annex 1 Parties under the Kyoto Protocol.

As Kyoto Parties are legally bound to establish further commitments, these discussions should not be linked with discussions on Long-Term Cooperative Action under the Convention or elsewhere. Nor should they be used to extract further concessions from developing countries in discussions under the Convention or Kyoto Protocol.

Under the Kyoto Protocol, Parties are clearly bound to establish second and subsequent commitment periods for Annex 1 countries. Article 3.9 provides that “Commitments for subsequent periods for Parties included in Annex I *shall be established* in amendments to Annex B to this Protocol, which *shall be adopted* in accordance with the provisions of Article 21, paragraph 7” (emphasis added).

The position of developing countries is particularly strong as amendments can “as a last resort be adopted by a three-fourths majority vote of the Parties present and voting”, in the event that Parties cannot agree at an ordinary CMP meeting (Article 21 and 20).

Moreover, if Annex 1 Parties fail to meet their commitments in the first commitment period, then the difference “shall, on request of that Party, be added to the assigned amount for that Party for subsequent commitment periods” (Article 3.13). It is therefore clear that in future commitment periods Annex 1 countries must have “assigned amounts” which they are bound to reduce.

The Kyoto Protocol also provides that existing CMP decisions regarding emissions from agricultural soils and land-use change and forestry “*shall apply* in the second and subsequent commitment periods” (emphasis added), demonstrating the intention of Kyoto Parties to a continuation of the existing structure and form of Annex 1 Parties’ commitments in future commitment periods.

It is thus clear from the Kyoto Protocol that its Parties are legally bound to agree on a second period following the conclusion of the 2008-2012 first commitment period. Moreover, these commitments should be the same, or substantially similar, to those in the first commitment period (not least so assigned amounts can be added in the event of a failure to meet commitments during the first period, and to ensure that relevant CMP decisions continue to apply).

These are *existing* treaty obligations. Developing countries are thus under no obligation to make additional concessions – in a discussion on future Long-Term Cooperative Action under the Convention or elsewhere – to ensure these existing binding commitments are honoured by Annex 1 Parties to the Kyoto Protocol. Nor are they under any obligation to “structural changes” or other revisions within any second commitment period that are inconsistent with existing CMP decisions.

Review of legal status of Annex 1 Parties obligations for second and subsequent commitment period under Kyoto Protocol

This note summarizes the main provisions of the Kyoto Protocol relating to the first, second and subsequent commitment periods for emissions reductions by Annex 1 Parties, and provides preliminary views on the legal status of these provisions under the Kyoto Protocol.

Relevant legal provisions

Article 3 sets out the obligations of Annex 1 Parties relating to quantified emission limitation and reduction commitments under the Kyoto Protocol. Article 3.1 provides:

The Parties included in Annex I shall, individually or jointly, ensure that their aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A do not exceed their assigned amounts, calculated pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B and in accordance with the provisions of this Article, with a view to reducing their overall emissions of such gases by at least 5 per cent below 1990 levels in the commitment period 2008 to 2012.

The assigned amount of each Annex 1 Party’s commitment during the first commitment period is established in Article 3.7 (and associated annexes) which provides:

In the first quantified emission limitation and reduction commitment period, from 2008 to 2012, the assigned amount for each Party included in Annex I shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in 1990.

The obligation to adopt commitments for Annex 1 Parties for a second and subsequent commitment periods is established in Article 3.9.

Commitments for subsequent periods for Parties included in Annex I shall be established in amendments to Annex B to this Protocol, which shall be adopted in accordance with the provisions of Article 21, paragraph 7. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall initiate the consideration of such commitments at least seven years before the end of the first commitment period referred to in paragraph 1 above.

Article 21 sets out the procedure for establishing and amending Annexes to the Kyoto Protocol, including those relating to Annex 1 Parties emission reduction commitments. Article 21.1 provides:

Annexes to this Protocol shall form an integral part thereof and, unless otherwise expressly provided, a reference to this Protocol constitutes at the same time a reference to any annexes thereto.

Article 21.7 provides that amendments to Annexes A and B will be adopted using the same procedure as for amendments to the Protocol:

Amendments to Annexes A and B to this Protocol shall be adopted and enter into force in accordance with the procedure set out in Article 20, provided that any amendment to Annex B shall be adopted only with the written consent of the Party concerned.

Article 20, in turn, provides that “amendments to this Protocol shall be adopted at an ordinary session of the Conference of the Parties serving as the meeting of the Parties to this Protocol” (Article 20.2).

Article 20.3 provides:

The Parties shall make every effort to reach agreement on any proposed amendment to this Protocol by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the amendment shall as a last resort be adopted by a three-fourths majority vote of the Parties present and voting at the meeting. The adopted amendment shall be communicated by the secretariat to the Depositary, who shall circulate it to all Parties for their acceptance.

Article 20.5 provides:

The amendment shall enter into force for any other Party on the ninetieth day after the date on which that Party deposits with the Depositary its instrument of acceptance of the said amendment.

Interpretation of legal provisions

In accordance with international law, international agreements are to be interpreted in accordance with their ordinary language, in light of their context and as well as the object and purpose of the treaty (Vienna Convention on the Law of Treaties).

Article 3 establishes obligations regarding the quantified emission limitation and reductions required for Annex 1 Parties to the Kyoto Protocol. The Protocol clearly establishes the period of the first commitment period (2008-2012), and requires each Annex 1 Party to have made “demonstrable progress in achieving its commitments” by as early as 2005 (Article 3.2).

The Protocol also includes clear language regarding second and subsequent commitment periods, stating:

Commitments for subsequent periods for Parties included in Annex I *shall be established* in amendments to Annex B to this Protocol, which *shall be adopted* in accordance with the provisions of Article 21, paragraph 7 (emphasis added).

Use of the word “shall” indicates the intention of the Parties that these obligations have legally binding effect, and is consistent with the use of the term elsewhere in the UNFCCC and Kyoto Protocol and in other international agreements (e.g. including obligations relating to the first commitment period, which are widely regarded by Parties as legally binding).

The Kyoto Protocol provides that consideration of future commitments should be initiated well before the end of the first period:

The Conference of the Parties serving as the meeting of the Parties to this Protocol *shall initiate the consideration* of such commitments at least seven years before the end of the first commitment period referred to in paragraph 1 above (emphasis added).

Again, use of the term “shall” indicates the intention of the Parties for these commitments to be legally binding in effect. The Kyoto Protocol also calls for early initiation of consideration of these future commitment periods (seven years before 2012), which also suggests that commitment periods are intended to run contiguously, a conclusion that is consistent with relevant CMP decisions and the actions of the Parties.

The binding nature of the obligation to establish subsequent commitment periods is further supported by Article 3.13, which establishes the consequences for an Annex 1 party of failing to meet their emissions reduction targets:

If the emissions of a Party included in Annex I in a commitment period are less than its assigned amount under this Article, this difference shall, on request of that Party, be added to the assigned amount for that Party for subsequent commitment periods.

It is difficult to see how this provision would provide an effective measure for addressing a failure to meet emissions reduction targets in an initial commitment period if agreeing on second and subsequent commitment periods were not binding in legal effect.

The Kyoto Protocol also reflects the Parties' intention that decisions by the CMP will bind a second and subsequent commitment period. Article 3.4, for example, provides that CMP decisions regarding "modalities, rules and guidelines" regarding emissions relating to "agricultural soils and the land-use change and forestry categories" "*shall apply* in the second and subsequent commitment periods" (emphasis added). Again, in this provision Parties to the Kyoto Protocol have used language suggesting legally binding obligations relating to second and subsequent commitment periods.

Together, these provisions – relating to the nature and timing of subsequent commitment periods, the linking of commitment periods in cases of failure to meet emission reduction commitments, and the continuity of CMP decisions into second and subsequent commitment periods as well as consistent use of the legally binding term "shall" in each of these contexts – all suggest that negotiating a second commitment period is a legally binding obligation of Parties to the Kyoto Protocol.

It is also notable that, although the obligations set out in Article 3 specify emission reduction obligations relating to *Annex 1 Parties*, the broader obligation to agree on a second and subsequent commitment period for Annex 1 Parties rests with *all* Parties to the Kyoto Protocol.

These obligations must be "adopted at an ordinary session of the Conference of the Parties serving as the meeting of the Parties to this Protocol" (Article 20.1) and "if all efforts at consensus have been exhausted, and no agreement reached, the amendment shall as a last resort be adopted by a three-fourths majority vote of the Parties present and voting at the meeting" (Article 20.3).

Failure to comply with these provisions – for example by failing to negotiate and agree on a second commitment period through the Ad Hoc Working Group on Further Commitments of Annex 1 Parties under the Kyoto Protocol – would thus constitute derogation by all Parties to the Kyoto Protocol of their legally binding obligations, not merely by Annex 1 countries.

Brief Note on Technology, IPR and Climate Change

Third World Network
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1. If developing countries are to moderate their emissions growth and eventually to cut their emissions, and still have the capacity to have economic growth (of the appropriate type, consistent with sustainable development), the key is for them to have access to climate-friendly technology at affordable prices.
2. Technology transfer is not the mere purchase of machines etc. at commercial rates. Technology transfer is the building of local capacity so that local people, farmers, firms and governments can design and make technologies which can be diffused in the domestic economy.
3. Some technologies are in the public domain, or are not subjected to patents. But many key technologies are patented. And many technologies of the future will also be patented.
4. For these technologies, there must be an understanding that patents should not be an obstacle for developing countries to have access to them at affordable prices. According to the TRIPS agreement, if there is a patent on a product, a process or a technology, a firm or agency in a country in which the patent is operating can request for a voluntary license from the patent holder, in order for the firm to make or import generic versions of the patented product or technology. The patent holder will normally charge a price (royalty or license fee) for granting the license. If the patent holder refuses to give a license, or if the price charged is too high, the firm or agency can apply to the government to grant it a "compulsory license". Alternatively, a government that wants to have access to generic versions of a product or technology can itself take the initiative to issue a compulsory license.
5. The firm or agency granted a compulsory license would normally have to pay a royalty or remuneration to the patent holder. In the case of pharmaceutical drugs, the royalty rate offered in recent compulsory licenses by developing countries such as Malaysia, Indonesia, and Thailand, ranges from 0.5 to 4 per cent of the price of the generic drug.
6. Under the TRIPS agreement, there is considerable flexibility provided to WTO members states on grounds for issuing compulsory licenses. These grounds are not restricted, as confirmed by the WTO Ministerial Declaration on TRIPS and Public Health (Doha 2001). It is not necessary to declare a state of emergency, for example. Certainly the fact that a country requires a product or technology in order to meet its objectives or responsibilities to mitigate climate change or to adapt to climate change is a most valid ground for compulsory licensing.

