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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

First workshop

Bonn, 15–16 May 2006

Dialogue working paper 6 (2006)

**Submission from Austria on behalf of the European Community
and its member States
(supported by Bulgaria, Romania, Croatia, Serbia and Montenegro)***

* This submission was submitted on 13 April 2006 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.

**AUSTRIA ON BEHALF OF THE EUROPEAN COMMUNITY
AND ITS MEMBER STATES**

This submission is supported by Bulgaria, Romania, Croatia, Serbia and Montenegro

Vienna, 13 April 2006

Subject: Submission to UNFCCC Secretariat on the Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention

Austria, on behalf of the European Community and its Member States, and Bulgaria, Romania, Croatia, Serbia and Montenegro welcomes the establishment of the Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention (Decision 1/CP.11). In line with that Decision, the European Union is submitting its initial views on the issues to be discussed in the Dialogue.

The EU also welcomes the decision to initiate the consideration of further commitments for Parties included in Annex I to the Convention for the period beyond 2012 in accordance with Article 3(9) of the Kyoto Protocol (CMP.1) and is looking forward to the upcoming review of the Kyoto Protocol at COP/MOP 2 on which the COP President has invited submissions by 1 September 2006.

1. General Remarks

1. Climate Change requires an urgent global response in order to meet the ultimate objective of the Convention, which includes both mitigation of and adaptation to climate change. According to the Third Assessment Report of the Intergovernmental Panel on Climate Change (IPCC TAR), much deeper reductions in greenhouse gas emissions than those envisaged for the first commitment period of the Kyoto Protocol will be necessary. This message was emphasised with an even stronger sense of urgency by the follow-up report¹ from the Exeter Conference of 1-3 February 2005 which reviewed the likely impacts of climate change.
2. The European Union is concerned that delaying such a response would necessitate more drastic cuts in the future, increase the cost and extent of adaptation measures and lead to serious damage from climate change impacts. In many cases, the accelerating effects of climate change could render adaptation impossible.
3. The European Union confirms its conviction that, with a view to achieving the ultimate objective of the Convention, the global mean surface temperature increase should not exceed 2°C above pre-industrial levels. This conviction is based on the findings of the IPCC and further scientific evidence, that global warming above this level is likely to have major negative environmental, economic and social impacts. The European Union emphasises that the maximum global temperature increase of 2°C over pre-industrial levels should be considered as an overall long-term objective to guide global efforts to reduce climate change risks in accordance with the precautionary approach as expressed in Article 3.3 of the Convention. The European

¹ The report was published on 30 January 2006 and can be downloaded at:
<http://www.defra.gov.uk/news/latest/2006/climate-0201.htm>

Union also recognises that the 2°C objective cannot be considered to be a wholly safe level.

4. Recent scientific research and work under the IPCC indicate that keeping this long-term temperature objective within reach will require global greenhouse gas emissions to peak within the next two decades, followed by substantial reductions in the order of at least 15% and perhaps by as much as 50% by 2050 compared to 1990 levels.
5. The European Union is implementing the Kyoto Protocol and is confident that it will meet its present commitments, including through the swift implementation of already planned measures by Member States and at EU level and the use of the flexible mechanisms. The implementation of the European Union Emissions Trading Scheme has incorporated the price of carbon into private sector decision-making and has established a framework for trading and the use of the flexible mechanisms. Knowing that the first commitment period of the Kyoto Protocol is only a first step, the EU recognises that the European Community and its Member States, like other developed Parties, will need to work even harder in the coming years and in future commitment periods to contribute to reaching the ultimate objective of the Convention.
6. We are working with other Kyoto Parties to ensure the successful functioning of flexible mechanisms (including joint implementation, the clean development mechanism and international emissions trading), so that we will be able to use them to achieve present and further commitments cost-effectively and to support sustainable development. At the same time, the use of flexible mechanisms will continue to generate significant investments in climate-friendly technologies and stimulate the development, deployment, and transfer of these technologies, practices and processes in both developed and developing countries. These mechanisms rely on the existence of binding quantified emission limitation or reduction commitments beyond 2012.
7. In view of the global emission reductions required, global joint efforts are needed in the coming decades, in line with common but differentiated responsibilities and respective capabilities, including significantly enhanced aggregate emission reduction efforts by all economically more advanced countries. Developed countries should continue to take the lead in accordance with the Convention in the fight against climate change. Without prejudging new approaches for differentiation between Parties in a future fair and flexible framework, the EU looks forward to exploring with other Parties strategies for achieving necessary emission reductions. The EU Council of March 2005 has opened this discussion by giving an indication of the emission reductions we consider necessary to meet the ultimate objective of the Convention and by inviting other Parties to explore pathways to get there.
8. However, the developed countries that presently have commitments inscribed in Annex B and have ratified the Kyoto Protocol will not be able to combat climate change effectively on their own. These countries accounted for only about 30% of global emissions in the year 2000. Today's 25 Member States of the European Union accounted for 14% of global emissions in 2000.² This share is expected to decrease substantially over the coming decades.
9. A broad response now, rather than later, would allow all Parties to take advantage of the current opportunities to begin to establish more sustainable economies and to avoid lock-in into high carbon emitting technologies. For example, some \$16 trillion

