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Rocky start on road to Durban

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Despite a moderately successful global climate conference last December at Cancún, Mexico, there is concern that a Green Climate Fund for developing countries could be hit by delays and lack of political will.

Despite relief that the Cancún UN climate conference in December 2010 resulted in a set of broad agreements (ENDS Report 431, pp 6-7), there has been slow progress on designing the financing arrangements needed to secure a global settlement on tackling climate change.

Progress in other key areas, aimed at paving the way to a successor treaty after the first Kyoto Protocol commitment period expires in 2012, has also been patchy so far.

One task for 2011 set out at Cancún, Mexico, was to elaborate the financial, technological and capacity-building mechanisms agreed by nations. These aim to facilitate both emissions mitigation and adaptation in developing countries.

Of these, the most immediate priority is to flesh out the detailed design of the Green Climate Fund before the UN climate conference in Durban, South Africa, this December, and to manage the flow of the $100 billion of long-term public and private funding needed annually by 2020 (ENDS Report 430, pp 66-67).

The fund will ultimately be governed by a board of 24 members, drawn equally from developing and developed countries, with an independent secretariat and the World Bank as interim trustee.

But a Cancún decision means the task of designing the fund before Durban falls to a transitional committee of 40 members, with 15 drawn from developed and 25 from developing nations.

Landmark

Its first meeting, planned for March, was requested by UN climate convention executive secretary Christiana Figueres. It was postponed at the last minute with no meeting now likely before late April. This follows continuing lack of agreement over representation for Asia and Latin America on the transitional committee.

The embarrassing slippage has reawakened fears that procedural wrangling could delay the multitude of decisions needed to ready the fund for operation in time for Durban.

Monica Araya, senior associate with sustainability consultants E3G, agreed the delay could endanger timelines for Durban. But she said it stemmed from the strong interest of countries wanting to be on the committee, rather than divisions over policy or a lack of will. The proposed fund was widely recognised as Cancún's biggest achievement, she added.

There is also strong interest in developing the fund among a new grouping of developed and developing countries, the Cartagena Dialogue. This includes the EU and several Latin American, African, Asian and Gulf states that met in Malawi in March. This loose grouping is now helping to overcome the north-south polarisation that dogged the 2009 Copenhagen climate summit (ENDS Report 421, pp 53-55).

Even so, Dr Araya accepted there will now be difficult discussions over what the committee can realistically achieve ahead of Durban given the expectations the fund has raised, and what can legitimately be left until afterwards.

Axel Michaelowa, an international offsets expert with Perspectives consultancy, foresees difficulties in getting developed countries to finance the fund. Particular concerns include the continuing scale-back of climate policy ambition in the US, and the growing burden on Japan from the March tsunami and Fukushima nuclear disasters.

Only the EU and a few middle-ranking economic nations are likely to be reliable financial backers, Mr Michaelowa says. But he asked: "Will [the EU] be willing to play the locomotive all the time?" Dr Araya added that retrenchment by these players could sap the enthusiasm of developing countries for progress of the fund and undermine the delicate consensus achieved on wider Cancún agreements.

Kirsty Hamilton, associate fellow at the Royal Institute of International Affairs specialising in climate change, told ENDS that agreement on finance and emission reductions were key to a global climate settlement. As the most sensitive issues, they were likely to be left until last in the negotiations. Yet without earlier progress on finance, it is unlikely that developing countries will agree to make emissions reductions.

Following the Cancún meeting, several nations have now submitted proposals for implementing the broad brush decisions made in Mexico.[1] Few new market mechanisms for achieving emissions reductions were proposed, beyond those already made prior to the Cancún conference. But several countries including the EU, Saudi Arabia and Indonesia have proposed detailed environmental integrity rules for the inclusion of carbon capture and storage (CCS) in Clean Development Mechanism (CDM) international offset projects in developing countries.

Growing support

The growth of support for CCS from developing countries, particularly Saudi Arabia, is noticeable, particularly interest in benefiting from sales of carbon credits to developed countries. But EU backing depends on CCS not promoting greater use of fossil fuels and undermining energy efficiency and renewable energy.

Support from developing countries is based on CCS not being seen as taking on formal, developed country-style commitments to cut emissions.

The EU has reaffirmed its support for sector-wide carbon credit mechanisms. Instead of being based on the carbon savings of individual offset projects, as happens with the CDM, they would trade emissions reductions below a baseline for an entire sector of industry within a nation. But this has yet to gain political traction.

The EU also said that bilateral agreements on sectoral schemes, such as between the EU and China, could be implemented much faster than the nationally appropriate mitigation actions (NAMAs) proposed for developing countries. NAMAs would need universal agreement across the UN.

China did not object in principle to new market mechanisms generating carbon credits. But it pointed out these should not count towards financial contributions flowing from developed to developing countries to help them tackle climate change when sales of credits were involved.

Non-market mechanisms

The UN Development Programme pointed out that the CDM has been successful in achieving emissions reduction and technology transfer. Even though it needs reform, the experience gained should not be ignored.

But it also noted that non-market mechanisms, such as energy performance, fuel and building standards in the EU and Japan, can deliver major emissions cuts over time provided institutional capacity is developed. Some of these could conceivably also generate carbon credits.

Japan is supporting the development of technology-neutral CDM offsets. It is also developing its own offset scheme schemes and exploring bilateral opportunities.

Perspectives' Dr Michaelowa also noted relative quiet from the BASIC countries (Brazil, South Africa, India and China), the key emerging economies that facilitated the Copenhagen Accords. A change of president in previously active Brazil is thought to be a key reason.

A major sticking point remains monitoring, reporting and verification of emissions cuts, demanded by developed countries in time for the Durban conference.

Dr Michaelowa also pointed to the bigger issue: without a formal timetable on more ambitious national emissions reduction goals, there is no certainty for a continuing carbon offset market. CDM investors are already pulling out ahead of the 'Kyoto gap'. "So it will be an uphill struggle to Durban," he concluded.