7. Compulsory licensing is not a unique or exceptional policy. In developed countries like the US and the UK, there have been many compulsory licenses granted by the government to facilitate cheaper products and technology in the industrial sector. In many developing countries, compulsory licenses have been issued for the import or local production of generic drugs. There is a type of compulsory license known as “government use” which many developing countries have made use of. This is when the product to be imported or produced in a generic version is to be for public, non-commercial use, for example for medicines distributed by the government in clinics and hospitals. In such cases, prior negotiation with the patent holder is not necessary although remuneration or royalty to the patent holder is required.
8. Thus compulsory licensing is an option that developing countries must now seriously consider for climate friendly technology. The Brazilian Foreign Minister Mr Celso Amorim in his speech at the plenary of the Bali climate conference in Dec 2007 said that inspiration should be drawn from the case of TRIPS and medicines, and that a similar statement regarding TRIPS and climate friendly technologies should be considered. Strictly speaking, it is not necessary for such a statement to be made by Ministers before a country exercises rights that it now has to issue compulsory licenses for climate technologies. The rights already exist in TRIPS. However when countries exercise these rights they may be penalised by countries such as the USA. Therefore developing countries find it useful that an international declaration is made, so that when they exercise their rights they are to some extent more protected politically, which adds to their confidence of exercising what is already their rights under international law (ie TRIPS). However there is no guarantee that the political declaration will protect a country that exercises its rights – Thailand today faces political pressure from the USA for issuing compulsory licenses on some drugs.
9. It is also possible to raise the level of ambition for sustainable development, by proposing that environmentally friendly technology should not be patented in the first place (so that the process of compulsory licensing etc is not even required). There is a strong rationale for this, at least for climate friendly technology and products. If climate change is truly the serious crisis threatening human survival, and there are only a few years left to start very strong action, then the situation is similar to war-like conditions. During war (eg the Second World War) individual commercial interests such as patents are suspended so that there can be concerted national action in the most effective way, to face the enemy. Developing countries require technologies at the cheapest possible prices. If they obtain the needed technology at one quarter of the price, they can increase the rate of change to put into effect mitigation and adaptation measures four times faster and four times more effectively.
10. There can be many variations for the relaxation of IP in relation to climate friendly products and technologies. (a) A mandatory ban on patents on climate friendly technologies and products. (b) A mandatory ban on patents in developing countries only, while patents can still be granted in developed countries. (c) Developing countries are allowed to exclude patents on climate friendly technologies and products. (d) Voluntary licenses must be automatically granted on request, which will be free of royalty.
11. There are already examples of developing countries and their firms being hampered from adopting climate friendly technologies or products due to there being patents on these products, and due to the unreasonable demands made by the patent holders on companies in developing countries that requested a voluntary license from the patent holder. The case of Indian companies finding great difficulties to obtain a voluntary license from the patent holder of a chemical that is an environmentally-friendly substitute for CFCs (which is to be eliminated under the Montreal protocol) is a well documented case.
12. In conclusion, any WTO member state is already allowed by the TRIPS agreement to take measures such as compulsory licenses and parallel importation to obtain technologies or products (that are patented) at more affordable prices. But the processes of negotiating with the patent holder and of issuing compulsory licenses etc can be quite cumbersome to countries not familiar with the procedures.

It is better that developing countries be allowed to exempt such technologies from patenting. There should not be resistance to this, if we are to take the climate threat seriously. Developed countries should not treat patents or IPRs as something sacred that has to be upheld at all costs. That would send a signal that climate change is not a serious threat, as commercial profits for a few are more important on the scale of values and priorities than are the human lives that are at stake due to global warming. Technology transfer to developing countries to enable them to combat climate change should be the far higher priority. Developed countries should not treat climate technology as a new source of monopoly profits, as this would damage the ability of developing countries to phase in existing or new climate-friendly technologies for both mitigation and adaptation. The post-Bali process should therefore adopt the principle that developing countries can exempt climate-friendly technologies from patents. Such a principle would demonstrate that developed countries are serious about resolving the global climate crisis and about assisting developing countries. It would also help developing countries to take on mitigation and adaptation measures, which are dependent on the technologies.

Trade and Climate Change: Some summary key points

Third World Network
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1. On the dangers of trade protectionism through using climate as an argument

Climate change is a real problem. There are links to trade, but climate should not be used as the basis of protectionism. In this context the following should be stressed:

There should not be attempts to link trade measures such as duties on imports or countervailing duties on the basis of “carbon content” of products or the method of production (i.e. whether a product is produced in an environmental way). WTO rules at present require that “like products” are treated in the same way, e.g. you cannot place a different import duty on a product on grounds that it is produced in an environmentally more polluting way than another product. If imported products are taxed according to carbon or CO₂ content then the products of developing countries will be at a disadvantage as the level of technology is not as high as in developed countries, and would generally be produced in a less environmental way. Thus PPMs (processes and production methods) should not be used to judge a product and “trade related environmental measures” should not be introduced.

NOTE: French President Sarkozy has said he wants to introduce import duties on products of countries that do not comply with climate commitments. He could be thinking of the US, but also of developing countries. In a recent visit to China he gave a warning of this kind. At present this kind of protectionism has been contained to some degree but is bound to increase.

2. On proposals to liberalise Trade in Environmental Goods and Services

The joint proposal by EU and US (made at WTO trade and environment committee) a week ago and which will be brought to Bali as their contribution is not helpful and has been criticized already by India and Brazil. It is not an “offer” or concession, but is actually a market-access demand on developing countries to open up their markets. The proposal is that WTO members commit to zero tariffs on two sets of products (one set of products listed by World Bank as being climate related, and another set of hundreds of products which the US and EU have long ago placed in the WTO committee on trade and environment as a list of “environmental products” which should have accelerated liberalisation (to zero)). Developing countries have for a long time opposed the long list of products, some of which are not genuinely environmental but included for pure market access issues. Also, developing countries do not just want to be importers of environmental products but aspire to produce them. Zero tariff commitment at WTO will render domestic production impossible in many cases.

The analogy of food is useful. Although cheap imported food through zero tariffs may be seen as useful from one point of view, on the other hand a developing country may want to defend livelihoods of its farmers, and also to achieve a level of food security, and thus many developing countries are defending their right to maintain sufficient tariffs and to have a special safeguard mechanism to face up to the challenges of cheap (and often subsidized) imported foods items.

There may be a case for developing countries to import environmental goods and low or zero tariffs at any particular time. However they need not and often should not “commit” this low or zero tariff as bound tariff rates in the WTO. This is because at some time in future (or perhaps at present) the country may want to produce the climate-friendly product, and may require a period of time to have higher tariffs to enable local industry or local agriculture to produce the product.

The EU/US proposal also calls for developing countries to make commitments to open markets to “environmental services”, which include energy, waste disposal, etc. This is again a demand for opening up and committing several services sectors to foreign ownership and competition. This is part of the pressure on developing countries to open up their services. It may be that a developing country may choose to have a certain level of liberalization to foreign participation in certain services. However it may decide to commit or not to commit to schedule this level of opening in GATS in the WTO. Some countries do not want to commit because this gives them the policy space to “backtrack” in future if for example there is harm done to local producers, or if they decide in future to develop a local service industry in that service. Therefore it is not appropriate for developed countries to pressurize developing countries to commit to full liberalization in environmental services at the WTO.

Conclusion: The EU-US proposal will not be helpful to fight climate change.

3. Standards. Developing countries should also be on guard against the wrong use of standards to give developed countries an unfair advantage. For example, new standards for all kinds of products (energy, motor vehicle etc) can serve to block many exports of developing countries.

4. IPR rules can be relaxed. The TRIPS agreement reduces or constrains the ability of governments to obtain technology, as the patents can make the technologies more expensive or unavailable. Developing countries could be exempted from patents from climate friendly products and the technology or process that makes them.

5. Revisit the Doha Round proposals. To link trade and climate, the demands made in the Doha Round should be revisited. One of the messages from UNCCC is that countries and communities must build up their **resilience to climate change in order to reduce vulnerability**. They need to be strong to adapt to climate change. The weaker communities and countries are economically, the less able they are to take adaptation or mitigation measures. Thus the biggest contribution the trade system can make is to help build their resilience.

Thus the demands of developing countries like G33 in Doha Round are important – to have special products and special safeguard mechanism to defend the food security and farmers’ livelihoods and rural development. Developing countries must also be able to have their small medium size industries survive and thrive. Thus the developed countries should be sensitive to the needs and demands of developing countries at the Doha Round and not stick to their “market access” approach in which they have been putting intense pressures on developing countries to open their markets. If the “market access” paradigm remains in the North, then the South will continue to face threats to their national economies (agriculture, industry and services) and this makes them more vulnerable in the fight against climate change.

World Bank's Climate Funds May Undermine UNFCCC Talks

Celine Tan

17 March 2008

NGOs have expressed serious concerns over the World Bank's proposed US\$7-12 billion portfolio of climate investment funds, including criticism that the initiative led by a handful of G8 countries will undermine existing multilateral negotiations on climate change and create conflicting parallel mechanisms for delivering climate-related financing.

In a letter sent to UK Secretary of State for International Development, Douglas Alexander, on Tuesday 11 March 2008, representatives from over 20 UK-based and international NGOs said that the current rush to finalise the proposals for the funds could lead to the establishment of "top-down funds, without adequate participation of developing countries, without much needed accountability mechanisms, and without promoting the wider environmental and development benefits and sustainable transformations".

Below is a report on the Bank's proposed climate investment funds and civil society concerns about them. It was published in the *SUNS* #6437 Monday, 17 March 2008.

Non-governmental organisations (NGOs) have expressed serious concerns over the World Bank's proposed US\$7-12 billion portfolio of climate investment funds, including criticism that the initiative led by a handful of G8 countries will undermine existing multilateral negotiations on climate change and create conflicting parallel mechanisms for delivering climate-related financing.

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The NGOs include the Bretton Woods Project, Christian Aid, Friends of the Earth, Greenpeace, Jubilee Debt Campaign, Oxfam GB, Practical Action, Third World Network and WWF-UK and the letter was copied to Hilary Benn, Secretary of State for Environment, Food and Rural Affairs, UK.