² World Resources Institute, CAIT (<http://cait.wri.org>), figures for all Kyoto gases excluding CO₂ from LULUCF

needs to be invested in the world's energy systems by 2030.³

10. The EU believes the Convention Dialogue is the right forum for exploring, with all Convention Parties, strategic approaches for long-term cooperative action to address climate change, with a view to broaden and deepen global mitigation of climate change, in a way that does not prejudice the growth prospects of countries, particularly developing countries with growing energy demands.
11. The EU is looking forward to exchanging experiences and analysing strategic approaches for long-term cooperative action to address climate change with all other Parties in the Dialogue established by Decision 1/CP.11 and to discussing the ideas that they might wish to propose for enhancing implementation in the near term of future.

2. Initial views on issues to be discussed in the dialogue

12. The EU would like to propose some key questions for consideration in the Dialogue which cover the four themes identified in paragraph 1 of Decision 1/CP.11 and which also address various cross-cutting issues that should provide essential support to the discussions. The overarching purpose of the Dialogue should be to enhance the implementation of the Convention, in particular meeting the ultimate objective.

Advancement of development goals in a sustainable way

13. Climate change and its adverse physical effects impact social and economic development prospects of nations and the livelihoods of individual households. Indeed sustainable development is only possible if climate change is fully integrated into policy decisions. Many sustainable development objectives (for example related to energy, land use and local environmental problems) go hand in hand with controlling greenhouse gas emissions. Actions to limit greenhouse gas emissions can provide co-benefits and synergies with development goals, for example in terms of energy security and economic efficiency.

- Q1 How can we further integrate climate change policies into sustainable development?
- Q2 How can the UNFCCC help the implementation of sustainable policies and measures?
- Q3 How can the UNFCCC contribute to finding ways for financing climate change policies?
- Q4 How can we maximise synergies and co-benefits and minimise trade-offs via action on sustainable development and climate change? How can the UNFCCC contribute?

Addressing action on adaptation

14. Adaptation is a challenge for all parties, and developed and developing countries must work together to explore how to face this. Developing countries are particularly vulnerable to the impacts of climate change, in particular the small island developing States and least developed countries which together account for almost half the Parties to the Convention. There is a need to continue to work with developing countries in a spirit of solidarity to build their capacities to adapt and take measures to respond to climate change impacts.

³ IEA, World Energy Outlook 2004

- Q5 What promising approaches could be developed for long-term international cooperative action on adaptation in developed and developing countries building on work underway under the Convention?
- Q6 How can awareness of the adaptation challenge be enhanced among policy-makers at all levels, practitioners in all sectors and the general public? How can information on impacts of climate change and about possible approaches, technologies, practices and tools to address the problem be disseminated?
- Q7 How would non-action in mitigation impact on the choices and the costs of adaptation?

Realising the full potential of technology

15. The more successful global mitigation efforts are, the less need there is to adapt and the longer the time scale before the limits to adaptation are reached. Development and diffusion of innovative, climate friendly technology plays a key role in facilitating successful mitigation efforts. The technologies we need to meet the climate change challenge are either available today or can realistically be expected to be operational within the 2050 time frame. However this requires the right policy framework to enable faster deployment and development of clean and efficient technologies.

- Q8 What opportunities and barriers exist to employment or development of low or zero greenhouse gas emitting technologies?
- Q9 How to further engage the public and private sectors and provide the right incentives for development, diffusion and transfer of these technologies?
- Q10 What are good examples of existing bilateral and multilateral cooperation on technology development, diffusion and transfer? How can we build on such approaches? How can synergies between such cooperation and the international climate change framework be supported with a view to realising the ultimate objective of the Convention?

