



**Remarks at the opening of
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This conference comes at a strategic time:

1. The first commitment period of the Kyoto Protocol has just started.
2. Negotiations under the Bali Road Map on the post-2012 regime are about to start.
3. Governments are preparing to make decisions about emissions trading systems at the regional, national and sub-national levels.

Everything is now in place for the first commitment period of the Kyoto Protocol. The UNFCCC secretariat has put in place the International Transaction Log, an exchange system allowing for electronic transfers of Kyoto Units between parties. It has also put in place supporting structures to enable effective functioning of two international offset mechanisms, the CDM and the JI. The support structure for the CDM is funded from shares of proceeds from issued certified emission reductions (CERs).

The CDM has been a great success:

1. It has provided economic incentives for mitigation action in developing countries
2. It has provided companies with access to emission reductions at lower cost that would be available to them within the company
3. It has moved mitigation technology to developing countries
4. It has promoted more sustainable investment choices in developing countries

My colleagues from the UNFCCC secretariat are here and would be happy to interact with you.

The Bali Conference resulted in a breakthrough: a new two-year negotiation process under the Convention to complement the existing negotiation process under the Protocol. Both are to conclude at the **Copenhagen Climate Change Conference** at the end of 2009. The real work begins now with an incredibly busy time ahead. The challenge is huge, with less than two years left to craft an agreement on stronger international action on climate change that measures up to the imperatives of science.

The new negotiating process on long-term cooperative action under the Convention will:

1. Define, in a measurable, reportable and verifiable way, nationally appropriate **mitigation commitments or actions** for developed countries and **mitigation actions** for developing countries;
2. Determine essential **actions to adapt** to the inevitable impacts of climate change and to promote climate-resilient development; and
3. Mobilize the necessary **finance and technology** to enable and support these action by developing countries in a measurable, reportable and verifiable way.

It is important to underline that these negotiations will focus on **how** to make it possible to reduce emissions, not just how much they should be reduced, by when and by whom, even though those questions are critically important as well.

The negotiations need to result in the **design** a post-2012 regime, which is:

1. **Effective** and delivers the required emission reductions fast enough,
2. **Efficient** in delivering these emission reductions without excessive cost,
3. Is seen to be **equitable** by the governments around the negotiating table.

The **effectiveness** of the agreement will be determined by the long- and medium-term goals set and the targets and timetables adopted. World leaders have already turned their attention to the 2050 global goal; they will now also need to address the medium-term goals. The G8 summit in Japan in July presents a challenging opportunity for the G8 to show leadership in this context. It is unlikely that the bottom up action pledges from Governments will add to being commensurate with the scale of the problem, making international negotiations of targets necessary.

At the Vienna Climate Change Talks 2007, Parties to the Kyoto Protocol agreed to work based on a range of emission reduction objectives of Annex I Parties of 25-40 per cent below 1990 by 2020, which is in line with the most stringent IPCC scenario.

Mid-term goals have to be in line with the time-frame that science dictates and avoid unduly delaying action, which will drive up cost. Emission targets generate the scarcity needed to provide economic value to allowances to emit greenhouse gases, and are the foundation of any carbon market.

The second dimension is the **efficiency of the regime** will be determined by effective carbon market mechanisms, broad participation in the mitigation effort, sound policy and by the rate at which technological solutions can be deployed.

The negotiations will be looking at various approaches, including opportunities for using markets, to promote cost effectiveness of mitigation action. You will have a lot to offer in that debate. The Kyoto negotiating group will be looking at ways to enhance the effectiveness of the Emissions Trading, CDM and JI at its next meeting.

Both the IPCC and the Stern review have estimated the costs of mitigation and found them to be less than the cost of damage resulting from the impacts. One should not forget that these estimates assume broad participation and effective climate policy. Departure from that ideal will drive to total costs. The leadership of California is leading the way to stronger action by the United States.

Finally the agreement needs to be seen as **equitable** to have any change of being ratified in capitals. Equity is a deeply political concept. It includes dimensions such as historic responsibility for past emissions and solidarity to assist countries, which are particularly vulnerable to the impacts of climate change; change they have done next to nothing to cause.

An equitable agreement needs to maintain a delicate balance between the need for broad participation in the action and the imperative of eradicating poverty and boosting economic growth in developing countries.

It is clear that industrialised countries need to continue to take the lead in reducing emissions and they need to determine what additional actions they can take in this regard. But climate change abatement can only be successful if developing countries act as well.

A global, low-carbon economic development plan, that makes climate-friendly economic growth globally viable, including in developing countries, is needed. For that, we need to build on the carbon market. Finance and technology are the link between developing country engagement and industrialised country action. Under a high-demand future scenario, the clean development mechanism (CDM) could stimulate investments of 100 billion USD annually in developing countries.

However, the CDM cannot be the only tool in the mechanisms toolbox.

The first negotiating session will be held on **31 March - 4 April in Bangkok** in parallel with negotiations under the Protocol. At this time the Kyoto process will be analysing how to increase the effectiveness of emissions trading, the CDM and JI.

Insights from practioners such as your selves are critical in making the road leading to Copenhagen a road leading to a future climate change regime firmly rooted in an understanding in how investment decisions are made both in developed and developing economies.