The World Bank expects to conclude discussions on arrangements for its climate investment funds, including securing financial pledges from donors, at the G8 environmental ministers' meeting in Tokyo in late May this year and seek final approval for the funds from its Executive Board in early June.

The World Bank has proposed the creation of three specific climate investment funds - the Clean Technology Fund, the Forest Investment Fund and the Adaptation/ Climate Resilience Pilot Fund - along with a Strategic Climate Fund to deliver donor financing for climate change mitigation and adaptation projects.

According to a leaked draft of the Bank's proposal dated 22 January 2008, the funds will be aimed at providing "concessional finance for policy reforms and investments that achieve development goals through a transition to a low carbon development path and climate-resilient economy for developing countries".

The combined target size of the funds is between US\$7-12 billion and stems from the institutions' dialogues with a tripartite of countries, the UK, the US and Japan, building upon the UK's earlier initiative for an Environmental Transformation Fund (ETF), the US's proposed Clean Technology Fund and Japan's Cool Earth 50 initiative.

Financing will take the form of credit enhancement and risk management tools, such as loans, grants, equity stakes, guarantees and other support mobilised through donor contributions to the respective trust funds and implemented in collaboration with the regional development banks.

NGOs are concerned that the proposed Bank funds, established as trust funds under the Bank's Concessional Finance and Global Partnerships Vice-Presidency, will lead to parallel structures for the mobilisation and disbursement of climate-related financing and bypass existing multilateral negotiations.

For example, they are worried that the inclusion of the US-led Clean Technology Fund into the Bank's portfolio "could imply support for the US Major Emitters Meeting process, which lies outside the UN track of negotiations on a post-2012 framework".

This is compounded by the fact that the Bank will host a secretariat for the climate investment funds and will, in collaboration with regional development banks, be responsible for selecting staff for the secretariat and managing the secretariat.

The governance structure of the climate investment funds will also be donor-dominated, governed by trust committees made up of the contributors to the respective funds. The trust fund committees would be responsible for reviewing and approving country applications for financing and determining the terms of access to the funds.

The Bank itself has an asymmetrical governance structure where voting power is allocated according to capital invested in the Bank, giving five developed countries almost 60% of the votes in the institutions.

NGOs are concerned about the potential conflict between the Bank-proposed Adaptation/ Climate Resilience Pilot Fund and the United Nations Framework Convention on Climate Change (UNFCCC)'s Adaptation Fund agreed at the climate change talks in Bali, Indonesia in December last year. The NGOs said: "While this latter fund faces some challenges going forward, it importantly has a far greater degree of developing country ownership."

The NGOs added: "We appreciate that difficulties may exist as to whether the UNFCCC fund can accept certain types of funding, but we believe that all options need to be fully considered and the option of [the UK's Department for International Development] channelling significant funds via this route should not be discounted at this stage".

The Adaptation Fund which finances climate change mitigation and adaptation activities in developing countries is funded by proceeds from the 2% levy on transactions under the Kyoto Protocol's Clean Development Mechanism (CDM).

At Bali, it was decided that the Adaptation Fund is to be supervised and managed by an Adaptation Fund Board represented by developed and developing countries. Although the secretariat for the fund will be held by the Bank-based trust fund, the Global Environmental Facility (GEF), this is meant to be temporary and the secretariat would have to report to the aforementioned board and the GEF's status as secretariat will be reviewed after three years.

NGOs are against the proposal that the Bank's Adaptation/Climate Resilience Pilot Fund is to offer concessional loans for adaptation, saying that "it is inappropriate to use loans given that the problems that developing countries must tackle were largely created by rich countries in the first place".

Furthermore, substantial parts of the climate investment funds will be counted as official development assistance (ODA) by donor countries, including the UK, which means that there will be no additionality in overall development financing to developing countries. This goes against existing multilateral commitments under the UNFCCC which states that developed countries should provide new and additional financial resources to meet the agreed full costs incurred by developing countries in meeting their climate change commitments.

"We believe, however, that funding to help developing countries respond to the challenges of climate change should be additional to the long-standing ODA commitment of 0.7% GDP," said the NGOs in their letter to Alexander.

The NGOs also hold reservations about the role of the World Bank in climate change activities, given its negative track record on social and environmental issues. They argue that the Bank's "energy portfolio continues to be skewed towards fossil fuels over decentralised renewable energy" and that in order for the Bank and other regional development banks to be "credible" partners in the fight against climate change, they must make sure that they have adequate social and environmental safeguards in place.

The organisations called for governments to ensure that the proposals for climate change financing are right at this crucial juncture, saying that in order for "initiatives taken by the UK and other countries to be beneficial, it is vital that these proposals are opened up to wider ownership and engagement from civil society and developing countries at this critical design stage".

No Additionality, New Conditionality: A Critique of the World Bank's Proposed Climate Investment Funds

Celine Tan, Third World Network
31 March 2008

Introduction

The World Bank¹ is planning to establish a portfolio of climate investment funds (CIFs) to provide financing for climate-related activities. The stated objective of the funds is 'to provide concessional finance for policy reforms and investments that achieve development goals through a transition to a low carbon development path and climate resilient economy' (World Bank, 2008a).

These funds are the latest efforts on the part of the Bank to capitalise on current global concerns with climate change and form a key pillar of its larger proposed strategic framework on climate change (World Bank, 2008b). In contrast to previous financing initiatives, these proposed funds are expected to attract significant donor support. The combined target size of the CIFs already exceeds the combined total of funds held in existing trust funds administered by the Bank. In 2006, the total funds held in trust by the Bank were US\$10.3 billion (World Bank, 2006: 2) while the target size of the proposed Clean Technology Fund alone is between US\$5 and US\$10 billion (World Bank, 2008a: annex A, para 7).

This briefing paper examines the modalities for the proposed climate investment funds and considers the impact these funds will have on existing global measures to tackle the causes and effects of climate change. In particular, the paper will consider how the Bank's role in climate change financing may create parallel frameworks of climate change governance which may undermine existing multilateral climate change regimes. The paper then considers briefly some of the alternatives to Bank-driven instruments for climate change financing.

I. Background and Aims of the Climate Investment Funds

The World Bank's proposal for the portfolio of climate investment funds stems from the institutions' dialogues with a tripartite of G8 countries – the UK, the US and Japan – and builds upon the UK's earlier initiative for

¹ The term 'World Bank' here is used in reference to the International Bank for Reconstruction and Development (IBRD) and in some instances, to the Bank's concessional lending facility, the International Development Association (IDA) which both share the same board of Executive Directors. The term 'World Bank Group' will be used to refer to the IBRD, IDA and the private sector arms of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

an Environmental Transformation Fund (ETF), the US's proposed Clean Technology Fund and Japan's Cool Earth 50 initiative (World Bank, 2008b: para 45).

In consultation with these and other donors as well as regional development banks, the World Bank will develop these funds to make available new financing for developing countries 'interested in making a transition to a low carbon development path and climate resilient economy' (ibid). Financing will take the form of 'credit enhancement and risk management tools, such as loans, grants, equity stakes, guarantees and other support' (World Bank, 2008a: para 2) mobilised through donor contributions to the respective trust funds (see below) and implemented in collaboration with the regional development banks².

In other words, the CIFs will serve as the central instruments through which donor resources are collected and disbursed for climate-related financing to the various regional development banks and to the World Bank Group. Resources from the CIFs will, in effect, subsidise the financing made by the MDBs to developing countries for climate-related activities, including co-financing arrangements with the MDBs and buying down of interest and repayments on MDB loans to increase the concessionality of financing for the projects (World Bank, 2008e: para 4).

It is proposed that 'the MDBs have fair and equitable access to financing from the funds and rely on their own policies and procedures in developing and managing activities financed by the funds' in accordance with the objectives, priorities and criteria for financing established by the CIFs (World Bank, 2008c: para 13).

According to the World Bank, the CIFs will aim to:

- (i) provide incentives for scaled-up action and transformational change (both mitigation and adaptation) and for solutions to the climate change challenge and poverty reduction in developing countries, consistent with their low carbon growth or climate resilient development strategies;
- (ii) promote international cooperation on climate change to support progress towards a post 2012 climate change agreement;
- (iii) provide experience and lessons in responding to the challenge of climate change through learning-by-doing;
- (iv) utilize the skills and capabilities of the international financial institutions to raise and deliver concessional climate financing at a significant scale to unleash the potential of the public and private sectors to achieve meaningful reductions of carbon emissions and adaptive actions;
- (v) complement existing bilateral and multilateral financial mechanisms and seek co-financing with them as much as possible; and
- (vi) maximize co-benefits in other areas of sustainable development, particularly in relation to sustainable management of natural resources and ecosystem services (World Bank, 2008c: para 1).

The funds are expected to require 'investments at significant scale, market enabling activities, a country focus and a programmatic approach' (World Bank, 2008a: para 3). Key features of financing through the CIFs would include support for poverty reduction and economic growth programmes 'with an emphasis on climate change mitigation and adaptation' and a 'focus on countries with the greatest potential for transformation towards low carbon or climate resilient development' (ibid).

² These include the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank (World Bank, 2008c: footnote 1).

II. Types of Climate Investment Funds

The proposed portfolio of funds will include three specific funds with ring-fenced financing objectives and a general fund providing an umbrella vehicle for receipt of donor contributions to be disbursed to the three other funds.

The three specific funds are:

a) Clean Technology Fund

The Clean Technology Fund (CTF) will aim to provide new financing and complement existing financing for the purposes of transformation to low-carbon economies and mitigation of greenhouse gas (GHG) emissions and to promote ‘international cooperation on climate change to support progress towards a post-2012 framework’ (World Bank, 2008a: annex A, para 2).

It will provide resources in the near-to-medium term for investment financing supporting ‘rapid deployment of innovative low carbon technologies’ and concessional lending and other forms of financing, such as guarantees, blended with other sources of public and private financing, to support the deployment of low carbon development (ibid: para 3).

The main objective of the fund is to ‘fill a specific financing gap in the international aid architecture’ by providing finance to middle income or ‘blend’³ countries ‘at more concessional rates than standard [MDB] terms at the scale necessary to provide them incentives to integrate low-carbon strategies into their development plans and investment decisions’ (World Bank, 2008d: para 2).

Countries eligible for funds must demonstrate ‘greatest potential for transformation towards low carbon development and GHG emissions reductions as well as demonstrable readiness for implementation’ judged by evidence of an ‘enabling policy and regulatory framework and minimum level of macroeconomic stability and stable budget management’ (World Bank, 2008a: annex A, para 4).