Realising the full potential of market-based opportunities

16. In the age of globalisation, an international framework is essential to guide market forces towards a more climate-friendly economy. Realising the full potential of market based opportunities is a key area to discuss in the Dialogue as such opportunities could provide incentives for participation in the international framework and they have the potential to promote or accelerate technological change and deployment. For that reason, a key issue for the EU is to ensure the efficiency and continued functioning of the Kyoto Protocol flexible mechanisms.

- Q11 What is the full potential of market-based opportunities? How can we realise this potential, including by building on the experiences with the Kyoto Protocol architecture and emerging GHG emission trading schemes?
- Q12 What is the potential of specific agreements for international sectors, which are subject to international competition?
- Q13 How could voluntary and economic instruments, such as eco-labels, standards, incentives, subsidies and taxes influence investment in less GHG intensive activities and consumer choices?

Improving the investment environment

17. The improvement of the investment environment is an issue that will need to be addressed throughout the Convention Dialogue. We all recognise that the right investment choices – e.g. for sustainable or efficient technologies, infrastructures, or technologies that are compatible with future improvements – will facilitate the transition to a low carbon future. This is particularly true for long-lived investments in energy systems, infrastructure, human settlements/housing and urban planning, etc. The choice of unsustainable or inefficient technologies, infrastructures, or technologies that are not compatible with future improvements, will lead either to stranded capital, or to “lock in” which will limit future options to tackle climate change.
- Q14 How can we ensure that the necessary enabling framework is in place soon to support financing of long-term investment compatible with a lower carbon future? What instruments within the UNFCCC can give the right incentives?
- Q15 How can we build on and strengthen existing instruments, such as the flexible mechanisms, so as to provide the greater visibility and certainty needed to influence these globally crucial and urgent investment choices, particularly in sectors where there is a long period for capital stock turnover?
- Q16 What innovative ideas could we develop to engage business in a way that unlocks significant private sector capital and addresses the gaps in the innovation chain?
- Q17 What sort of actions should we, the international community, be asking from the international financial institutions, such as the World Bank, regional development banks and export credit agencies, so that climate change considerations are further integrated into their planning processes? What priorities should they follow?

Crosscutting themes

18. Meeting the ultimate objective will require global emissions reductions that go beyond the implementation of the Convention to date. The EU Council of March 2005 has opened up this discussion by giving an indication of the emission reduction pathways we consider necessary *to meeting the ultimate objective of the Convention* and we are keen to exchange views with our partners, for example:
- Q18 How do Parties interpret the requirements of the ultimate objective?
- Q19 What magnitude of global emission reductions are necessary and in which time frame?
19. The Convention Dialogue should also consider the coherence of policies in different fields, such as *energy (including security, efficiency and supply)* with climate change policies, and the interaction between environmental policies. For example the reduction of air pollution, through existing technologies, may lead to additional greenhouse gases emissions.
20. A further crosscutting issue should be to explore *how to ensure a wider input and ownership of policy on climate change*. The response to climate change touches all aspects of our economies and societies. All relevant ministries, the business sector and other stakeholders need to be fully involved in choices. For example, industry can provide important insights into the debate on investment, technology and the role of market instruments. The Convention Dialogue should provide for stakeholders to be

closely associated to its work.

3. The Workshops

21. The EU welcomes the Secretariat's arrangements that the first workshop should be a plenary meeting on 15-16 May, as it would be premature to begin detailed discussion of separate themes in parallel. It is also important that all parties, and observers, can participate as far as possible in the work of this first workshop in an inter-active way.
22. There are a number of ways to structure the discussion of the first workshop and future sessions. The EU believes that it is important to reflect on the themes identified in section 2 of this submission, which cover the four areas identified in paragraph 1 (a)-(d) of Decision 1/CP.11.
23. Subsequent workshops could try to bring together various themes and develop horizontal aspects further. Examples are the need to look at national and international institutional arrangements, financing climate change and the need to monitor the effectiveness of climate change action.
24. The EU notes that a great deal of work is already underway in and outside the Convention and the Kyoto Protocol on options to strengthen the implementation of the Convention, for example in academic studies, informal dialogues, and within international organisations and partnerships between parties. It would be valuable if the Secretariat could undertake a study of these initiatives to inform the work of future workshops. Also, the EU would like to ask the Secretariat to consider obtaining an input into the Workshops from non-Party entities, such as the scientific community, business and other civil society, as well as organisations such as the World Bank and IEA.
