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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention
Fourth workshop
Vienna, 27–31 August 2007

Dialogue working paper 16 (2007)

Submission from Portugal on behalf of the European Community and its member States[*]

[*] This submission was submitted on 30 August 2007 and has been electronically imported in order to make it available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

SUBMISSION BY PORTUGAL
ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES

Vienna, 30 August 2007

Subject: Working paper (2) for the UNFCCC Secretariat on the Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention (Decision 1/CP.11)

1. Portugal on behalf of the European Community and its Member States welcomes the opportunity to submit an additional working paper to further elaborate the working paper submitted on 16 August 2007, which focused on the process to be agreed at COP13 at Bali and the cross-cutting issue of investment and finance, and its statement made at the fourth session of the Convention Dialogue in Vienna on 27 August 2007.

2. The EU stresses that a global and comprehensive post-2012 framework under the UNFCCC is necessary to drive an effective, efficient and equitable response on the scale required to face climate change challenges. That framework needs to move our economies onto a low carbon and sustainable development path, inter alia by scaling up and re-directing investment and finance flows, but also promoting the improvement of the investment environment.

3. This working paper focuses on the eight building blocks that we believe are needed to deliver the above challenges, which were outlined by our Heads of State and Government at the EU Spring Council on 8/9 March 2007 and that will need to be an important part of the negotiation process on a global and comprehensive post-2012 agreement to be agreed in Bali and completed by 2009.

The development of a shared vision to reach the ultimate objective of the UN Framework Convention on Climate Change

4. The EU's overriding objective in discussing a shared vision to reach the ultimate objective of the UNFCCC is to ensure that the global community has a common and clear understanding of the scale of the global efforts to meet this objective. The shared vision is required to ensure that our collective action on climate change is sufficiently ambitious in order to avoid dangerous climate change. The transition to a global low-carbon economy and society is the prerequisite for long-term sustainable economic development, for safeguarding global food production and ensuring adequate protection of ecosystems. Action is consistent with achieving economic growth and sustainable development as supported by recently published studies. Moreover industry and investors have demanded a strong political signal on the certainty of the continuing value of carbon, strengthening the role of carbon markets and trading in a post-2012 arrangement. Without adequate global action, on both mitigation and adaptation, climate

change will increasingly hamper countries meeting national and international development goals and could become a threat to international security.

5. With a view to achieving the ultimate objective of the Convention, the EU has proposed that global mean surface temperature increase should not exceed 2° Celsius above pre-industrial levels in order to avoid unacceptable and potentially unmanageable global impacts and risks, which is in line with the IPCC AR 4. The EU acknowledges though that even below a 2°C increase, impacts and risks would remain serious.

6. In order not to exceed an increase of 2 ºC, global greenhouse gas emissions will need to peak within the next 10 to 15 years, followed by substantial global emission reductions of at least 50% by 2050 compared to 1990.

7. At the AWG meeting in May 2007 Kyoto Protocol Parties have referred to the scenarios of the IPCC indicating that global emissions of greenhouse gases (GHGs) have to be reduced to very low levels, well below half of levels in 2000 by the middle of the twenty-first century for stabilising greenhouse gas concentrations at low levels. The G8 at its meeting in Heiligendamm agreed to seriously considering at least a halving of global emissions by 2050.

8. The EU looks forward to further discussing the purpose and the options for establishing such a goal that provides a yardstick, which - in the EU's view - should guide Parties in determining their level of ambition in the next stages of continued, strengthened and broadened international mitigation efforts.

Agreeing on deeper absolute emission reduction commitments by all developed countries

9. The EU is strongly committed to achieving results in the AWG on further commitments for Annex I parties under the Kyoto Protocol (AWG) that are in line with our Spring Council objectives for Annex I commitments. All developed countries should take the lead by committing to collectively reducing their emissions of greenhouse gases in the order of 30% by 2020 compared to 1990. They should do so with a view to collectively reducing their emissions by 60% to 80% by 2050 compared to 1990. The EU already has made a firm independent commitment to achieve at least a 20% reduction of GHG gas emissions by 2020 compared to 1990. The EU also endorsed a 30% reduction in GHG emissions by 2020 compared to 1990 as its contribution to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries to contributing adequately according to their responsibilities and respective capabilities.