Financing will be provided for both public and private sector investments. Public sector financing will include funds channelled through loans, guarantees and grants (although grant financing will be limited and disbursed mainly for technology development projects and/or capacity building) to national or sub-national entities (World Bank, 2008e: paras 5-20). Private sector entities will be able to access CTF funds via private sector programmes run by different MDBs through regular project finance instruments such as equity, subordinated debt or incentivised credit lines or loans⁴ (World Bank, 2008f: para 1; annex B, para 2).

The target size of this fund is the largest of the three proposed funds, that is, between US\$5 and US\$10 billion.

b) Forest Investment Fund

This fund is aimed at providing investment financing for forestry sector reforms to reduce deforestation and stabilise existing forests through ‘sustainable forest management and conservation’ with ‘a strong emphasis on achieving co-benefits for environmental ecosystem services, adaptation and mitigation’ (World Bank, 2008a: annex B: para 3).

Although the fund will prioritise financing to countries based on the ‘vulnerabilities of forest ecosystems and their potential to benefit the local poor and address and mitigate climate change’, initial support will be

³ ‘Blend’ countries refer to countries which are eligible for financing both from the standard as well as concessional facilities of the MDBs.

⁴ Most of these instruments are regularly used by the MDBs’ private sector arms, notably the World Bank Group’s IFC.

ring-fenced for countries participating in the World Bank's Forest Partnership Facility under the facility's pilot carbon trading scheme⁵ or those 'with strong potential to participate in other forest carbon mechanisms' (ibid: para 4).

The Forest Investment Fund would be aimed at removing what the Bank calls 'obstacles to forest market transformation: weak regulation and enforcement; lack of access to finance; inadequate verification/certification tools; high perceived and real risk to invest in forests; and lack of technical capacity' (ibid: para 6).

As such, funds will go towards, among other things, payments to forest communities for sustainable forestry use, provision of concessional financing for countries' preparatory investments in carbon finance mechanisms, scaling up 'investment lending for biomass and biofuel feedstock supply' and facilitating forest certification and access to financing for forest-based enterprises to improve 'the access of smallholders and communities to international markets' (ibid: para 5).

The target size for this fund is US\$300-500 million.

c) Adaptation Pilot Fund/ Climate Resilience Pilot Programme

This fund is aimed at providing technical assistance and financing for capacity building in mainstreaming climate risk and resilience into development planning and budgeting in five to ten pilot countries. The fund will test how eligible countries: 1) review or revise their Poverty Reduction Strategies⁶ and five-year development plans to take into account climate impacts; and 2) review and revise sectoral development strategies and plans for short and long-term climatic impacts and sustainability (World Bank, 2008a: annex C: paras 5-6).

Eligible countries will initially be selected based on their 'vulnerability and readiness to shift towards climate resilient development' but the criteria 'could be expanded to demonstrate a broader range of national initiatives' (ibid: para 4). Countries receiving financing are expected to be those identified as most vulnerable in the Inter-governmental Panel on Climate Change (IPCC) reports and those who demonstrate commitment to building climate resilience into development planning (ibid).

The target size of this fund is US\$300-500 million.

Alongside the aforementioned three funds, a Strategic Climate Fund would also be established to act as an umbrella vehicle for receipt of donor funds. Donors could therefore either contribute directly into the three specific CIFs or pass resources through the Strategic Climate Fund (World Bank, 2008a: paras 8-10; 2008b: para 47).

III. Governance of the Climate Investment Funds

The climate investment funds are to be established as trust funds through the World Bank's Multilateral Trusteehip and Innovative Financing Department (MTIF) under its Concessional Finance and Global Partnerships Vice-Presidency (see Box 1). It has been proposed that the portfolio of CIFs be organised so as to include:

⁵ The Forest Carbon Partnership Facility (FCPF) was officially launched at the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Bali in December 2007. The FCPF comprises two parts: 1) the 'readiness mechanism' to assist developing countries measure carbon forest stocks and identify sources of forest emissions and prepare a strategy for emissions reductions; and 2) 'carbon finance mechanism' to facilitate incentive payments to a selected number of countries for emissions reductions. See World Bank Carbon Finance unit website: <http://carbonfinance.org/Router.cfm?Page=FCPF&ItemID=34267&FID=34267>

⁶ Poverty Reduction Strategy Papers (PRSPs) are pre-requisites for countries borrowing from the International Development Association (IDA), the Bank's concessional lending arm.

- (i) a Trust Fund Committee for each fund
- (ii) a Partnership Forum
- (iii) a Trustee
- (iv) a Multilateral Development Bank Committee; and
- (v) an Administrative Unit (World Bank, 2008c: para 3).

Box 1: World Bank Trust Funds

World Bank trust funds are run by the Bank's Trust Fund Unit under the World Bank's Concessional Finance and Global Partnerships Vice-Presidency. Trust funds administered by the Bank do not form a core part of the Bank's operations and the Bank manages such funds for a fee as a service for donors. Donors can include sovereign states, inter-governmental organisations, private foundations and other non-governmental organisations and the private sector.

There were 926 trust funds administered by the World Bank Group (IBRD, IDA, IFC and MIGA) at the end of the fiscal year of 2006 with a combined total of US\$ 10.3 billion (World Bank, 2006: 2). Trust funds form an increasing part of the Bank's operations, constituting around ten percent of the World Bank Group's activities, with the amount of resources channelled through such funds almost doubling since 2000 (Powell, 2005).

More than half of the resources held in trust funds in 2006 belonged to the three high-profile global trusts – the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) (US\$2.6 billion), the Global Environmental Facility (GEF) (US\$ 2.1 billion) and the Heavily Indebted Poor Countries (HIPC) Trust Fund (US\$865 million) (ibid: 22).

There are several types of World Bank trust funds, including *global and regional trust funds*, such as the GFATM and GEF; *operational trust funds* (including co-financing funds and debt relief funds), such as the HIPC Trust Fund; and *funds which support specific Bank activities* such as research, policy and operational work. The minimum trust fund size is US\$200,000 (World Bank, 1997, footnote 8).

A trust fund is administered in accordance with the terms of the Trust Fund Administration Agreement between the World Bank and the donor (World Bank, 1997: paras 1 & 7). The Bank is to ensure that the resources held in the trusts are used only for the purposes specified in the Trust Fund Administration Agreement (ibid: para 9) and the trust funds are administered under applicable Bank policies and procedures, including those governing procurement of goods, works and services (ibid: para 10).

The Bank's Operational Policy also states that the institution should accept only trust funds 'that support activities not traditionally financed under the administrative budget' and that it should not accept trust funds 'that may present a conflict of interest' (ibid: para 4).

Sovereign donors remain the top contributors to trust funds and the UK has now emerged as the lead donor, contributing US\$1,190 million in 2007, followed by the Netherlands (US\$766 million) and the US (US\$747 million). The World Bank Group itself contributed US\$408 million from its net profits to various trust funds in 2007.

The World Bank will host the Administrative Unit or secretariat for the CIFs and act as the Trustee for the funds. MDBs will serve as 'partner agencies' of the investment funds (World Bank, 2008a: para 14; 2008c). The fees to the World Bank for acting as secretariat and trustee for the funds will 'be based on costs rather than a percentage of the resources held in the fund' (World Bank, 2008a: para 28).

a) Trust Fund Committee

Each investment fund would have a separate governing committee called the Trust Fund Committee. Members of the committee would be made up of contributors to the CIFs, with contributors required to make a minimum contribution to the respective funds (ibid: paras 17-21; 30). Each fund's governance structure would be independent and would have 'ultimate control' over the fund in question (ibid: para 6).

Each Trust Fund Committee 'will be responsible for the overall governance, strategic decisions and resource allocation of each trust fund' (World Bank, 2008c: para 5). The proposed functions of each trust committee would include:

- (i) approving program priorities, eligibility criteria and financing modalities;
- (ii) determining country eligibility on a consensus basis;
- (iii) keeping the fund's direction and operations under review;
- (iv) approving allocation of trust fund financing for programs and projects;
- (v) approving trust fund financing for administrative budgets;
- (vi) approving MDBs' joint assessment of country strategies and approving joint MDB work programs;
- (vii) ensuring monitoring and periodic independent evaluation of performance and financial accountability of MDBs;
- (viii) approving annual reports of the fund; and
- (ix) exercising such other functions as they may deem appropriate to fulfill the purposes of the fund (ibid).

In the first year of their establishment, representatives of contributors are expected to meet at a senior level three to four times and thereafter, once or twice a year (World Bank, 2008a: para 20). The committee will organise activities once a month 'at an appropriate level' to review projects and programmes (ibid).

The trust fund committees would also 'review country level strategies, prepared and submitted by the recipient countries' and programmes and projects submitted by collaborating partners 'would need to be consistent with those strategies' (ibid: para 22).

Decision-making is to be reached by consensus and if that is not achievable, by voting in accordance to yet-to-be-drafted procedures (ibid: para 18). There will be a 20 or 15 percent cap on the amount of funds each country can receive from each CIF.

b) Partnership Forum

It has also been proposed that an outreach forum of donors, recipients and stakeholders be convened annually (World Bank, 2008a: para 11). This Partnership Forum will aim 'to provide institutions and entities concerned with the objectives of the CIF a forum to express views on the overall direction and results of the CIF and the strategies and operations of the funds' as well as a 'platform for debate, advocacy and communication with a broad range of stakeholders' (World Bank, 2008c: para 6).

However, there is no specification as yet on whether this forum will have any formal input into the operations of the CIFs and no indication of whether developing countries who are recipients of funds under the CIFs will be adequately represented here.

c) Trustee

The World Bank (or specifically, the IBRD) will act as Trustee for the climate investment funds and will be responsible for the following:

- (i) establishing and maintaining appropriate records and accounts to identify contributions and other receipts;
- (ii) recording all funding decisions made by the Trust Fund Committees to monitor funding status of the CIF;
- (iii) making commitments to be financed out of the proceeds of the funds and transferring cash to the MDBs in accordance with the decisions of the Trust Fund Committees;
- (iv) preparing financial reports and audit coordination for each of the funds;
- (v) investing the proceeds of the funds, including currency conversions and cash management (World Bank, 2008c: para 7).

The climate investment funds will be managed in accordance with their respective Trust Fund Administration Agreements (see Box 1). As World Bank trust funds, they will also be governed by the Bank's Operational Policy 14.40 on Trust Funds which sets the basic guidelines for all Bank-administered trusts (World Bank, 1997; see Box 1). As trustee, the Bank 'will be accountable to the Trust Fund Committees for the performance of its fiduciary responsibilities' (ibid: para 9).

