

A Guide to the Climate Negotiations in Nairobi Nov 6 – 17, 2006

The Convention

The 12th Conference of the Parties (COP 12) to the United Nations Framework Convention on Climate Change (UNFCCC) begins on November 6 in Nairobi. The Framework Convention was agreed at the Earth Summit in Rio de Janeiro, Brazil in 1992, and has since been ratified by 189 countries.

Its ultimate objective is the '*stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner*', and states:

“The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse affects thereof.”

The UNFCCC is, as its name implies, a 'framework' convention, and envisages subsidiary legal instruments (e.g. protocols) to affect its goals. It has a non-binding target, which calls for industrialised countries to reduce emissions to 1990 levels by 2000. Recognising that this was inadequate, the Parties to the Convention established a process in Berlin in 1995 to negotiate a protocol with binding targets and timetables "as a matter of urgency". The result was the Kyoto Protocol, agreed in December 1997.

The Kyoto Protocol

The Kyoto Protocol specifies legally binding targets and timetables for reductions of greenhouse gases by the developed countries listed in Annex B¹ of the Protocol, amounting to a nominal 5% reduction of emissions by 2008-2012 relative to 1990 levels. The Protocol was signed by 84 countries and 166 have since ratified or acceded (*see table 1*). The Protocol requires that at least 55 countries, accounting for 55% of the CO₂ emissions from Annex B (industrialised) countries ratify in order for it to enter into force. Having passed the numbers test in 2002, the Kyoto Protocol finally passed the second hurdle when the Russian Federation deposited its instrument of ratification with the United Nations in November of 2004. The Protocol entered into force and became legally binding on the Parties on February 16, 2005.

The United States Government shows no sign of re-entering the Kyoto process, at least as long as the Bush administration is in power. The only other Annex B country to have announced it will not ratify is Australia. Of the others only Croatia has yet to complete the ratification process.

What next for the Kyoto Protocol?

The Kyoto Protocol's entry into force marks the end of 10 years of negotiation, and in practical terms, this means that the Annex B countries that have ratified are now legally bound by the targets they agreed to back in December 1997 in Kyoto. They must now get serious about meeting those targets, through domestic emissions reduction measures as well as through the use of the various trading mechanisms in the Protocol. Formal preparations are underway for creating a 'global' carbon market for emissions trading for 2008, and the European Emissions Trading System (ETS) is now up and running. The so-called 'flexible mechanisms', the Clean Development Mechanism (CDM) and Joint Implementation (JI) are now operational, and projects are being developed and approved at an ever-increasing rate.

The Clean Development Mechanism: Article 12 of the Protocol allows industrialised countries in Annex B to invest in projects in developing countries (who are Parties to Kyoto), which contribute to the reduction of greenhouse gas emissions in that country. An example would be Canada financing an

¹ Annex B to the Kyoto Protocol lists 39 nations (including the European Union and Japan), the same countries as Annex 1 to the Convention.

energy efficiency project in China, or Japan financing a renewable energy project in Morocco. These projects must have the approval of the CDM Executive Board, and as well as generating measurable emissions reductions against a business-as-usual baseline, they must have 'additionality' i.e. it must be clear that the projects would not have happened anyway. They also should be designed to contribute to sustainable development in the developing country partners.

Joint Implementation: (introduced in Article 3 of the Protocol) JI allows industrialised countries with emissions reductions targets to cooperate in meeting them. For example, German-financed energy efficiency projects in Russia, or Norwegian-financed renewable energy projects in Hungary which generate emissions reductions, can be credited to the country, which finances them. In theory, this is a more economically efficient means for generating the same overall emissions reductions for industrialized countries.

The Kyoto trading mechanisms rely on a robust and 'leak-proof' architecture including national accounting systems and a system of international controls to ensure that the actual overall emissions reductions targets are achieved. The CDM to some extent lies outside this architecture as it relies on ensuring that projects in developing countries reduce emissions from a hypothetical baseline, rather than in absolute terms. Unlike trading and JI, it also permits Annex B Parties to increase their overall allowed emissions. These twin problems mean that there is an acute need to ensure that project methodologies for the CDM are watertight and achieve real climate and sustainable development benefits.

Much of the wrangling over the past seven years has been over maintaining the integrity of this architecture and resisting efforts to weaken it. The result is less than perfect, but overall provides a solid basis upon which the future of the climate regime can be built. Its greatest weakness is the mixing of fossil carbon emissions and organic carbon stocks, so called 'carbon sinks', which result in more fossil carbon being introduced into the biosphere in the name of emissions reductions. The future of the Land Use, Land Use Change and Forestry (LULUCF) accounting system will be one of the major factors in future negotiations. See 'Note on Sinks'², below.

