

## **South Centre's Submission on options to strengthen opportunities for cooperation and collaboration among Parties relating to the Forum and Work Programme on the impact of the implementation of response measures. 30 September 2014**

The South Centre welcomes this opportunity to share its preliminary views on the options to strengthen opportunities for cooperation and collaboration among Parties related to agenda sub-item, Forum and Work Programme on the impact of the implementation of response measures, pursuant to paragraph 4, Draft Conclusions proposed by the Chair\* (FCCC/SB/2014/L.2 14 June 2014).

*In the implementation of the commitments in this Article, the Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures,...* (Article 4.8, UNFCCC).

### **Background & Context**

The objective of the Convention is to achieve, 'the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system...' It further stipulates that '(s)uch a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.'

Under article 4, the Annex I (AI) Parties committed 'to take the lead in modifying longer-term trends in anthropogenic emissions consistent with the objective of the Convention by making the necessary changes in their domestic economies, including 'adopting national policies and taking corresponding measures to mitigation climate change and reducing the level of emission to limiting anthropogenic emissions of greenhouse gases and protecting and enhancing its greenhouse gas sinks and reservoirs'. At the same time, Parties are required to give full consideration to what actions are necessary to meet the specific needs and concerns of developing country Parties arising not just from the adverse impacts of climate but also from the impacts of the implementation of measures taken by Parties in seeking to fulfil their commitments in article 4.8. This stipulation was affirmed and reinforced in the Kyoto Protocol (articles 2.3 and 3.14) as well as in subsequent COP decisions: 5/CP.7,1/CP 10, 1/CP.13, 1/CP.16, 15/CMP.1 3/CMP.1 and Dec 1/CP.16, part III.E & 8/CP 17.

Response measures arise in the context of developed countries taking actions to combat climate change at national, regional and global levels. But while such measures are implemented for beneficial effects and with good intentions, they may have unintended and adverse economic and social consequences for developing countries' economies, most often on the poorest and most vulnerable sectors of those economies. Therefore, the economic and social consequences of the implementation of such actual and potential response measures are important issues for all developing countries.

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\* Subsidiary Body for Scientific and Technological Advice, 40th session, Bonn, 4-15 June 2014, Agenda item 10(a) Impact of the implementation of response measures Forum and work programme. Subsidiary Body for Implementation, 40<sup>th</sup> session, Bonn, 4-15 June 2014, Agenda item 15 (a) Impact of the implementation of response measures Forum and work programme.

Response measures may have positive externalities or spill-over effects, if on balance, they support improved access to energy, health care, poverty reduction and decent employment in developing countries. But they may have negative externalities or spill-over effects, if they constitute a means of transferring the burden of climate change mitigation to developing countries or otherwise distort national and social conditions in those countries. These adverse impacts of response measures constitute an additional burden that developing countries should not have to bear—potentially undermining their economic and social development and poverty eradication efforts. These adverse impacts are also contrary to the expectations of the principles of the Convention with regard to common but differentiated responsibility and equity.

The potential adverse impacts of response measures must be addressed because of the development gaps that exist between developed countries, as a group, and developing countries, as a group, as well as among developing countries. These gaps, to varying extent, predisposed developing countries to many vulnerabilities which constraint their abilities to respond and to overcome the challenges of the adverse impacts of the implementation of responses that negatively impacts social and economic development processes.

#### **I. Development gaps, vulnerabilities & susceptibilities to the adverse impacts of the implementation of response measures**

Currently, developing countries, to varying degree, and according to regional, geographic and historical differentiation and specificities, suffer from multiple (often) intertwined and reinforcing gaps and other challenges that increase their vulnerability and susceptibility to the adverse impacts of response measures.

A pervasive and persistent gap remains between developed countries, with high income, high productivity, well developed infrastructure and policy and regulatory frameworks, and the majority of countries in Africa, Asia, Latin America and the Pacific, who still have middle to low income, low productivity & surplus labour, with large masses of people living in poverty and lack access to essential modern energy, water and sanitation services. These countries' economies are often subjected to the vagaries and vicissitudes of commodity and financial markets in the context of inadequate and underdeveloped infrastructure nationwide.