Pending disbursements of the proceeds, the Bank will invest the CIFs' resources 'in accordance with World Bank policies and procedures for the investment of trust funds it administers' (ibid: para 8). The Bank will therefore act as a financial intermediary between the CIF's contributors and proceeds administered by the MDBs but will not be responsible for the use of proceeds over and above that contained within the agreements between the relevant trust fund and MDBs (ibid: para 9). The MDBs will be responsible for ensuring the financing is disbursed in accordance with their own fiduciary policies and procedures (ibid).

d) Multilateral Development Bank Committee

As implementers, the multilateral development banks will report directly to the respective Trust Fund Committees on operational matters and are 'directly accountable to the Trust Fund Committees for (i) consistency of their proposals with the Fund's criteria and priorities, (ii) quality assurance, risk management, and portfolio performance, (iii) compliance with their respective fiduciary standards, and (iv) use of Fund resources and activities implemented by them with Fund resources' (ibid: para 13).

An MDB Committee will be established to 'facilitate collaboration, coordination and information exchange among the MDBs' and will meet quarterly or more often if necessary (ibid: para 14). It is proposed that the MDB Committee will, among other things, review agendas for meetings of the Trust Fund Committees; review recommendations proposed by the secretariat on programmes for approval; monitor country progress in programme and project implementation and compliance with policies of the trust funds; review reports; serve as a forum for exchange of information and experience; and advise the secretariat on the implementation of 'a comprehensive knowledge management system, results measurement system and learning program, taking into account opportunities for synergies with the activities of the MDBs' (ibid).

e) Administrative Unit

The Administrative Unit or secretariat for the climate investment funds will be hosted by the World Bank based in the Bank's Sustainable Development Network (SDN). The head of the unit, designated by the SDN Vice-President, in consultation with the MDBs, will 'manage the day-to-day operations of the unit' and serve as 'Executive Secretary of the Trust Fund Committees and the MDB Committee' (ibid: para 16). Staff of the Administrative Unit will be appointed by the Bank in consultation with the MDBs (ibid).

The secretariat will undertake the following responsibilities:

- (i) prepare all documentation required for review by a Trust Fund Committee, including developing an agenda for a Trust Fund Committee meeting, which will first be reviewed by the MDB Committee;
- (ii) make recommendations, in consultation with the MDB Committee, on program criteria and priorities and the activity cycle for approval by the Trust Fund Committee;
- (iii) conduct background research and analyses as requested by the Trust Fund Committee;
- (iv) advise the Trust Fund Committee of prospective projects in early stage development on the basis of joint country programs.
- (v) prepare an annual consolidated report on the funds' activities, performance, and lessons, including details of the funds' portfolio, status of implementation, funding allocations for the previous period, pipeline of projects and funding projections, costs incurred to administer the funds, and other pertinent information;
- (vi) manage a comprehensive database of the CIF activities, knowledge management system, result measurements system and learning program;
- (vii) service the meetings of the Trust Fund Committees;
- (viii) manage CIF's partnerships and external relations, including convening meetings of the MDB Committee and the Partnership Forum;
- (ix) collaborate with the Trustee to ensure that the Trustee receives all the information necessary to carry out its responsibilities; and
- (x) perform any other functions assigned to it by the Trust Fund Committees (ibid).

IV. Problems with the Climate Investment Funds

1. Donor-Centric Design and Governance

The climate investment funds are supposed to benefit developing countries and be based on the principle of country ownership. However, the initiative has been led by a tripartite of G8 countries outside existing international climate change regulatory frameworks and designed without the participation of developing countries or other stakeholders. There is no consideration as to how this portfolio of funds will affect ongoing multilateral negotiations and processes on climate change.

Discussions on the design of CIFs have been and will continue to be conducted through a series of closed door meetings – at mainly G7 and G8 meetings – within a tight timetable for completion. While consultations with the private sector took place in February 2008, the first consultation with observers from partner agencies, recipient countries and NGOs may only be scheduled in April at the World Bank's Spring Meetings in Washington DC. Bank Executive Board approval is expected to be sought in June, shortly after discussion at the UN's Commission on Sustainable Development in early to mid-May and the final donors meeting in Tokyo in late May.

The proposed governance of the CIFs is wholly donor-centric, exacerbated by the fact that the funds are hosted by the World Bank with its asymmetrical governance structure favouring developed countries. At present, developing countries would have little or no say in the administration of the funds or how the funds are disbursed, aside from the proposed Partnership Forum (see section III above).

In fact, it is envisaged that most donors will not have much say in the day-to-day running of the funds either and that the Bank staff will be given a wide berth in implementing the disbursement of resources, including criteria for access to and terms of financing (see discussion above and point 2 below). For example, the Administrative Unit will be responsible for reviewing and making recommendations on the programme criteria and activity cycle for approval of financing programmes and advise the Trust Fund Committees of prospective projects (see discussion in section III).

Although there are various proposals on how to incorporate developing country participation in the CIFs, ranging from the establishment of an advisory committee or annual consultation meetings to providing developing countries with a role in formal decision-making (either on specific country programmes or all items considered by the Trust Fund Committees) (World Bank, 2008f), there have been no real concerted efforts so far on incorporating developing countries into the governance structures of the CIFs.

Additionally, as developing countries have been marginalised from the design of the CIFs so far, any inclusion of developing countries into the management or governance structure of the CIFs will only be ring-fenced around what the donors and MDBs have decided within the existing proposed framework. While including developing countries into the CIFs at this juncture will enable them to participate in the implementation of the funds' objectives and policies, their very exclusion from the design stage precludes any real engagement with the funds' conceptual and substantive operations.

Moreover, the design of the CIFs remains premised on an aid framework for climate change financing which places the parties to the financing in a donor-donee relationship contrary to international climate change principles and obligations. As discussed below, financial resources for climate change should be provided as part of developed countries' obligations under the international climate change regimes, notably that of the United Nations Framework Convention on Climate Change (UNFCCC), and should not be considered as donor funds.

Therefore, disbursement of financial resources through a donor-driven facility based on the principle of conditionality (see point 2) is contrary to multilaterally negotiated commitments of the developed country contributors to these funds, particularly if the resources provided to the CIFs by these countries will not

constitute any additional resources to funds set aside to meet these or other internationally agreed development obligations.

2. New Conditionality

Access to resources under the CIFs will be contingent upon recipient countries fulfilling the criteria of the respective trust funds, that is, adopting Bank and donor conditions in exchange for financing. Eligible countries will have to submit 'country investment strategies' which will be assessed by the respective Trust Fund Committees. Guidelines for accessing financing will be drawn up by the CIF secretariat and will also be based on existing World Bank and/or other MDB policies.

Under the Clean Technology Fund, for example, the MDBs (including the World Bank) involved in financing under a particular country programme will determine the eligibility criteria and priorities for each of the investment operations under its portfolio and the Trust Fund Committee's approval of the country programme would constitute '(a) an identification of a resource envelope for individual projects' and '(b) an authorization to the designated MDB to proceed with the development and preparation of individual investment operations' (World Bank, 2008d: para 20).

Individual loans or grants under the country programme would then be processed by the MDBs involved and each financing operation 'would follow the investment lending policies and procedures of the MDB, including its fiduciary standards and environmental and social safeguards' (ibid: para 21). In the case of the World Bank, all operations financed by the CTF 'will follow the Bank's operational policies and procedures for investment lending' regardless of whether there is IBRD or IDA co-financing (ibid: annex 1).

This means that aside from specific climate-related criteria, access to the CIFs will also be based on the Bank's traditional criteria for financing, including tight fiscal discipline and implementation of economic and other structural and policy reforms. For example, as mentioned in section III above, access to funds from the CTF would be judged not only on the applicant's demonstrated potential for transformation to low-carbon development but also its 'readiness' for such implementation, assessed by evidence of an 'enabling policy and regulatory framework' as well as a 'minimum level of *macroeconomic stability* and *stable budget management*' (World Bank, 2008a: annex A; para 4, emphasis added).

The Bank's track record in managing other trust funds, including the HIPC Trust Fund demonstrates that it has significant leverage over determining the conditions for access and use of resources by recipient countries, including the imposition of policy conditionalities which may not necessarily be relevant to the objectives of the trusts administered. The same goes for the other MDBs who act as implementing agencies of the resources held by the CIFs who may subject recipient countries to different financing conditionalities, including compliance with the guidelines of the Paris Declaration on Aid Effectiveness, another donor-driven framework for aid disbursement and management.

There is also a danger that the climate investment funds will create onerous obligations on developing countries to comply with emissions targets and other rules under the international climate change regime for which they have been exempt on grounds of their differing responsibilities and capacities. As discussed above, access to financing under the CIFs will be contingent upon countries' demonstrated readiness to transit to a low-carbon economy and there appears to be no provision for assessing what impact such a transition will have on a country's overall development and efforts for poverty reduction in the context of other extenuating economic factors.

This enforcement through the back door through financing conditions goes against the principles underpinning the UNFCCC and the Kyoto Protocol which state that developing countries' commitments should be non-binding in recognition not only of their lower financing and technological capabilities, but also of 'their negligible historical role in the build up of greenhouse gases in the atmosphere' and their continued need for social and economic development (Khor, 2008: 8; see also discussion below).

3. Ignores ‘Polluter Pays’ and Other Climate Regime Principles

The climate investment funds will be providing *loans* as well as grants to eligible developing countries. This means that developing countries will have to *pay* for dealing with a problem that has been caused by developed countries while at the same time facing other major developmental challenges. This comes at a time when many developing countries, due to debt relief initiatives and rising commodity prices, are beginning to shake off the shackles of debt which have circumscribed their social and economic development for almost three decades.

The framework of the CIFs would therefore appear to contradict internationally agreed principles on climate change, in particular those of the UNFCCC and Kyoto Protocol regime which state that, as historical polluters and due to their higher technological and economic capabilities, developed countries should shoulder the main burden for resolving the crisis (see UNFCCC, 1994, Articles 3 and 4).

Due to their ‘common but differentiated responsibilities’ in this regard, developed countries have undertaken two types of commitments vis-à-vis climate change under the UNFCCC: 1) reduce emissions and 2) to assist developing countries with finance and technology transfer to comply with their obligations under the Convention (UNFCCC, 1994, Article 4; see also Khor, 2008: 2).

The current international climate change regime therefore recognises that developing countries will not be able to respond to the challenges of climate change and implement their obligations if there are insufficient financial resources and technology transfer to do so. The regime also recognises that efforts to combat climate change in developing countries must ‘take fully into account that economic and social development and poverty eradication are the first and overriding priorities’ of the developing countries (UNFCCC, 1994, Article 4(7)).