Finance: Under the 2001 Bonn Agreement at COP6 bis, a number of industrialised country Parties (the EU, Canada, Iceland, New Zealand, Norway and Switzerland) agreed to "predictable and adequate levels of funding" for developing nations to help them adapt to climate change, diversify out of fossil fuels and to assist in technology transfer by setting up the Special Climate Change Fund and the Least Developed Countries Fund, both administered under the Convention. This was later formalized at COP 7 in Marrakech in late 2001. The Parties pledge to review these commitments prior to 2008. These commitments will now be called in and efforts to assist developing country Parties with adaptation and mitigation can finally get underway, although it is clear that this level of funding is by no means adequate. In addition a small percentage of the proceeds from the sale of emission credits generated under the Kyoto Protocol's CDM will help finance and Adaptation Fund.

What's on the Table at COP/MOP?

Ad Hoc Working Group on Further Commitments for Annex I Parties Under the Kyoto Protocol (AWG) - Article 3.9.

The United Nations Climate Change Conference in Montreal last year launched a new track of talks on the future of the climate change process. The AWG was opened for negotiations of new commitments for industrialized countries under the Kyoto Protocol for the period after 2012.

² **Note on Sinks:** Under the terms of the Kyoto Protocol certain kinds of land use change and forestry activities, which can sequester carbon, are allowed to be counted toward meeting emissions reduction obligations under the Protocol. The theory is that if a ton of carbon is stored in a tree (a so called 'sink' for carbon) and hence removed from the atmosphere, then a country would be allowed to add a ton of carbon to its allowed emissions of carbon from the burning of fossil fuels. This whole theory that creating 'sinks' in forests, plants and soils, whereby carbon dioxide is taken out of the climate system to offset higher fossil fuel emissions is, according to Greenpeace, quite wrong. Unfortunately, carbon stored in trees is not permanently removed from the atmosphere and there is a high probability that the ton of carbon counted as stored in the tree will find its way back into the atmosphere eventually. The result of this is that the burden of reducing emissions is simply shifted to future generations.

The main point, however, is that the use of sinks must not divert any political and financial resources away from the primary task: to reduce emissions resulting from the burning of fossil fuels. Sinks do not even "buy us time", as some have argued. If the industrialized countries do not achieve major emission reductions in the near term, we may lose our ability to avoid dangerous climate change, by anyone's definition. The goal of the Protocol is to reduce emissions, not to create mechanisms for avoiding reductions. Greenpeace seeks to minimize the use of sinks in the Protocol as much as possible, and notes that a number of countries have already pledged that they will not take advantage of this loophole.

While some small progress was made at the first meeting of the AWG in Bonn in May, both the pace and seriousness of this effort must increase substantially. In line with meeting the ultimate objective of the convention, aggregate emissions reductions for Annex I Parties of **at least 18%** for the second commitment period (2013-2017) are required; and **at least 30% reductions** are required for the third commitment period (2018-2022). Targets of at least this magnitude are a necessary but not sufficient condition to set the climate regime on course to avoid dangerous changes to the climate system.

There is a need for an urgent and early conclusion of the second commitment period negotiations with aggressive emission reduction targets to secure the future of the carbon markets, which are the financial and investment drivers for the climate regime. Greenpeace believes that these negotiations must be concluded no later than 2008, which would require a formal negotiating mandate for the second commitment period agreements to be agreed by COP/MOP 3 at the latest.

Review of the Kyoto Protocol pursuant to its Article 9

The first periodic review of the Kyoto Protocol will begin at COP/MOP 2. It is a critical opportunity to improve and expand the agreement based on the experience of the last decade, and to increase both its scale and the scope.

The main role of the review must be to work out the actions needed to bring about a peaking of global emissions no later than 2020 and should include a review of the list of countries contained in Annex B, based on the reality of changed circumstances since the list was agreed nine years ago. Alongside the much greater emission reduction effort required by industrialized countries for the coming commitment periods, more countries need to take on legally binding emission reduction obligations, and new and expanded mechanisms must be developed to engage a much broader range of countries in the global carbon market. Greenpeace believes that the Article 9 review should be done "as a matter of urgency" under an AWG of its own with a time limit set for the end of 2008, and it must link its work with that of the Article 3.9 AWG.

