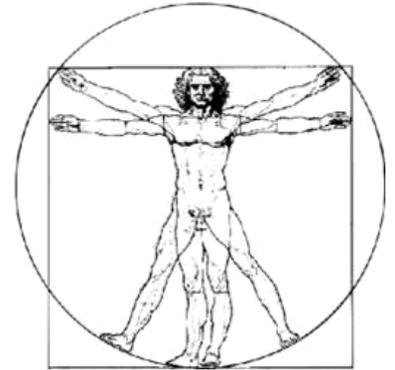

european capacity building initiative (ecbi)

for sustained capacity building in support of the
international climate change negotiations



2007 ecbi OXFORD FELLOWSHIPS & SEMINAR 3 – 7 SEPTEMBER 2007 WADHAM COLLEGE, OXFORD, UK



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Missing: José Miguez and Shaun Vorster

The 2007 ecbi Oxford Fellowships took place between 3 and 7 September. They were attended by 13 Fellows from Botswana, Burkina Faso, Brazil, China, Gabon, Guinea (Conakry), Kenya, Mexico, South Africa, Tuvalu, and Vietnam. Negotiators from Denmark, Germany, the Netherlands, Spain, the UK, the Portuguese EU Presidency and the European Commission joined the Fellows for the Oxford Seminar from 5 to 8 September. Participants engaged in a frank and open exchange of views on a number of issues, specifically where it was felt that trust-building would particularly benefit the UNFCCC negotiations.

The Fellowships began with the Fellowship Colloquium which took place at Wadham College, Oxford from 3 to 5 September. During this event, the Fellows had the opportunity to discuss among themselves a number of issues in depth that they had identified as particularly relevant at this stage of the UNFCCC negotiation process. These included the post-2012 UN regime on climate change; the Clean Development Mechanism

(CDM), reduction of emissions from deforestation in developing countries; the operating modalities of the Adaptation Fund (in particular, the institutional aspects); and capacity building.

The Fellowship Colloquium was followed by the Oxford Seminar from 5 to 7 September at various locations within Oxford University as well as at the Oxford Town Hall. This gave the Fellows the opportunity to engage in discussions with colleagues from the Danish, Dutch, German, Spanish, and UK government agencies as well as with representatives from the Portuguese EU Presidency and the European Commission. At the Seminar, the Fellows presented the conclusions of their discussions during the Colloquium. They also had the opportunity to listen to a number of presentations from the colleagues who had joined them and from invited speakers on the issues which would be at the centre of the debates at the forthcoming climate conference (COP13/MOP3) in Bali in December 2007

2007 ecbi Oxford Seminar: Individual Themes

The following summaries of the discussions at the 2007 Oxford Seminar are based on the feed-back forms by the Fellows and participants after each session. The meetings were held in accordance with the Chatham House Rule and the views expressed are accordingly not attributed.

The post 2012 UN Climate Change Regime

Outcome of the Vienna Talks

The participants heard reports on the Climate Change Talks that had taken place in Vienna during the preceding week. The main event had been the continuation of the meetings of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG). There the G77+ China had demanded deep cuts in GHG emissions from Annex I countries, and some developing countries had advocated the stabilization of GHG concentrations in the atmosphere at around 450ppm.. The spillover effects of response measures had been discussed, such as the impact on growers in developing countries of the awareness about 'food miles' that had been created in developed countries (see also below). This issue had been discussed at some length within the G77.



The meeting had not been able to draw conclusions on mitigation potentials, but discussions had focused on the IPCC's conclusions, which had been described as providing "useful initial parameters for the overall level of ambition" of Annex I Parties.

The Dialogue on long-term cooperative action under the Convention (the Dialogue) had focused on the building blocks needed for the post 2012 regime and had reviewed an innovative paper from the UNFCCC secretariat on Investment and Financial Flows, which would be further discussed in Bali (where there would be a Ministers of Finance presence).

The future of the process had been discussed: would the AWG and the Dialogue merge? What would the US' involvement be? Some UNFCCC parties (notably the EU) want an 'umbrella decision' to be adopted in Bali setting a roadmap for binding in the various work-streams towards a new agreement by COP15 in 2009; the Bali roadmap should ideally include principles, work-streams as well as platforms and processes.