Facilitating further fair and effective contributions by other countries

10. The increasing share of greenhouse gas emissions from **developing countries** in global GHG emissions means there is a need for these countries to address the growth in these emissions by reducing the emission intensity of their economic development, in line with the general principle of common but differentiated responsibilities and respective capabilities. The EU recognises that important action is already undertaken by developing countries and acknowledges the overriding priority of economic development and poverty eradication for developing countries and underlines the strong short and long-term opportunities provided by tackling climate change for achieving these objectives. Co-benefits not only include strengthened energy security and reduced air pollution and other negative environmental, social and health impacts, but also benefits through reduced impacts of climate change.

11. The EU is of the opinion that for developing countries contributions could take several forms and include many policy options where benefits outweigh costs and that support continued economic growth, strengthen energy security and benefit health. Within the Convention Dialogue, but also in other processes, ideas have been put forward as to what type of contributions could be considered, such as, sectoral approaches, non binding and no-lose targets, SD-PAMs, enhanced Clean Development Mechanism, etc. The EU would like to further explore these types of contributions and the positive incentives necessary to support their implementation and maximise their contribution beyond win-win actions. In order to ensure the significance and effectiveness of such contributions they need to be measurable, reportable, and verifiable.

12. The EU is keen to cooperate on elaborating concrete options for contributions from the **economically more advanced developing countries** to a global and comprehensive agreement taking account of their responsibilities and respective capabilities.

13. For the **least developed countries** the EU supports the need to ensure the integration of climate change policies into their sustainable development plans, with a view to avoiding unnecessary greenhouse gas emissions as well as enhancing their resilience to the impacts of climate change.

The strengthening and extension of global carbon markets

14. Significant development of the global carbon market and the enhancement of the flexible mechanisms are essential. They are cost-effective tools for guiding investment decisions in a clean, climate-friendly direction by providing incentives to finance projects that can facilitate a transition to a less carbon intensive global economy.

15. Absolute emission reduction commitments are the backbone of a global carbon market: this the EU believes is the most effective way to scale up significantly investment and financial flows. An adequate global carbon price creates incentives for mitigation, and enhances investments in clean technology, development and deployment.

16. The EU considers that elements of the existing regulated carbon markets, such as emissions trading, the Clean Development Mechanism and Joint Implementation are important elements of a global carbon market. They need to be scaled up and strengthened in order to enhance their roles in promoting low carbon economies, sustainable development, capacity building and development, deployment and transfer of technologies for least cost emissions reductions and wider benefits while enhancing its environmental effectiveness and the integrity of the carbon market. Development of national and regional emissions trading schemes, and of links between them, contribute to the development of the global carbon market. We also need to further explore the creative development of market mechanisms – on the one hand to maximise their financing potential, but also to explore how mechanisms and other tools could be further developed while preserving the environmental integrity and the proper functioning of the carbon market.

The development, deployment and transfer of the necessary technology to reduce emissions

17. For the EU, the inclusion of a technology (and investment) element within a future framework is key to:
    - accelerating the deployment of existing environmentally sound low GHG technologies in order to exploit their GHG-reduction potential;
    - rapidly accelerating the development and commercialisation of new low carbon energy technologies globally; and
    - addressing specific barriers to energy efficiency, renewable energy and other low carbon energy technologies.

18. Much of future energy investment is likely to be in developing countries as their economies grow. Investments that are being made now are likely to lock-in technologies for the next 50 years or more and will therefore have a long-term impact on future emission profiles. There is an urgency for scaling up public and private international cooperation to assist developing countries in channelling future energy supply investment, estimated at over US$ 400 billion in 2030[1] into low carbon technology options.

19. Many of the technologies needed to mitigate climate change are already available or near commercialisation, but a number of financial and non-financial barriers exist to their deployment. There needs to be a substantial effort by both the public and private sectors for these technologies to be deployed on a wider scale by the market. A positive enabling environment is critical to enhance the role of technology in addressing climate change. The enhancement of the appropriate international and market framework to guide or incentivise private sector investors and other decision-makers is necessary to maximise the potential of technology within a new comprehensive and global agreement. A key challenge therefore is how to build national and international frameworks that can enable

[1] UNFCCC background paper on analysis of existing and planned investments and financial flows relevant to the development of an effective and appropriate international response to climate change, 2007, table 9.

existing technologies, particularly for improving energy efficiency and increasing the use of renewable energy sources, to deliver their full potential. In particular, domestic policy and regulatory frameworks need to remove barriers and provide incentives for low carbon energy investment.

20. An important point for successful technology investment/transfer is Government commitment to set up robust open, stable and non-discriminatory policy and regulatory frameworks in order to guide private sector investment. In developed countries deep and broad emissions reduction targets are necessary. Enhanced market instruments such as emission trading, the CDM and innovative approaches to crediting, will play an important role in delivering on this commitment in developed countries and will support low carbon energy technology deployment in developing countries. However, further innovative financing mechanisms and complementary and supportive instruments and measures will need to be considered in order to scale up investment in deployment of low carbon technology sufficient to enable low-carbon growth globally. The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is an example of such mechanism.