While the loans under the CIFs will be provided on a concessional basis, these loans are also expected to be ring-fenced around specific projects and programmes and will have to be repaid in the future by developing countries. Given that many developing countries will continue to be reliant on external financing for other aspects of development financing, loans will only add to their debt burden in the long run and affect their ability to generate sustainable resources for long-term economic growth and development.

Furthermore, as discussed in point 2 above, the conditionalities attached to the loans and grants under the CIFs may also have the effect of extracting emissions targets and other commitments from developing countries outside the multilateral framework of negotiations. In order to secure financing, developing countries must demonstrate that they have, among other things, an enabling regulatory framework in place to achieve a low-carbon development path. This is contrary to the UNFCCC regime which emphasises that implementation of commitments by countries is contingent upon the availability of financing and technology and not the other way around.

4. No Additionality

As discussed above, for many developing countries, finance is a crucial component of present and future climate change negotiations and developing countries have accordingly ‘been disappointed by the low quantum of financial resources’ and by the institutional frameworks of provision of such financing (Khor, 2008: 17). Developing countries see the provision of financing for climate change mitigation and adaptation not as ‘a donation but an obligation of developed countries’ who are largely responsible for the problems of climate change today (Khor, 2008: 17).

The UNFCCC provides that the developed country signatories to the Convention ‘shall provide *new and additional financial resources* to meet the agreed full costs incurred by developing country Parties’ to comply with data collection and communication of national measures to implement the Convention’ as well as providing ‘financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures’ under the Convention, including

for mitigation and adaptation purposes (UNFCCC, 1994, Article 4(3), emphasis added). Developed countries also undertook commitments to developing countries that are ‘particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to these adverse effects’ and also to ‘take all practicable steps to promote, facilitate and finance’ the transfer or access to ‘environmentally sound technologies and know-how’ to all developing countries (UNFCCC, 1994, Article 4(4) and 4(5)).

The UNFCCC Secretariat estimates that by 2030, financial flows to developing countries should be around US\$100 billion annually in order to meet the costs of mitigation and between US\$28 – US\$67 billion for adaptation and the World Bank itself has recognised that these resources are required in *addition* to present levels of official development assistance (ODA) so as not to compete with financing for achieving the Millennium Development Goals (MDGs) (World Bank, 2008b: para 5).

However, there is a fear that the World Bank’s climate investment funds will establish a parallel process for financing climate change adaptation and mitigation which will *not* result in additional resources for developing countries. In particular, many developing countries and civil society groups are concerned that significant portions of the aid budgets of donors will be diverted into the CIFs and counted as part of their annual ODA commitments.

It is not unusual for donors to classify non-traditional disbursements to developing countries as ODA. The OECD reports, for example, that the spikes in ODA levels in 2005 and 2006 were mainly due to debt relief which was counted as ODA, including significant cancellation of Iraqi debt and the cancellation of Nigerian commercial debt by OECD member states (OECD, 2007: 2). Of the total US\$104.4 million in ODA in 2006, US\$18.9 million was for debt relief grants (ibid: 10, Table 1.A).

In a letter sent to the UK Secretary of State for International Development recently, a group of UK-based and international NGOs highlighted the fact that substantial parts of the CIFs will be classed as ODA by donors, including the UK, and counted towards the long-standing ODA target of 0.7 percent of GNI (NGOs, 2008). Not only does this contradict existing commitments under the UNFCCC, it is also in danger of subverting existing multilateral processes for implementation of these commitments, notably the UNFCCC Adaptation Fund established at the climate talks in Bali in December 2007 (see discussion below).

5. Market-Based Solutions to Climate Change

The World Bank’s climate investment funds appear to prioritise market-based solutions to dealing with the problems of climate change in developing countries. In its outline for the rationale of the Clean Technology Fund, the Bank states ‘a priority for the international community has been the further development of innovative financing mechanisms designed to promote market-based solutions and trigger private investments in low carbon development’ (World Bank, 2008a: annex A, para 1) while the Forest Investment Fund aims, among other things, to complement existing carbon finance instruments and to facilitate investments in forestry products and biomass and biofuel supplies as well for access to international markets for these products (ibid: annex B: para 5).

The Bank is also actively promoting private sector investments and partnerships as part of the CIFs and its overarching Strategic Climate Change Framework (SCCF) (see discussion below). Two of the six pillars underpinning the proposed SCCF will be that of ‘expanding the World Bank Group’s role in developing new markets’ and ‘tapping private sector resources for climate friendly development’ (World Bank, 2008b: 21-22). In tandem, these two pillars aim to create a role for the Bank in development of new markets, including carbon markets and in financial intermediation for climate-related products, as well as creating an enabling environment for the participation of the private sector in low carbon and adaptation projects in developing countries (ibid). This includes addressing the problem of what the Bank terms ‘policy and regulatory barriers’ creating ‘disincentives’ to private sector investment in these areas (ibid: 22).

Once again, civil society groups have expressed concerns that these market-based solutions are driven by commercial interests and may serve to create new sources of revenues for logging companies and investors without the necessary safeguards for the environment or communities which depend on natural resources for their livelihoods and residence (Bretton Woods Project, 2007a: 1). The CIFs will effectively use public money to subsidise private sector investments through a combination of project finance instruments, such as joint equity rights with the investors, subordinated debt instruments (loans with a lower repayment priority) and loans with reduced interest rates and/or performance bonuses (World Bank, 2008d: annex B).

Additionally, the Bank's current carbon trading and financing activities, such as brokering carbon purchases through its Prototype Carbon Fund, have already been criticised by civil society as facilitating commercial gains without corresponding benefits for the climate. For example, NGOs have argued that the Bank's carbon funds have had 'a disgraceful record of contracting to buy credits from projects that would likely be completed regardless of whether they received carbon credits', going against the 'additionality' principle of carbon trading, enabling financial incentives for project developers without preventing greenhouse gas emissions (NGOs, 2006: 12).

There is also the concern that dependence on market mechanisms, such as carbon trading, as a source of financing climate change mitigation and adaptation, is inadequate for meeting the financial needs of the public sector in developing countries which will be charged with the responsibility for implementing climate change commitments and dealing with the social, economic and ecological dislocations caused by climatic changes. Khor, for example, argues that the 'public sector's financial requirements (in terms of its own investment, consumption and policy work as well as in giving directions to the private sector and the public) have been under-appreciated' under current financing mechanisms and a proper 'needs assessment' should be conducted to determine more appropriate financial mechanisms with projected financial flows (Khor, 2008: 18).

6. Parallel Structures

The World Bank's climate investment funds may create parallel structures for financing climate change adaptation and mitigation outside the ongoing multilateral framework for climate change negotiations and within a process dominated by G8 countries. For example, there are concerns about conflicts between the UNFCCC Adaptation Fund and the proposed Adaptation Pilot/Climate Resilience Pilot Fund.

Although the UNFCCC fund is limited in terms of the types of financing it accepts – that is, based on a two percent levy on projects under the Kyoto Protocol's Clean Development Mechanism (CDM)⁷ rather than through ODA – the governance structure of the fund is much more representative than that of the Bank's portfolio of CIFs. The UNFCCC Adaptation Fund is to be supervised and managed by an Adaptation Fund Board represented by developed and developing countries. Although the secretariat for the fund will be held by the Bank-based trust fund, the Global Environmental Facility (GEF), this is meant to be temporary and the secretariat would have to report to the aforementioned board and the GEF's status as secretariat will be reviewed after three years (UNFCCC, 2007; UNFCCC 2006: paras 1-5; One World, 2007).

In addition to parallel financing structures, there are also concerns that these structures will create parallel climate change governance policies outside the multilateral process. In particular, NGOs have expressed concerns that the inclusion of the US-driven Clean Technology Fund within the portfolio of funds 'could imply support for the US Major Emitters Meeting process which lies outside the UN track of negotiations on a post-2012 framework' (NGOs, 2008). In this manner, the Bank will be creeping into uncharted waters of climate change regulation through its financing policies and conditionalities (see point 2 above) and playing a role in international environmental governance which it has neither the constitutional mandate nor technical competence to perform.

⁷ Clean Development Mechanism is an arrangement under the Kyoto Protocol that enables developed countries with commitments to greenhouse gas reduction to invest in projects that reduce emissions in developing countries (with no emission reduction commitments) as an alternative to emission reductions in their own countries.

Moreover, the Bank's performance in managing trust funds for the delivery of financing for global public goods also remains questionable, particularly in the quality of technical assistance delivered to client states where these form a core part of the programme. In 2004, the institution's Independent Evaluation Group (IEG)'s evaluation on the Bank's global partnerships programme found that evidence on the value-added of these programmes in terms of development outcomes varies, with many programmes lacking 'clearly defined objectives' in programme design and implementation (World Bank, 2004: xxvii).

The evaluation unit found that it is unclear whether the knowledge disseminated under these programmes was 'sufficiently evidence-based, quality-tested, and contextual to add value to what the Bank's client countries themselves do, need, or want or what the Bank can achieve working through country-level partnerships' (ibid: xxvi). Additionally, '[p]erformance indicators to assess changed donor or international agency behavior do not exist [and] when they exist at all, are focused on the behavior of developing countries' (ibid). This is compounded by the fact that the voices of developing countries in these programmes are 'inadequately represented' and that such programmes, including the trust funds, 'have increased overall aid very little' (ibid).

7. Poor Track Record

It is ironic that the World Bank is establishing itself as a lead player in the global fight against climate change given its poor track record in managing social and environmental impacts of its projects and programmes. Furthermore, despite its claims to the contrary, the institution remains heavily committed to investments in carbon-intensive energy projects and reforms in energy sectors that focus on large-scale, privatised energy provision without corresponding safeguards to ensure universal access.

Civil society groups have highlighted the inconsistencies between the Bank's rhetoric on climate change and its operational policies and practice. In particular, NGOs have argued that the Bank's core energy portfolio continues to be focused on supporting conventional fossil fuel production over renewable energy (NGOs, 2008). According to Oil Change International, the World Bank Group remains the single largest multilateral leader in oil aid⁸, subsidising about US\$8 billion in oil and gas investments since 2000 (Oil Change International, 2007: 2). In spite of the recommendation by the Extractive Industries Review (EIR), the Bank-commissioned independent evaluation of its activities in extractive industries, that the Bank end immediately support for coal projects and phase-out support for oil by 2008, the World Bank's support for fossil fuel projects grew by 93 percent from US\$450 million to US\$869 million from financial years 2005 to 2006 (ibid: 10).