The Fellows' on post-2012 and discussion

The key elements to emerge from both the presentation and the discussion were: the **urgency of an agreement on the post-2012 regime; leadership from industrialised countries; sustainable development considerations to underpin the engagement of developing countries and adequate funding**, especially for adaptation and technology transfer.

The current sense of urgency was reflected in the expectation that negotiations on the future regime would formally be opened in Bali. Participants emphasized that Annex I countries needed to demonstrate leadership by the **adoption of sufficiently stringent and ambitious absolute emissions caps**. In doing so, these countries should manage the impact of their mitigation actions on developing countries. The spillover effects of response measures had been discussed, such as the impact on growers in the developing countries of increasing awareness about 'food miles' in the developed world, where consumers were demanding that the provenance of food be mentioned on its labels. Participants noted that it was up to the governments concerned to educate the consumers, and that the Parties to the UNFCCC already suffering from the 'food miles' issue to take it forward in the process without having it handled in conjunction with the 'OPEC issues' if at all possible.

The developing countries were already participating in mitigation through the adoption of climate friendly policies; it was recognised that their mitigation efforts would need to increase. The Fellows' presentation contained an interesting suggestion for a **possible differentiation of developing countries' roles** according to their emissions.

Sustainable Development must be further emphasised and brought to the core in the post-2012 discussions. In some Fellows' views, sustainable development was a more important consideration in the future regime than equity – yet there was no consensus on this. A broader

participation of developing countries could include the quantification of the emissions reductions achieved through sustainable development policies; this should be accompanied by monitoring, measurement, and verification. This could be assisted by **targeted capacity building** for CDM (with a focus on private sector capacity); for NGOs on the potential of community based schemes accessing the voluntary carbon market; and for activities which raise awareness within key sectors/departments, e.g. energy, transport, water, disaster preparedness.

Funding, and the adequacy of this funding, for both mitigation, and in particular adaptation, must be seriously addressed, as inadequate funding will be a deal-breaker in the coming negotiations. The current understanding of technology transfer should evolve to a more sustainable scheme for **skills transfer**. North-South technology cooperation should be enhanced by the use of the markets (incl. CDM) and innovative financing. South-South technology cooperation must be encouraged.



The Adaptation Fund

Recent assessments (among others by the World Bank, Oxfam and UNFCCC) show that the adaptation needs of developing countries will cost in the tens of billions of US dollars a year; currently, only a few hundred million dollars are available from voluntary sources. This huge **funding gap** could (at least in part) be filled by a fully functional Adaptation Fund (AF), in which the levies on the CDM activities carried out (mainly) by the private sector in developing countries are pooled. This **innovative source of funding** will be additional to ODA, and go beyond it in scope..

Provided that it was adequately set up in terms of governance, the Adaptation Fund could become the

vehicle for implementing the activities identified in the vulnerability assessments of the developing countries on a full cost basis. The Fellows noted that the poorest and most vulnerable counties (LDCs, SIDS) were already having to adapt on their own, even though they did not contribute to the causes of climate change. They suggested that the resources of the AF could be extended by applying levies to JI and ET, using the similar structure as for the CDM levy. More funding could also be generated through the CDM, for example by making the buyers of CERs contribute to the fund

The Fellows were of the view that the AF was sufficiently different from other funds operating under the UNFCCC to necessitate the creation of a different governance structure with a new and separate operating Executive Body (EB). COP/MOP2 in Nairobi (2006) asserted the authority of the COP/MOP over the AF; this principle must be adequately reflected in the governance structure of the AF. The COP/MOP should nominate the experts who sit in the EB; these experts should operate in a personal capacity rather than as government representatives. The composition of the EB should reflect the non-Annex I majority mandated in the Nairobi Decision and also represent not only the UN regions, but also the main interest groups: the most vulnerable countries, including the Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The day-to-day running of the AF could then be delegated to a Secretariat either housed within an existing organisation or even set up as a separate entity.

Noting that a decision would need to be made in Bali about the governing body, secretariat for the fund and the role of COP/MOP, the European participants stressed the need for full transparency in the operations of the governing body; for clear representation rules; for information to be made available on a regular basis to the UNFCCC focal points; and for sufficient trust to be built to ensure that the chosen structure operates to the satisfaction of all parties. Some of them pointed out that replacing the existing structure for the governance of fund, i.e. the GEF, could be lengthy and may not deliver the intended benefits.