21. There is a need to build on and expand initiatives for delivering a step-change in low carbon technology investment globally, including assistance and positive incentives for developing countries to enhance their implementation of the Convention whilst contributing to sustainable growth and poverty reduction. The role of World and Regional Banks in their efforts to create Clean Energy Investment Frameworks is crucial here.

22. Finally, to further develop promising new mitigation technologies and help them to the market, governments amongst others, will also need to play an important role in significantly enhancing levels of R, D&D spending. Greater international technological cooperation and commitments are also necessary and will form an important technology push complement to the technology pull created by a global carbon market.

23. The EU emphasises the need and its willingness to explore the potential for new innovative mechanisms or agreements for scaling up technology cooperation to assist developing countries on the development, demonstration, and deployment of low carbon technology as part of a wider discussion on a global and comprehensive agreement.

Appropriate adaptation measures to deal with the effects of climate change

24. The recent contributions of the IPCC Working Groups to the Fourth Assessment Report demonstrate that climate change is accelerating and that the negative impacts are already occurring, both in developed and developing countries. Even with significant emission reductions over the coming decades, societies in both developing and developed countries have to prepare for and adapt to the impacts of unavoidable climate change. This will require integration of consideration of the impacts of climate change into a wide range of decisions across society to ensure that adaptation efforts contribute to sustainable development and are cost-

effective. However, to enhance the feasibility of adaptation in the future there is an urgent need for stringent efforts on mitigation to limit the rate and eventual level of climate change.

25. Developing countries, in particularly the most vulnerable, need support to deal with the adverse impacts of climate change, and the EU will continue to work with them on addressing this. Incorporating the consideration of climate risks into poverty reduction strategies and national development strategies is essential to minimising developing countries' vulnerability to climate change and achieving the Millennium Development Goals and the Johannesburg Plan of Implementation goals and targets.

26. The EU believes that the catalytic role of the UNFCCC will be critical in identifying and promoting appropriate adaptation solutions, both in the immediate term and in a post 2012 scenario in order to minimise the negative impacts of unavoidable climate change and making full use of opportunities for sustainable development. The existing provisions and commitments under the UNFCCC and Kyoto Protocol should be enhanced and made more coherent in a post-2012 agreement. In the EU's view, some of the issues to be explored in the post 2012 regime include:
    - A broad range of adaptation activities including preventive and reactive measures, and activities at the project and programmatic levels;
    - Addressing barriers to implementation (including information gaps and limited capacity), and enhancing the knowledge base and the development and promotion of adaptation approaches and tools;
    - The integration of adaptation at all levels including by encouraging other multilateral bodies, civil society and the private sector to integrate adaptation in their activities;
    - Promoting predictable and adequate funding, from public and private sources, for enhancing resilience and adaptation, in particular for the most vulnerable countries.

Addressing emissions from international aviation and maritime transportation

27. Emissions from international aviation and shipping represent one of the fastest growing sources of greenhouse gas emissions. The EU stresses that we need a global solution for this global problem. The EU is of the view that in the light of the leading role of UNFCCC in climate change policy in general, the cooperation between UNFCCC, IMO and ICAO to achieve common goals of the international community in the global fight against climate change should be reviewed to ensure a consistent and effective approach.

Action on deforestation

28. Emissions from deforestation in developing countries amount to about 20% of global carbon dioxide emissions and concrete policies and actions as part of a global and comprehensive post-2012 agreement are needed to halt these emissions and reverse them within the next two to three decades. Efforts to curb deforestation are already being undertaken yet some 13 million hectares of the world's forests are still lost each year[2]. In the context of a shared vision, achieving stabilisation of greenhouse gases in the atmosphere will require action on all large sources of emissions including deforestation, and the significant co-benefits for local communities and for biodiversity suggest that reducing deforestation is a priority for further action.

29. The EU recognises commitments by all Parties to protect and enhance carbon stocks and sinks. The EU considers that an acceptable way forward will need to explore the provision of performance-based incentives for quantifiable reductions in emissions leading to preservation of stocks, while preserving the environmental integrity and avoiding perverse incentives. To this end, it could be useful to take advantage of the experiences from ongoing and new pilot initiatives to reduce emissions from deforestation in developing countries when considering the establishment of a reliable system to tackle deforestation.

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[2] FAO, *Global Forest Resources Assessment,* 2005.