

Talking point: Joke Waller-Hunter, Executive Secretary UNFCCC

The mandate for next week's meeting in Bonn is very narrow, but many hope that this will mark the start of negotiations for post-2012. CMM spoke to the Executive Secretary of the UNFCCC, Ms Joke Waller-Hunter on 4 May.

This is the year when talks on post-Kyoto should get started. Are you optimistic that talks can officially start?

The most important thing is political will. If the will is there then Parties may engage in initial discussions at COP/MOP 1, in Montreal in November/December of this year. Of course, there are a number of procedural issues, but they can be overcome with political leadership in the run up to and during the summit.

Are you confident the political will is there?

The fact that this is the first conference after the entry into force of the Protocol may trigger momentum. In addition, Parties may be sensitive to the urgency of the situation, with the concentrations of greenhouse gases in the atmosphere steadily going up.

We have a seminar in Bonn in May, where Parties have an opportunity to express themselves on approaches taken so far and planned developments. It will be a first discussion on such experiences. It is clear that any talks on the future must be based on experience gained. As such the seminar is significant.

What would you like to see from 2012?

Of course, it is not something that I determine; it is up to the Parties. But if you ask for my view, I think it is important that the Parties realize the urgency of meeting the objective of the Climate Change Convention: no dangerous human interference with the climate system. That is a common objective and Parties have to consider how they can jointly get there.

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I think it is quite important not to start the discussions from scratch, but to build on the principles included in the Convention and to learn from the experiences of all Parties, industrialized and developing countries alike. We need to build on the experience that has been gained, and not limit ourselves to the experience of the Parties to the Kyoto Protocol, but also that of the US and Australia. We must look at what has been successful and what has not worked and see what we can use as useful building blocks.

Has anything particularly succeeded, or not worked?

It is interesting to see that since the Convention was adopted in 1992, there is much broader acceptance of market-based mechanisms, as opposed to command-and-control policies

and measures. The market-based approach is embodied in the Kyoto Protocol and implemented in the European emissions trading scheme. Whatever is to be done will likely be based on these foundations. But there are of course other elements to be considered, like progress in the development and deployment of climate friendly technologies.

When considering the future Parties should look again at the costs of implementation, the costs of inaction and the costs of adaptation. More generally speaking it is considered important to have as broad participation as possible in any future agreement. It is equally important that such an agreement is based on sound science.

Would a future agreement be meaningful without the US, or is their participation imperative?

It is a global problem so it is important to have coverage of global greenhouse gas emissions. We need to have the US at the table. We also need to make sure the experience of the US is fully shared. That's why I said we must listen to the US because they have a different approach from the Kyoto Protocol.

The timing is tight, given the glacial pace of international negotiations...

That is not always true. The Convention took two years to agree and the Kyoto Protocol took three years. Our track record is quite good. The Protocol rules took a further four years to agree

on, because there is a high degree of specificity, but overall the pace has been pretty fast.

But given that investors need a lead-in time, they would want certainty long before 2012 to invest in emissions reductions. If an agreement is not in place, is extending the Kyoto Protocol possible as an interim option?

It is indeed important for investors to have a framework, which provides them with some certainty over the longer term. Parties are well aware of the huge investment needs in the energy sector in the years to come, to effectively deal with the increased demand foreseen for 2030. It is important that these investments are climate friendly. That may impact decisions on future commitments. I would not pre-empt a situation in which Parties would not be able to agree on the course of action to be taken. It is simply premature.

Do you think the COP/MOP1 process will move any faster?

One could imagine so, as the Parties to the Protocol are all committed to the same goal. But if you want broad participation, it may not be good to limit it to the 150 Parties of the Kyoto Protocol. You could even see parallel tracks being taken. But this is all guessing on my part, it is not based on positions taken by the Parties.

There are serious resource issues with the CDM. Can you say which countries are behind with their pledged payments?

We have two streams of income for the CDM this year. One is the

Kyoto Protocol Interim Allocation, which was agreed by the Parties to the Convention under the budget decision for the biennium 2004-2005 and was contingent upon the entry into force of the Kyoto Protocol. Until now, we have received 36 per cent out of \$4.7 million from 30 Parties. Then we have the stream of what we call 'supplementary contributions', where we invite the Parties to make extra contributions to support the work on specific issues. There were US\$3.5 million outstanding, of which we have received US\$1.8 million, about half.