In many cases, these countries, such as many African countries, LDCs and SIDS also are:

- geographically distant from their main export markets;
- highly dependent on the export of food while others are net food-importing countries;
- highly dependent on the importation of fossil fuels
- exporting commodities and unprocessed foods;
- suffering from skewed and unsustainable land use and land-use change patterns;
- subject to products that may be vulnerable to numerous carbon footprinting methodologies
- suffering from low and variable yields in their agricultural & food production sectors
- exposed to a range of trade related vulnerabilities, such as those relating to trade restrictions, protectionism, revenue loss and higher costs; and
- Deficient in relevant data and information for assessing, measuring and forecasting economic up and down turns.

Many developing countries in addition to the challenges above also have export sectors that are likely to be adversely impacted by response measures implemented with regard to:

- (a) Conventional fuels (oil, gas and coal);
- (b) Renewable energy technologies;
- (c) Consumer goods subject to eco-labelling and standards;
- (d) Energy-intensive trade-exposed goods (such as aluminium, iron and steel, cement, chemicals, pulp and paper);
- (e) Airfreighted goods;
- (f) Tourism;
- (g) Marine-transported goods.

As a result of these challenges, constraints, gaps and vulnerabilities, funding, technology transfer/development, knowledge sharing, and capacity building support are needed to assist developing countries:

- Increase yields and reduce variability to climate change in the agricultural & food production
- Plan for and undertake Economic diversification including clean energy based processing and semi processing of raw material and primary commodities
- Undertake sustainable land use and land use change
- Undertake sustainable forest management and forest conservation
- Undertake cost effective standards and labelling etc. with regards to carbon footprints measures
- Develop good data collection and analysis and create and manage Databases for modelling
- Establish monitoring and surveillance system for helping to deal with uncertainties

Developing countries generally seek to diversify their economies in the context of their national circumstances and sustainable development planning. Whether defined as ‘(a) a process in which a growing range of economic output is produced; or (b) the diversification of markets for exports or the diversification of income sources away from traditional domestic economic activities, economic diversification has serious technological, knowledge requirement and adjustment costs, economic diversification is an important imperative for sustainable development.

Economic diversification can help to increase the diversity of sources of revenue and to alleviate the adverse effects of response measures, including:

- (a) Reducing the vulnerability of single-commodity or single-sector economies;
- (b) Enhancing economic resilience;
- (c) Limiting exposure to market distortions;
- (d) Increasing risk management options

For economic diversification to be done on a sustainable development pathway, significant amounts of investments for the development and use of alternative energy sources and clean energy industries as well as the development of industrial sectors that are less polluting and emit less greenhouse gases are needed. It also engenders the need for extensive capacity building and needs-based technical support and finance. Developing countries will hence continue to require policy space to tailor their economic diversification approaches based on

their national circumstance, policies, needs and priorities. Ultimately, economic diversification and addressing the economic and social consequences of response measures requires adequate support through international cooperation, collaboration and partnerships

## **II. The importance of International coordination and collaboration for reducing vulnerability and mitigating adverse consequence of response measures**

International coordination around response measures is an important area that must be of concern in the context of the UNFCCC. The aim of such coordination must be to ensure the widest and deepest possible beneficial effects of actions taken domestically, regionally and globally to address climate change. From the purview of the Convention, the emphasis of such actions must be to promote the greatest possible positive spill-over effects on developing countries. The ultimate intent must be to avoid transferring the burden of climate change mitigation to developing countries or otherwise distort national and economic and social conditions in developing countries.

### *II.1 the need for International coordination*

It is important for developed country Parties to support developing country Parties to adopt cleaner technologies in their development endeavour and to plan and implement their economic diversification in such a way that both adaptation and mitigation are taken into account.

International cooperation can also play a significant role in stimulating public investment, and in providing financial incentives for climate resilience and the promotion of sustainable development.