In 2006, the World Bank increased its energy sector commitments from US\$2.8 billion to US\$4.4 billion (ibid). NGOs report that 'in 2006, oil, gas and power commitments accounted for 77 percent of the bank's total energy programme, while "new renewables" accounted for only 5 percent' (Bretton Woods Project, 2007b: 2; Oil Change International, 2007: 2). Meanwhile, 40 percent of what the Bank calls 'low-carbon lending' in financial year 2007 consists of large hydropower projects with questionable environmental impacts, with support for hydropower the highest since 1996 (Bretton Woods Project, 2007b: 2). The other 40 percent of its 'low-carbon' portfolio focuses on carbon finance (ibid). In 2007, the Bank's private sector arm, the International Financial Corporation (IFC)⁹ 'provided more than US\$645 million to oil and gas companies', an increase of 'at least 40 percent from 2006' (Oil Change International, 2007: 2).

The negative impacts of the Bank's infrastructure investments have been significantly documented over the years. Aside from social and environmental dislocations caused by large projects for energy extraction and production, such as oil pipelines and hydropower dams, the Bank's support for privatisation and deregulation of energy sectors in developing countries has also resulted in energy insecurity, especially for the poor. In a

⁸ 'Oil aid' is defined as state practice of using public resources to subsidise the international oil and gas industry (Oil Change International, 2007: 1).

⁹ The IFC provides loans and guarantees to private companies investing in developing countries.

report released last year, Christian Aid noted that Bank policy advice and financing conditionalities to developing countries have prioritised ‘centralised, large-scale, grid-based fossil fuel and hydropower projects as well as the privatisation of public power and electric utilities’ which have not only contributed towards high carbon emissions but also reduced poor people’s access to energy (Christian Aid, 2007).

This supplements the findings of a 2004 study which revealed that 82 percent of the World Bank Group’s oil extraction projects since 1992 are designed for export¹⁰, rather than the alleviation of energy poverty (Vallette and Kretzmann, 2004: 2, 5). The study found that in most cases, the principal beneficiaries of Bank financing to oil, coal and gas projects in developing countries were developed countries’ consumers and corporations, facilitating ‘a massive transfer of developing countries’ oil and gas resources to feed the north’s energy demands rather than supplying energy to the poor in developing countries’ (ibid: 2). This comes at a time when energy inequality is at its highest where people living in high-income countries consume over 20 times more energy per capita than people in low-income countries (NGOs, 2006: 21).

Moreover, the CIFs’ proposals for private sector involvement in the climate change agenda, particularly the use of official development financing to leverage private investment, highlights the World Bank’s schizophrenic approach to public subsidies. While on the one hand, the institution claims that public sector financing can assist in creating enabling environments for private sector development and securing private financing flows in the area of climate change (World Bank, 2008d: para 3), the Bank does not necessarily apply these principles in other aspects of its operations, notably through conditionalities in its policy-based lending which require the removal of state-backed subsidies to domestic economic sectors and local firms. Therefore, while championing subsidies in one arena, the Bank, through its other financing operations, continues to remove the right of the public sector in developing countries to support its domestic private sector through policies of privatisation and liberalisation.

8. Questionable Climate Impacts

The Bank’s poor track record in climate-friendly energy investments will be compounded by the fact that the proposed climate investment funds would provide financing to some ecologically-questionable projects. For example, the proposed Forest Investment Fund aims to scale up multilateral development bank (MDB) lending ‘for sustainable biomass and biofuel feedstock supply’ at a time when the merits of biofuels as alternative sources of energy are heavily contested.

Research has shown that current methods of commercial biofuels production rely significantly on fossil-fuel based agricultural inputs, such as inorganic fertilisers and chemical pesticides with environmental side effects of water and soil pollution, while demand for biofuels, especially from developed countries, has led to deforestation in developing countries eager to capture the increasing market for such fuel sources (Jhamtani and Dano, 2007). It also creates competition for land and agricultural resources, including water, and led to rising food prices as food crop grains, such as soyabean, rapeseed, corn and sugarcane, are increasingly being produced for fuel rather than food or feedstock (ibid).

There is also as yet no consensus on what constitutes ‘clean technology’ energy. NGOs have argued that many of the Bank’s proposed ‘clean’ technologies for investment are reliant on carbon-emitting, non-renewable resources, such as coal and natural gas, or on unproven technologies such as carbon capture and storage, or on technologies with questionable environmental and social impacts, such as nuclear power and hydropower (NGOs, 2006: 17).

¹⁰ The authors define ‘export-oriented’ fossil fuel projects as ‘those where fuels extracted or transported with World Bank Group assistance are primarily consumed in Western Europe, Canada, the United States, Australia, New Zealand and/or Japan’ (Vallette and Kretzmann, 2004: 5).

For example, the Bank has promoted the use of ‘clean coal’ in developing countries – coal chemically washed of minerals and other impurities which, while less polluting than normal coal when burned, still emits significant greenhouse gases and relies on environmentally and socially damaging mining practices (ibid). It has also promoted the development of ‘integrated gasification combined cycle’ (IGCC) power plants using synthetic gas created from heating up (as opposed to burning) coal as the main fuel for energy production as well as carbon capture and storage from such facilities, both of which require significant financial investment with debatable climate outcomes while perpetuating reliance on a dirty energy source (ibid).

While there is an aim to increase the share of renewable energy in recipient countries under plans for the Clean Technology Fund, the main focus of the CTF would be on the rehabilitation or upgrading of existing coal-fired power plants, switching from coal plants to gas plants and to reduce energy transmission inefficiencies through the building of new grid connections and reducing distribution losses (see World Bank, 2008d: para 11).

V. Alternatives to the Bank-Driven Climate Financing

The climate investment funds will form a major pillar in the Bank’s new ambitious climate strategy, outlined in its strategic framework on climate change which will be presented to the Bank’s Executive Board for approval in September 2008 and for discussion at the institution’s Annual Meeting (World Bank, 2008b). Through the administration of these climate investment funds and leveraging other aspects of its operations for climate-related financing; technical assistance work and efforts to play a leading role in the development of carbon markets and markets for ‘energy efficiency goods and services’ (ibid: 21-22), the World Bank is setting itself up to be a key, if not *the* key, player in the governance of climate change.

The danger of such a bold move on the part of the Bank is evident. Not only does the institution have a poor track record in environmental matters, its technical ‘expertise’ on a variety of issues – from structural economic reforms to health and social policy to public administration and governance – has been shown to be lacking if not damaging to its developing country borrowers. The Bank has neither the constitutional mandate nor the technical competence to embark on the delivery of such an important global public good. Moreover, the Bank’s asymmetrical governance structure will further marginalise developing countries from having a stake in the fight against climate change and is at risk of creating ‘solutions’ for countries which may undermine rather than support their efforts to mitigate and adapt to the effects of climate change.

Any legitimate effort to increase the amount of resources for climate change adaptation and mitigation must therefore be placed within a genuine multilateral framework which provides for adequate representation for both developed and developing countries, especially as financial resources remain the main impediment to developing countries meeting climate change challenges. Given that the UNFCCC remains the only truly international framework which is not just scientifically-based but also guided by multilaterally negotiated principles and has almost universal membership, effective and sustainable financing for meeting climate change commitments of both developed and developing countries must be located within this framework.

Efforts must therefore be focused on developing a genuinely multilateral fund for climate change financing under the auspices of the UNFCCC which is governed by the UNFCCC membership on the basis of regional representation. This would give developing countries due representation and voice within the governance structure and ensure that the resources set aside for climate change are used in accordance with internationally agreed principles and meet the objectives of the multilateral climate change regime.

Example of alternative: Multilateral Fund for the Implementation of the Montreal Protocol

Financing instruments could also be created directly under the control of the state parties to the UNFCCC and the Kyoto Protocol as was created under the Montreal Protocol. The Multilateral Fund (MLF) for the Implementation of the Montreal Protocol provides funds to help developing countries comply with their

obligations under the Protocol to phase out the use of ozone-depleting substances at an agreed schedule (Multilateral Fund, 2007). It consists of three main institutions – the Executive Committee, the MLF secretariat and multilateral implementing agencies – and supplemented by a network of bilateral agencies and national and regional units (UNFCCC, 2006: 12, para 18).

The MLF operates under the authority of the parties to the Montreal Protocol who decide on the fund's overall policies. Its governing body, known as the Executive Committee, was established by the state parties to the Protocol 'to develop and monitor the implementation of specific operational policies, guidelines and administrative arrangements' and members of the Executive Committee are selected on the basis of 'a balanced representation' of developed and developing parties under the Protocol, ensuring that neither set of countries dominate the decision-making (ibid: 8, para 3 & 9: para 5).

The chair and vice-chair of the Executive Committee are selected, one each, from the two different groups and alternate each year between them (ibid: 9, para 5). Decisions are reached by a two-thirds majority vote of the members, representing a majority of the parties in each of the two groups, but to date all decisions have been adopted by consensus (ibid). The Executive Committee is responsible for, among other things, developing the Fund's policies and guidelines; approving country programmes and specific projects, or groups of projects; reporting on the Fund's performance to the meeting of the parties each year; and overseeing the Fund's administration (Multilateral Fund, 2007).

The Fund's secretariat is based in Montreal and reports to the Executive Committee. Crucially, the secretariat is *independent* from the implementing agencies which are contracted through agreements between the Executive Committee and the respective agencies (UNFCCC, 2006: 12: para 18). At present, there are four multilateral agencies – the UNDP, UNEP, the United Nations Industrial Development Organization (UNIDO) and the World Bank – as well as several bilateral agencies and national and regional units and networks (ibid).

These implementing agencies deliver financial and technical assistance (through grants and concessional loans) to eligible countries under the MLF, primarily through the multilateral agencies although up to 20 per cent of the contributions of the developed country contributors can also be delivered through their bilateral agencies in the form of eligible projects and activities (Multilateral Fund, 2007). The Fund is replenished on a three-year basis and pledges have amounted to US\$2.2 billion over the period 1991 to 2007 (ibid).

Learning from the implementation of the Montreal Protocol, a new multilateral fund or funds can be established within the UNFCCC to finance aspects of climate-related activities decided upon by the UNFCCC members. The fund or funds can have a democratic governance system and a Secretariat functioning under the Convention. The fact that the Montreal Protocol operates in this fashion and has handled over US\$2 billion in funds successfully shows that this can be done under the UNFCCC.