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And yet, there is a still a serious shortage of resources for the work on the CDM in 2005. The major potential donors have been alerted to this fact at highest levels and I will use the opportunity at the upcoming SB meetings to stress once more the urgency of endowing the CDM with the required resources. When you work in the UN system you need the money in the bank before you can spend it. There is always a time when you say what you need, but you can only start when you have secured the resources. There is some flexibility but not too much.

Parties to the Kyoto Protocol are beginning to see the urgency of the situation, as they now realise that they have to deliver in 2008 to 2012. They have also seen that the CDM can deliver. The secretariat has certainly raised the alarm bell, including with a

letter from the Chair of the CDM Executive Board and myself to Ministers, that the activity levels in 2005 are sharply increasing and that, without a significant strengthening of the technical capacity of the secretariat, the Board cannot cope with requests for action on methodologies and project registration within a reasonable time period.

In the long term the CDM must become self sufficient, as stipulated in the Kyoto Protocol. That means keeping a share of the proceeds of the sale of CERs so the CDM has its own income.

So isn't that a trap: that until you have enough money to get a flow of CERs going you won't have your own income to improve the flow?

We are stressing the investment aspect when we are asking Parties for supplementary contributions. Things are moving now and we are recruiting people to enhance technical support to the CDM Executive Board. For the time being we are coping.

When will the CDM registry be ready?

The CDM registry was already completed at the end of 2004 in time for COP 10. We are now working on the second phase, of building an interface between the CDM registry and the International Transaction Log. By the end of the year we will have the link between the CDM registry and the ITL in place.

Elliot Morley suggested that the secretariat should adopt a longer-term management plan and budget. Do you have such a plan?

The work of the CDM Executive Board as well as that of the secretariat has of course always been based on a detailed plan of activities. A detailed schedule of activities has been prepared at the beginning of each year by the secretariat, approved by the Board, and adjusted as needs arose and resources permitted during the year.

We have prepared a work plan for the Secretariat, which must be endorsed by the Parties now, and it includes a budget up to 2007. So there will soon be a clear perspective on what we plan to do up to 2007, which includes more technical support by the Secretariat, as well as other services.

A management plan is in the works and its major elements will be discussed at the next Board meeting. One of the biggest challenges is certainly that the activities expected from the CDM Executive Board, and the secretariat supporting it, are determined by the flow of cases coming from the private sector, the outside world in general. This flow is difficult to predict over the longer term. But the secretariat has done a survey asking operational entities about the expected case flow at least over the next 12 months. The results are being compiled and will be presented to the next Board meeting, and I think the projects will come in their hundreds rather than their tens as some expect them now.

In a previous interview, Ken Newcombe said the window was closing on CDM investment, with the uncertainty beyond 2012. Do you agree?

To a certain extent yes. We had a very strong signal on the "Kyoto risk" before the Kyoto Protocol came into force. Now that risk has gone, and considerable investments are underway, but it has been superseded by the risk surrounding the uncertainty beyond 2012. However, I don't think the window for CDM is closing already.

While there is no discernible action now, Parties need to understand the dilemma: many CDM project activities will only go ahead if a post-2012 value for CDM credits can be ascertained. The point has been brought up repeatedly over the past two years, by investors and hosts alike, that ways to ensure such value need to be found - beyond the potential offered through the EU Linking Directive.

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This is even becoming more important for developing countries which are planning to undertake "unilateral" CDM projects and which are facing increased exposure to financial risk if a post-2012 value is uncertain. Nevertheless, now that the Kyoto Protocol has entered into force, I expected a little more confidence.

The Executive Board looks like it will fall short of its own target of approving projects for 2005. Do you agree?

The term "target" is not appropriate in this context. Indeed it is a misunderstanding of the whole CDM concept which is driven by project proponents, ie mostly by the private sector, and is a "bottom up" process. The Board does not initiate or operate CDM projects. It looks at projects which are being proposed by project proponents around the world. It looks at them at the end of the "funnel", that is once operational entities have validated such projects and have submitted them for registration. On 16 November 2004, the very first project was submitted for registration. To date, 13 requests for registration have been received, 5 of which are within the routine consideration period which is 8 weeks for normal and 4 weeks for small-scale projects. 5 projects are registered as CDM project activities and 3 project requests are being reviewed at the next Board meeting. It has been a rather smooth process, so I don't see that there is a problem with any 'target'.

The challenge ahead of us is to make sure that as the number of projects goes up, the flow through the Board and the Methodology Panel continues as it should be.

What is the status for preparations for JI Supervisory Committee?

Now that the KP has entered into force, COP/MOP 1 will establish the JI Supervisory Committee by the end of this year and it is expected to start operating very quickly thereafter.

Thank you.