There is need for coordination at the international level around means to support developing countries, comprehensive examination of barriers to economic diversification and how to overcome them, the sharing of experiences on methodologies and tools of economic and social analysis of economic growth and diversification and the building of platforms for learning, sharing and experimentation.

In the area of capacity building there are numerous empirical and analytical gaps that needs to be filled. These include:

- What kind of capacity do developing countries need to develop sustainably?
- What kind of technical assistance do they need to be able to avoid or mitigate potential adverse impacts of response measures?
- How to strengthen the capacity in conducting assessment of the adverse spillover?
- What are the effects of trade, market barriers and policy measures on the social and economic growth, on what specific industry or sectors, including the labour force—taking into account gender dimensions?

There is also urgent need for the development of an enabling framework for rapid assessment of the impact of response measures on different groups of developing countries and their degree of readiness (or need for support) to overcome the challenges. There is need for a systematic approach to processes and guidelines for notification of measures that may adversely impact developing countries pursuant to impact and sensitivity analysis.

## *II.2 The Basis of international coordination*

The basis for international cooperation with regard to response measures is grounded in the Convention in particular article 4 (g) and (h) *cooperation on scientific, technological and socio-economic research, systemic observation and data archive as comprehensive set of tools to understand, reduce and eliminate the economic and social consequences of response measures*. Subsequent COP decisions, including Bali I (b) (vi) and the outcome of the LCA on long-term cooperative action up to and beyond 2012, Cancun 2010, Durban 2011 have reinforced this commitment.

Response measure impact assessments are systematic and applicable to all climate related policies and regulations of developed countries that may adversely impact developing countries. It is the responsibility of developed countries to undertake such impact assessments as the first line defence, since many developing countries often do not have the financial and other resource capability for such assessments.

As much as possible, these impact assessments should be ex ante and precautionary impact assessments: looking at the impacts on the ground after a measure has been implemented is often too late—occurring after the damage has already been done. This can be devastating and not easily recovered from by vulnerable sectors in developing countries. This is also the case if measures are implemented in between the required reporting of national communication and national inventory reports (both are often ex post) the implementation of the particular response measure(s).

In the context of ex ante impact assessments and notifications, developing countries can adapt to their specific situation toward off or mitigate untoward effects and to monitor on the ground outcome. However, developing country Parties may need guidance that comes from a more comprehensive and structured assessment framework. For example; where a measure or set of measures is being coordinated by groups of developed country parties, they (developing countries) should be provided with resources and technical assistance in order to undertake national assessments of the impact of response measures.

## *II.3 Operational principles for furthering International cooperation on the implementation of response measures*

The UNFCCC is the appropriate means/forum to address response measures that arise from addressing climate change and climate protection. This is so even in the case where there are other international bodies focused on particular economic and social areas, for example, labour, health and trade.

The UNFCCC is grounded in the principles of equity and CBDR which are of central importance in the area of response measures. Other bodies are founded on different principles, such as reciprocity, MFN, subsidiarity and or solidarity some of which may be reinforcing of the UNFCCC, but others of which be at odds with the specific purpose and intent of the UNFCCC mandates and principles.

The UNFCCC hence is the platform for monitoring the progress achieved and coordinating actions and activities and the promotion of international coordination, cooperation and

collaboration among Parties in the areas of economic and social consequences of response measures.

### **III. Options and way forward to strengthen opportunities for cooperation and collaboration among Parties relating to the Forum and Work Programme on the impact of the implementation of response measures**

In light of the past and ongoing sets of actions undertaken by Parties to implement the Convention's provisions and related COP decisions on response measures, including the launching of operationalisation of the work programme on response measures and the review process recently undertaken, it is time to solidly anchor this work into the architecture and institutional framework of the UNFCCC.

The area of response measures is not about defining a short-term process. Activities to address climate change needs to be strongly enhanced in an urgent and predictable manner at all levels: adaptation, mitigation, finance and technology transfer. It is only to be anticipated that more and more actions will be taken by Annex I Parties, both at home and globally, to accelerate the mitigation of climate change. Implementation of these response measures will need to be carefully calibrated for their impacts on developing countries. These response measures will need to be monitored and evaluate and complementary offsetting actions proposed for mitigating any negative impact on the economic and social dynamics of developing countries' economies.