Conclusion

The World Bank's mission creep into the area of multilateral environmental governance and delivery of climate-related global public goods must be placed within the context of declining relevance and waning revenue streams for the international financial institution. The Bank maintains that the proposed portfolio of climate investment funds discussed above will contribute significantly to the global fight against climate change, particularly in assisting developing countries transit towards a low-carbon and climate-resilient economy.

However, the funds must be seen in the context of the Bank's overarching strategy to capture the climate change debate. They are part of a larger Bank-wide effort to position itself as a one-stop shop for developing countries on climate change, coming at a time when the Bank's main source of business – lending for development projects – is in steep decline with the migration of many traditional borrowers to international

capital markets and other alternative sources of financing. The commercial incentives for the Bank to stake a claim in global climate change negotiations are therefore abundant.

Given the Bank's chequered history in the promotion of fossil fuel investments and privatisation of natural resources in developing countries, the institution is ill-placed to manage and regulate either the sources or the impacts of climate change. Providing the bulk of climate change resources through a non-UNFCCC and developed country-driven entity such as the World Bank-led CIF mechanism will not only be counter-productive to the aims of achieving global GHG emission reductions (which are key to combating climate change) but also be contrary to the provisions of the UNFCCC to which most of the CIF contributors are signatories. Moreover, as the Bank itself is a potential beneficiary of financing from the CIFs, there is a significant conflict of interest between its roles as trustee and secretariat of the funds and its role as an implementing entity.

According to South African environment minister, Marthinus van Schalkwyk, the World Bank should keep a distance from global climate talks due to the heavy influence of developed countries in the Bank. "The World Bank shouldn't become a player in the negotiations – the donors via the World Bank and basically then the developed countries – because that will load the dice against developing countries," he told *Reuters* recently (Fogarty, 2008).

Creating parallel structures for climate change regulation would also enable developed countries to migrate away from existing multilateral channels for implementing their international climate change commitments and may add to the undermining of existing multilateral negotiations. Developing countries, especially those facing the most immediate and severe threat from the effect of climatic changes and with the least resources to deal with these impacts, will be substantially short-changed in this process.

The solution to the problem of climate financing for developing countries must therefore rest with a genuinely multilateral framework for mobilisation and disbursement of financial resources which reflects the needs and priorities of the countries in receipt of such financing and which is in line with internationally agreed principles on climate change. Besides the existing funds in the UNFCCC, new multilateral funds can be established within the UNFCCC with a Secretariat based in the UNFCCC, a model that has been successfully implemented within the Montreal Protocol.

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Key Points for UNFCCC Bangkok Meeting

1. General

It is clear that the Bangkok meeting will be mainly about process issues and procedures.

On **Process**, it is important that developing countries advocate for a process that is transparent, inclusive and participatory rather than exclusive, with no or very minimal small-group exclusive meetings of the type prevalent in Bali.

On **Procedures**, there must especially be the proper sequencing of the agenda items in a timetable of the next two years that abide by the mandate of the Bali Action Plan and that is in favour of developing countries.

The main decision and mandate of the Bali Action Plan is from para 1: “Decides to launch a comprehensive process to enable the full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012...” Thus the immediate implementation of the Convention is the main mandate, and the *emphasis must be on implementation actions now*.

2. Sequencing of issues to be discussed on agenda

The issues on the agenda of the AWG-LCA can be divided into two categories and they should be discussed/negotiated in two sets and stages:

(I) Issues where there are existing commitments, and where review and implementation is key:

- Finance
- Technology
- Adaptation
- Mitigation by developed countries

(II) Issues which are newly introduced through Bali Action Plan:

- Mitigation by developing countries (reportable etc) in context of sustainable development
- Long-term global goals (global emission reduction)

The issues in Set I are old issues which are ripe for negotiations. The issues in Set II are new and there should be a longer time for dialogue and preparation.

It is crucial that we get the sequencing of the agenda right, and this is the most important task of the Bangkok meeting.

Issues in (I) should be discussed first as Stage I issues because:

- (a) They are the subject of long-standing commitments. Thus a proper sequence must start with (i) a review of the implementation of these commitments; (ii) identification of obstacles to full implementation; (iii) measures needed to overcome the obstacles; (iv) negotiation on enhanced commitments, actions and implementation.
- (b) Finance and technology are the agreed enabling factors that are the pre-condition for developing countries to enhance their actions on mitigation and adaptation. The enabling factors have to be discussed first, so as to put the horse before the cart and not the other way round.
- (c) The mitigation commitments of developed countries for the 2nd commitment period starting 2013 need to be known first since (i) it is an existing commitment to have second and subsequent commitment periods; (ii) it is the foundation on which the global emission target is to be built, and thus it has to be discussed first before the global targets.

Issues in (II) should be Stage II issues and have to be sequenced to be discussed later because:

- (a) They are new issues just decided in Bali.
- (b) The mitigation actions by developing countries are conditioned on the extent to which developed countries provide finance and technology (Convention article 4.7) and the reportable verifiable actions of developing countries are conditional on the reportable verifiable technology and finance that are *enabling* factors.
- (c) The global goals have to be the final item to be discussed, as the level of ambition for these targets is heavily influenced by the developed countries' mitigation commitments and by the extent of finance and technology they make available to developing countries.

In terms of scheduling the two-year process, the Stage I issues should take 1 year and a half (January 2008 to June 2009) and the Stage II issues should take half a year (between June and Dec 2009).

NOTE: The EU submission contained in FCCC/AWGLCA/2008/MISC.1 (p68-76) has the opposite sequence. It wants the agenda to start with shared vision/global goals (with workshops in Bangkok, submissions by April and roundtable in June) and mitigation, including developing country actions, in the first part of June. Technology starts only in the second part of June, while finance serious discussion begins in December 2008.

3. Time Table

To reflect the proposed sequencing and the discussion in 2 stages, developing countries should draw up a time table, showing Stage I issues to be discussed first, followed by Stage II issues.

4. Concerns and points on process issues

It is crucial that the process of the AWG-LCA in next 2 years be fully inclusive, participatory and transparent and enables developing countries to participate effectively. In this light:

- (a) All countries must be kept fully aware and must participate in making decisions on any contact groups or any "informal small-group" meetings taking place. Although certain countries may be requested to attend such a meeting, all countries must be informed of the meeting, and any other country that wants to attend should be allowed to do so. There should not be a repeat of the Bali experience in which security guards prohibit delegates from coming to a meeting unless such delegates carry a pass or ticket.
- (b) Texts agreed to at a meeting must be faithfully reproduced by Chair and Secretariat to bring to the following meeting or to plenary. There should not be a repeat of the Bali experience where a different text from what was agreed to was brought to plenary on the final day.

- (c) When meetings or consultations are still being held, the Chair and the Secretariat should not prematurely start a formal meeting or a plenary to take decisions. The experience of the final plenary in Bali should not be repeated.
- (d) There are too many misleading statements made about the “expiry of the Kyoto Protocol” in 2012 and its replacement by a new regime. Countries should not make or encourage such statements. The Secretariat should set the record right especially with media.
- (e) The workshops organized in session and outside sessions must be designed and implemented in an objective manner, with the members especially the G77 and China having a say in the (1) choice of topics (2) timing of topics (3) selection of speakers (4) selection of issues and questions in the workshops. A procedure should be established for this.

5. Finance

There are concerns over the initiative of the World Bank to establish three climate funds (forest fund, adaptation pilot fund, clean technology fund) valued at USD7-12 billion. These would be outside the decisions of the UNFCCC, and the governance of the Bank would make the governance of financing donor-driven. The World Bank initiative should not go ahead unless and until there is a thorough discussion at UNFCCC. It should not undermine or prejudice the discussions and outcome of finance issues at UNFCCC.

There should be a strengthening of existing UNFCCC funds, and the establishment of new funds within UNFCCC which are under the control and direction of members. A good model is the multilateral fund set up within the Montreal Protocol, which is governed by the members, and the fund has its own secretariat, and a bank is appointed to undertake a role purely as trustee and not as secretariat or other governing roles.

6. Technology

There are many complex issues in the technology issue, including access to affordable technology, the model of R & D and innovation and its financing, and the questions of IPRs as a potential barrier. Identifying barriers to technology transfer and overcoming them are important. To date there has been little or no actual technology transfer implemented through the UNFCCC. This disappointing outcome should be reviewed and steps taken to change this situation through the removal of obstacles. A thorough discussion on these issues is required.

7. Adaptation

Developing countries should be encouraged to list the activities and measures that they require in adaptation, and the financing and technology requirements. From the combination of the lists, a clearer picture will emerge on the needs and thus demands of the countries. A methodology for listing and a procedure for submission and collation of the lists of needs and demands are required.

8. Developing countries’ participation

There are serious concerns that the pace of negotiations (many meetings a year, and many meetings within a session) will be too hectic for developing countries as they have few resources. Meetings should be held in New York or Geneva, where developing countries have Missions equipped to take part in negotiations. There should be preparatory meetings where developing countries can strategise before formal UNFCCC meetings. The one-day meetings of the G77 just a day before the start of formal meetings are insufficient.

9. Danger of “New Issues” Being Proposed

At Bali, many developed countries proposed “new issues” to be placed onto the post-Bali agenda. These included level playing field for competitiveness, relations between the climate and other regimes or

organizations, and energy security. The “commitments of developing countries” is also a “new topic” that some countries insisted on. Although the attempt failed in Bali, the countries may try again in Bangkok. Para 1 states that the COP decides to launch a process by addressing inter alia: (followed by issues).

The term “level playing field” for competitiveness is a code for wanting to link climate change with rules of the trading system or WTO. Similarly the links between UNFCCC or climate regime with other regimes and organizations may probably refer to the trading system or WTO.

There are attempts by some parties in EU and US to place additional import duties on products depending on their carbon or pollution content. These are prohibited by WTO rules, so an attempt may be made to legitimize this through the changing of the trading rules. Developing countries, lacking latest anti-pollution technology, tend to have higher pollution in the making of their products, and thus will be at a disadvantage, until they have equal access to technology.

Japan and others (in their submission) also want a big new topic on the enhanced commitments of developing countries. However there is no need for this as the Bali Action Plan already lists the developing countries’ role regarding mitigation [para 1 (b) (ii)] .

Moreover, injecting such new and controversial topics in the post-Bali agenda will complicate the discussions and make it more difficult to complete the agenda in such a short time-frame. Therefore it was felt at the meeting that “new issues” should not be introduced and the Bali Action Plan should stick to the existing issues in the text.

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