



**Asian Development Bank (ADB) High Level Dialogue
Manila, 17 June 2009**

**Address by Yvo de Boer, Executive Secretary
United Nations Framework Convention on Climate Change**

Honourable Ministers, ladies and gentlemen,

This ADB/TERI conference is a timely event on the road to Copenhagen. A Copenhagen agreed outcome is of critical importance to Asia. Let me illustrate why, and also highlight the key benefits for Asia, in the context of giving you an update on the state of the negotiations.

Clearly, Asia is at a critical stage of development. Many millions of people have been lifted out of poverty over the past decades due to rapid economic growth. At the same time, the levels of Asia's economic development differ widely. An estimated 54 per cent of the region's population still lives in extreme or moderate poverty.

Consequently, the overriding priorities of Asian countries remain poverty eradication and economic growth in the context of sustainable development.

But climate change impacts have started threatening hard-won development progress, and will increasingly do so as climate change takes an ever greater hold. Climate change impacts will be overwhelmingly severe for Asia. They will exacerbate existing vulnerabilities and they have the potential to throw countries back into the poverty trap.

For example, it is estimated that at least 120 million people, most likely many more, will experience increased water stress by the 2020s, and this will increase through to mid-century, severely threatening agricultural production and food security. Coastal cities, including Bangkok, Jakarta, Manila and Shanghai will be increasingly vulnerable to sea-level rise, as well as flooding and storm surges due to unpredictable weather patterns.

But the amount of mitigation done today will reduce the severity of climate change impacts on economies and on the world's prosperity in the future. Asia's economic growth has been accompanied by a particularly high growth in fossil fuel use for energy, which accounted for 29 per cent of CO₂ emissions in Asia in 2005.

Many in Asia see climate change mitigation as a threat to development. But to date, Asia's leading economies seem to have benefited the most from the current climate change regime.

Most of the Kyoto Protocol's clean development mechanism projects are being implemented in a handful of countries, including China, India and the Republic of Korea. Yet the benefits for smaller developing countries have not materialized.

There are many countries with no or very low numbers of projects under the clean development mechanism. The variety of funds established to assist developing countries with urgent adaptation needs remain largely empty, and technology cooperation has not taken off in any significant way.

Clearly, this needs to change, and Copenhagen this year is the opportunity for that change. The two-year negotiating process on strengthened international climate change action has now entered its critical phase.

The most recent Climate Change Talks, held in Bonn during the first two weeks of June, saw a first version of a negotiating text for a Copenhagen agreed outcome.

The reading of the negotiating text revealed that there is growing convergence in the negotiations on the need for a strong adaptation framework or programme, which needs to address the concerns of particularly vulnerable countries, including many Asian countries.

The framework also includes the means of implementation, namely, finance, technology and capacity-building. Furthermore, national adaptation programmes of action - or NAPAs - which identify the most pressing adaptation needs, and which many least developed countries have already completed, could be extended to all developing countries.

However, while adaptation measures may safeguard economic development gains, in and of themselves, they are unlikely to boost economic development. This is different for mitigation measures. There are mitigation actions that can boost economic development and contribute to sustainable development.

The economic recovery packages of some of Asia's major economies illustrate this most clearly. For example, in China's package, which totals USD 586 billion, 37.8 per cent has been earmarked to be spent on green measures. In the Republic of Korea's package, which totals USD 38.1 billion, 80.5 per cent has been earmarked to be spent on green measures.

Lesser developed countries in Asia have not been able to put such packages together. But green development is important across the board. For Asian countries, measures in energy can make a significant mitigation contribution, as well as yield win-win benefits, such as improved air quality.

Many developing countries, for example China and India, 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.

There is growing convergence in the negotiations that developing countries could undertake nationally appropriate mitigation actions - or NAMAs - with international support. The scope and scale of NAMAs has not yet been clearly defined by the negotiations.

But judging from Governments' proposals, they could include anything from renewable energy projects, to reducing emissions from deforestation projects, to mitigation actions in agriculture, provided the additional mitigation benefit can be measured, reported and verified.

NAMAs hold a huge potential benefit for many Asian countries. For example, renewable energy projects that are supported through a Copenhagen deal could drive economic growth and contribute to the creation of a clean, sustainable and independent energy future.

If carefully designed, NAMAs could make an important contribution to strengthening many Asian countries' competitive economic advantages going into the future.

Asia needs to harness this opportunity and put forward its definition of which additional mitigation activities could function as NAMAs. Overall, the negotiations need to define how to direct financial and technological support towards NAMAs.

But in order to adapt, to embark on competitive low-emissions growth, and to seize the synergies between mitigation and adaptation, developing countries need support through international cooperation.