The Fellows concluded that it was worth investing time and effort in finding a long-term solution to the issue of the AF's governance; however, they

also appreciated that there may be a need for interim solutions.¹

The CDM

At the Fellows' 2006 Seminar, the difficulties with the CDM facing low emitting countries had been analysed and a number ideas had been put forward on how to address them. This year, the discussions focused on lessons learnt so far and on improvements needed to the CDM in the post-2012 regime. The divide between the countries who had access to CDM projects and those who did not was again emphasized. Among those who do not are the LDCs and the SIDSs; ***this discrepancy needed to be addressed in the post 2012 regime***. The LDCs want to host CDMs and have already made investments setting up DNAs, but projects have not been forthcoming; more private sector capacity building is needed. The SIDS are less concerned about getting CDM projects than with the lack of genuine emissions reductions achieved through CDM.

However, the Fellows recognized that more is needed to address the problem of ***reducing overall global emissions***. This can only be achieved through the decarbonisation of all major emitting economies, including developing country ones, which in turn requires financing and technology transfer. Carbon markets could provide some of the required financing, but significantly increased investment from other sources were need, including up-front financing. In the countries where CDM had been a success, given increased demands, it could be up-scaled. Future CDM could include ***programmatic, policy or sectoral CDM***. CDM should play a role in technology transfer, as developed countries not only buy CERs but also sell technology through CDM.

Sustainable development in host countries is an explicit objective of CDM. However, ensuring SD as a component of the CDM requires a broader participation of the main stakeholders (including international cooperation, local and community intervention and government collaboration.) and needs to complement – not replace – domestic capacity or drivers. It may also increase the costs of the projects, but this could be addressed by setting up a financial mechanism (e.g. a fund) to finance the projects which are more expensive but have good sustainable development benefits

¹ A group of Fellows subsequently authored an IIED/ecbi Sustainable Development Opinion on their views, available at www.EuroCapacity.org

Reducing Emissions from Deforestation in Developing Countries (REDD)



The participants discussed how reducing emissions from deforestation in developing countries could become a 'credited' activity under the post 2012 regime. They saw this as one of the ways in which *some of the non Annex I countries could contribute to emission reductions*, with the protection of *biodiversity* as an added benefit. The activities would need to be run in the context of the countries' sustainable development policies, and to contribute to them.

A number of *open questions* remained, such as the mechanisms for funding/ crediting these activities; the development of reliable remote sensing technology to monitor emissions and any reductions; methods to avoid leakage; the level at which activities would take place (national, regional, sectoral, project-based).

It would also be useful to assess the potential for credits from reducing deforestation to play a *role in the carbon market*. Some participants were of the view that market 'flooding' with REDD credits was unlikely given the average cost and the difficulty of reducing emissions. Others expressed the opinion that a new fund should be created to fund these activities, to avoid interference with the carbon trading markets.

Finally, it was pointed out that activities aiming at reducing emissions from deforestation would need *capacity building* for monitoring, design and implementation, and that there was substantial potential here for *south-south cooperation*.

Capacity Building

The Fellows reaffirmed that capacity building was needed by developing countries *at all levels in the short, medium and long-term*. It is a long process, and has to be a continuous until *a critical mass of in-country know-how* has been achieved. It

includes raising awareness of high level decision makers; institutional strengthening; improving policies and practices; increasing the capability for designing and running projects and strengthening the links between climate change and national development programs. Business and academic involvement were seen as crucial, as were the availability of external sources of funding to support capacity building activities. *Awareness and coordination* were seen as two of the most important issues in need of capacity building at all levels.

Another essential aspect of countries' capacity building needs was *enhancing the negotiating capacity of participants in the UNFCCC process*.

The Fellows stressed how important the ECBI's contribution had been in that respect and requested that the initiative be widened to include: more regional meetings of to prepare for upcoming COP negotiations; assistance from experts on issues being negotiated to help prepare briefs; assistance to build capacity in drafting/ language capability and the establishment of internships for Francophone negotiators in English speaking developing countries. National Climate Change Focal Points should be strengthened (in terms of skills, and technical and financial knowledge). Key people from other ministries than the one dealing directly with climate change should become involved- ECBI had successfully encouraged such involvement in its activities.

The *more vulnerable groups* of developing countries (LDCs, Africa Group, SIDS) need targeted training and exchanges of negotiators (South-South as well as South-North); and assistance with targeted policy analysis of negotiating proposals from their group's perspective.



List of Participants

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