Land Use, Land-Use Change & Forestry

A thorough review of the compromises contained in the Marrakech Accords is needed, loopholes need to be closed, and methodologies need to be updated in light of the latest science on the subject.

Greenpeace is also closely following the discussions on efforts to reduce emissions from deforestation in tropical countries, with an eye towards insuring that a) maximum effort is put into mechanisms to solve this critical problem; and b) that these same mechanisms add to rather than undermine the environmental integrity of the Kyoto Protocol. Parties should agree a work plan and a timetable for SBSTA in order that the various proposals under consideration will be sufficiently developed such that they can be negotiated as part of the Mandate, which is required at COP/MOP 3 at the end of 2007.

International Bunkers

Emissions from international aviation and marine transport must be included in the second commitment period. The delay and inaction from the bodies to which the responsibility for dealing with these issues were delegated (ICAO and IMO) is unacceptable. This growing source of emissions must be brought under control.

Adaptation Financing

The Adaptation Fund, which is generated by a 'tax' on CDM credits is relatively unique in the UN system in that it is a) not 'conditional' as a result of national government 'donor' decisions; and b) arises as a result of largely private sector activities which should provide a more reliable income stream than that dependent upon the ups and downs of national aid budgets.

Estimates of the size of Adaptation Fund revenues by 2012 are at least 250 million, with some estimates as high as 600 million. The logical extension of this levy system to include the other flexible mechanisms (emissions trading the Joint Implementation), combined with much more aggressive emissions reduction targets and expanded carbon market mechanisms for the second commitment period would raise ever-increasing sums for critical adaptation funding in a way that is generated primarily through private sector activities and is independent to some degree of individual national government budget systems.

Parties need to explore the various options for the management of the fund in a way which maximizes its efficiency and which minimizes 'interference' from national budget processes.

Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention

Another track opened at the Montreal COP/MOP concerns a global dialogue on long-term cooperation to enhance implementation of the Convention, in which all 189 countries which signed up to the UNFCCC are participating.

Although the Seminar of Governmental Experts held in May of 2005 yielded a number of positive ideas and proposals, the first session of the 'Dialogue' in Bonn in May was uninspiring and did not produce any memorable results. It will be a bonus if this informal process generates some useful ideas for the discussion. At the end of the day the Convention is a 'framework' with very useful and positive guiding objectives and principles, but with no binding obligations and no substantial sources of finance, the Convention will always remain a framework. The real work of tackling climate change will take place in the Kyoto Protocol negotiations and Greenpeace urges negotiators to keep their focus on the main game, which is the negotiation of future commitments and the development of the Kyoto Protocol

To the extent that the Dialogue is an avenue to say that we are 'talking to the United States', it should be recognized that the Bush administration's position represents a small and decreasing share of political, public and expert opinion in the United States. There are currently a dozen or more legislative proposals for a national cap and trade system in the United States and if, as looks likely, the US House of Representatives comes under control of the Democrats after November 7 there will be a whole new legislative effort in that body.

Other key issues at COP 12 COP/MOP 2 - Development of the CDM

i) HCFC-22 – no new HCFC plants

Greenpeace is opposed to the inclusion of credits generated by destroying HFC-23 associated with HCFC-22 at new facilities under the CDM. Not only does this provide a perverse incentive to delay the switch away from ozone-depleting substances, which are now commercially competitive and widely available but it risks flooding the CDM market with inexpensive credits and has no sustainable development benefit.

ii) Carbon Capture and Storage in the CDM

Carbon Capture and Storage (CCS) technology for power generation has yet to be developed on a commercial scale, market introduction is at least a decade away, and there are many risks and uncertainties about the environmental effectiveness and economic viability of the technology. Despite this, many of its most ardent supporters point to the technology as a kind of 'silver bullet' upon which they ask us to pin our hopes for solving the climate crisis and ask for methodologies for CCS to be included in the CDM. Greenpeace believes that these risks and uncertainties need to be resolved first by industrialized countries prior to a decision about whether to deploy the technology widely, and certainly prior to exporting those risks and uncertainties to the developing world.

Conclusion

The bottom line: unless governments instill some urgency in the post-2012 negotiations as well as seriously dealing with Adaptation, they will be wasting the precious little time we have to act to prevent the worst of climate impacts and the untold human suffering and economic damage it will entail. Delegations have been entrusted with a critical task - to develop and agree an adequate response to the climate challenge we all face. The world is watching. Will you stall and fail or stand and deliver?

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