Copenhagen needs to mobilize very significant financial and technological resources to assist developing countries in their adaptation measures and additional mitigation actions. Such resources have been estimated to total up to USD 250 billion per annum in 2020.

Significant public funding is essential. Multilateral and bilateral sources of funding represent an important option for mobilizing funding. Yet here it is critical that these are new and additional resources, as opposed to repackaged ODA.

However, such public sources are unlikely to provide the type of support that would be sufficient to meet the needs for both mitigation and adaptation. Also, in the midst of an economic crisis, it will be hard for governments to come up with large sums of money.

It may be more propitious to generate as much of the necessary funding as possible from within the climate change regime. The carbon market is one viable option: the more ambitious the emission reduction targets of industrialized countries, the higher the use of the carbon market and its mechanisms, and consequently, the higher the amount of financial flows and technology transfer mobilized through the carbon market.

Given announcements of individual targets to date, it is clear that industrialized countries need to show a much higher level of ambition. An expanded carbon market and related mechanisms may facilitate this.

A related 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. It is critical that the negotiations clarify the mechanisms that could generate substantial funds. At this stage, industrialized countries have taken on a positive position and are discussing mechanisms that are likely to generate billions of dollars.

The benefit for Asian countries is that a strong outcome on climate change has the potential to include significant financial support for developing countries, captured in a negotiated text. Yet to be truly effective, these resources need to be coordinated and access to them needs to be simplified in an efficient governance structure.

Broadly speaking, there are two main positions regarding governance. On the one hand, the G77 & China are proposing that the funds that are agreed in Copenhagen be under the authority of the Conference of the Parties to the UNFCCC, with operating bodies to supervise financial flows.

This proposal wants to ensure that the new governance structure breaks with the past in that it is based on the equitable representation of Parties. Parties would have direct control over funds under the Convention, whereas they wouldn't have that level of control over funds outside the Convention.

Industrialized countries, on the other hand, are pushing for governance of funds through existing channels. They maintain that existing multilateral institutions and regional development banks have an important role to play in the governance of the generated finances.

The underlying concern of industrialized countries is that the money should be spent wisely and in an efficient manner. They also want to ensure that there is no proliferation of financial institutions, given the resources this would swallow.

A middle ground has to be found to accommodate both, and this can be done .. but only if it is clear that both donors and multilateral financial institutions work towards the needs that developing countries determine for themselves.

The question is, how can this be linked up with the governance structures under a new climate change regime?

One possible way is if developing countries recognize nationally appropriate mitigation measures - NAMAs - and national adaptation programmes of action - NAPAs – as vehicles to control the direction of financial support.

Existing institutions, such as the Asian Development Bank, could then continue to be used for channelling resources. The key is that measurable, reportable and verifiable support is given to NAMAs, as well as to NAPAs, in line with guidance provided by the COP.

So, to sum up...

There are four political prerequisites that need to be resolved in order to reach success in Copenhagen:

- First, clarity on ambitious emission reduction targets of industrialized countries;

- Second, clarity on nationally appropriate mitigation action by developing countries;
- Third, clarity on how to generate sufficient and new financial and technological support for developing countries' mitigation and adaptation actions;
- And fourth, clarity on the governance structure to manage the resources towards the desired climate result.

An agreed outcome at Copenhagen may not reflect the prerequisites in precisely these words, but it needs to reflect the resolution of these points.

Progress towards gaining clarity on these four prerequisites was indeed made in the consideration of the first negotiating text during the latest Bonn Climate Change Talks. But time is short, and much work remains to be done.

The United Nations Climate Change Conference in Copenhagen, at which an ambitious climate change deal needs to be sealed, is only 175 days away. In terms of real negotiating time, there are a mere six weeks left before the Copenhagen conference opens.

At the remaining negotiating sessions in August, during September/October and in November, time will have to be used wisely.

Asia has much to lose if an ambitious Copenhagen deal does not come through. Copenhagen is the opportunity to ensure that the deal responds to the needs of all Asian countries, irrespective of their level of economic development. This is particularly important for Asian countries that have not benefited significantly from the current climate change regime.

For them, failure at Copenhagen would mean the greatest loss, because:

- Without Copenhagen, there will be no effective adaptation;
- Without Copenhagen, there will be no new and additional financial and technological support for mitigation measures that contribute to development;
- And without Copenhagen, there will be no governance structure that is truly founded in equity.

The future depends on what we do in the present, and opportunities are often the beginning of great enterprises.

I urge Asia to seize the opportunity in order to ensure that Copenhagen 2009 contributes to the region's key development challenges through international cooperation: firstly, to safeguard the precious development gains by means of adaptation; and secondly, to contribute to further economic growth by means of both adaptation and nationally appropriate mitigation actions.

Thank you

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