Carbon Expo
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Address by John Kilani, Sustainable Development Mechanisms programme
United Nations Framework Convention on Climate Change
on behalf of
Yvo de Boer, Executive Secretary,
United Nations Framework on Climate Change

Distinguished panel members, ladies and gentlemen,

I am pleased to have this opportunity to speak with you today, on behalf of Yvo de Boer, Executive Secretary of the UNFCCC, who has asked me to convey his regrets and to wish you another very successful Carbon Expo.

Before we discuss what lies ahead, let's begin by reviewing what we know.

First, we know that climate change is a serious global threat. The quality and volume of evidence describing that threat is increasing, and with it, public support for effective global action is increasing.

Second, we know that negotiating an international response to climate change is a daunting, frustrating and, at times, seemingly impossible task.

Third, and most importantly, we know that despite all the difficulties and seeming impossibilities, Parties agreed to step up action – to negotiate by the end of 2009 a truly effective, truly global response to climate change, for the common good and for the sake of future generations.

Success in our current negotiations hinges on finding clarity in four areas:

- Clarity on ambitious GHG emission reduction *targets* for industrialized countries
- Clarity on nationally appropriate mitigation *actions* of developing countries
- Clarity on how *financial and technological support*, both for mitigation and, crucially, for adaptation, will be generated
- Clarity on the *institutional framework* to deliver support for mitigation and adaptation

All these four areas relate to our topic this afternoon.

Clarity on targets for industrialized countries and financial and technological support have strong linkages to market instruments and options for post-2012.

A number of industrialized countries have indicated where they want their emissions to be in 2020. But proposals to date have been rather modest. The cost-effective opportunities that market instruments hold should prompt countries to increase their level of ambition. We all know that the higher the level of ambition, the higher the use of market instruments, and the higher the financial and technological support generated via the markets.

Gaining clarity on nationally appropriate mitigation actions – NAMAs – is just as important as gaining clarity on the level of ambition of industrialized countries.

Many developing countries are already implementing climate change mitigation actions, and many have climate change strategies in place.

In Bali, developing countries indicated that they are willing to undertake additional measurable, reportable and verifiable mitigation actions, provided they get the promised measurable, reportable and verifiable support from industrialized countries.

NAMAs need to contribute to developing countries' sustainable development goals and boost their economic growth. NAMAs need to be a central element in developing countries' moves towards a sustainable energy future.

The scope and scale of NAMAs has not yet been defined by the negotiations. But, judging from Parties' proposals, they could include anything from voluntary renewable energy targets, to boosting energy efficiency standards, to deforestation projects, provided that international support is available and the additional mitigation benefit can be measured, reported and verified.

The important question is: could investing in NAMAs of developing countries also count towards meeting targets in industrialized countries, and could this somehow be linked to the carbon market? This would entail linking to both the targets and the financial support of industrialized countries and would have important implications for the role and size of the carbon market.

Indeed, the markets and market-based mechanisms should be viewed as an integral part of a broader, global architecture being put in place to address climate change.

Addressing climate change will require a significant shift in financial flows and a great deal of new money directed towards green, sustainable development. Industrialized countries need to make progress urgently on clarifying how to generate resources.

The negotiations are difficult, and the shape of the mechanisms needed to do the job has not yet been clarified.

However, countries are taking a positive position and are discussing mechanisms that could generate billions of dollars. These discussions imply that the carbon market will have a central role to play.

That said, the carbon market and the market mechanisms under the Kyoto Protocol are tools that we *already* have at our disposal, that are *already* incentivizing investment in clean development, and, importantly, *already* contributing to adaptation.

And Parties have already declared their support for the market. They have called for the continuation of emissions trading, the clean development mechanism and joint implementation beyond 2012.

They have also expressed the need for expansion of the mechanisms and a move towards a global market. This will require international agreement, backed by national and regional schemes. International markets should complement domestic efforts.

In short, Parties see the need to incentivize global action on climate change. They want to use the market to mobilize finance and technology for developing countries and spur emissions mitigation.

The Kyoto Protocol has been a pioneer in all of these: in capping emissions, however modestly; in providing the architecture and legal basis for international emissions trading; and in establishing market-based offset mechanisms, creating in the process the world's first internationally recognized environmental currency.

The lessons that we have learned and are still learning from the Kyoto Protocol mechanisms could prove to be the most important contribution that the Protocol makes to the international response to climate change. One of these lessons is that CDM projects tend to follow foreign direct investment. So how can those countries that don't usually attract investment, and that also have low numbers of CDM projects, attract higher levels of carbon market investments? This is crucial given that all developing countries need assistance to leapfrog the CO2 intensive stage of economic development.

The global community faces a huge challenge – the challenge of climate-friendly development. We can *learn from*, *build on*, and *draw courage from* what has already been accomplished – not least the clean development mechanism, a working mechanism that is incentivizing investment and helping to set countries down a clean path to sustainable development.

It's appropriate to ask now: Where do we go from here?

In Bonn in March, Parties narrowed down their discussions on the future of emissions trading and the project-based mechanisms. Regarding the CDM, when Parties meet again in Bonn in June they will for the first time resume their talks based on detailed negotiating texts relating to :

- Land use, land-use change and forestry activities
- Inclusion of carbon dioxide capture and storage in geological formations under the CDM
- Encouraging the development of standardized, multi-project baselines under the mechanism

Parties will also discuss crediting on the basis of nationally appropriate mitigation actions – so-called NAMAs. They will also consider:

- Positive or negative lists of project activity types
- Improving access to project activities under the clean development mechanism by specified host Parties
- Promoting co-benefits for CDM project activities by facilitative means
- Multiplication and discount factors for credits

Regarding JI, Parties will consider inclusion of nuclear activities under the mechanism. And, as they will do for CDM, Parties will discuss promoting co-benefits for joint implementation project activities under the Joint Implementation Supervisory Committee, by facilitative means.

Parties will also consider matters relating to the banking of credits across crediting periods and the borrowing of assigned amount units from future periods, and they will look again at extending the share of proceeds.

Parties will also discuss the matter of ensuring consistency between approaches for land use, land-use change and forestry projects under JI and the treatment of CDM afforestation and reforestation project activities.

In short, a great deal is on the table and yet to be negotiated. Anything is possible.

That said, the Bonn session that concluded in March was a success, because it signalled that the nuts-and-bolts negotiating necessary for an agreed outcome in Copenhagen had begun. When next they meet, Parties will be negotiating real text. With this, they will officially enter the intensified phase in the negotiations towards Copenhagen. The stakes are high, but the price of failure is higher still.

The carbon market community, represented here at Carbon Expo, has an important role to play in delivering the resources needed to address climate change. The market community also has an important role in furthering the negotiations. It is important now, more than ever, to make your views heard.

Thank you.

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