Thus, the time is mature for the UNFCCC to ratchet up its work on response measures. Two key inter-related strands of work are discernible in this process of ratcheting up the work on the implementation of response measures. Both of these work strands will require serious coordination efforts at the level of UNFCCC institutional bodies as well as institutional re-girding if this area is to achieve the desired outcome.

A first concrete step that is within reach is the strengthening of the reporting system required of developed country Parties on the impact of their response measures. In this regard it is vital to reach agreement on:

- (1) Minimum common format of the required report and (2) the basic data and analytical approaches of these reports.

Collaboration is important in designing minimum requirements for these reports between those taking the measures and potentially affected Parties. A sub work project on the practise of generating pilot reports which can serve as a model for future report is critical. Joint (between countries undertaking response measure and those being affected by them) expert committees can be convened to generate the pilot reports. These committees will produced pilot report and report on the challenges encountered in the process of generating the reports, including data gaps and capacity deficiencies. It is expected that the first step in assessment and evaluation is in the identification of qualitative impacts. The second step is finding methodologies to quantify the qualitative impacts.

Impact evaluations should include looking at the impacts of climate, gender, health as regard to impacts on transport, agriculture and household energy use, employment, economic growth/ diversification/ structural change, biodiversity and private sector engagement.

Joint modelling exercises under which economic models of different countries as are linked can also be a direct way of estimating quantitative impacts. A model for this kind of evaluation is the UN project LINK, where trade and finance linkages are able to trace the impact of individual country policies on other countries and the global economy. Project LINK uses what economists call structural macroeconomic models; it is also possible to use general equilibrium models which have been used extensively on evaluating potential impacts of trade agreements. As with project LINK, it is important to have modellers from those undertaking the response measures and those potentially affected by them.

Second, there is also the need for a process for implementing and ongoing support of guidelines for notification of measures that may adversely impact developing countries. Developed countries, when designing a mitigation measure, should undertake impact assessment with regard to its likely positive or negative impact on developing countries. This is already standard practice in trade and broader environmental area. This is so for example with various social and economic and trade impact assessments.

(The EU notes in its submission that many national policy and project proposal are subject to mandatory comprehensive impact assessment. Since, in the area of response measure, the motto should be *do not harm*, then mitigation and related policies anticipated by developed countries should include a priori examination for possible impact across border on developing countries. The EU speaks of ‘proportionate’ assessment of the impacts on third country.)

Notification alone is quite an extensive area of activity which could include:

(1) reporting of specific response measures to the secretariat, or specifically assigned body within the UNFCCC institutional framework, and or direct to other member states; thus an information system which is also placed on a dedicated website would be good; Examples of response measures that should be notified are (a) giving of subsidies (b) removing or reducing of subsidies; (c) changes in energy policies and laws for example phasing in of renewable energy or phasing out of fossil fuels; (d) measures to tax or discourage imports or exports of certain products; (e) labelling; and ( f) fostering of or discouraging of certain technologies.

(2) Members to provide views on the possible negative and positive effects of the reported response measures on them

(3) A discussion of the response measures and the views of members on these measures, including suggestions on any possible follow ups of the cases discussed.

These impact assessment as well as a priori notifications should be submitted to UNFCCC and located on a dedicated website, where developing countries can be aware of and be able to access and interact.

Finally, the important stands of activities proposed above should be undertaking in the context of a mechanism or framework, under the UNFCCC architecture. This mechanism’s focus it to better and more coherently coordinate and stream-line both the work on response measures under the UNFCCC, as well as inter-linked, where possible, with the related activities of UN System on related issues in the area of trade, and employment etc. It would also promote and ensure structured and semi structure engagement of members from the scientific, research community and related Inter-governmental organization on the way forward in the future development of the work on response measures under the auspice of the UNFCCC.

Broadly, the focus of activities under the mechanism as proposed by a number of developing countries should include

- Enabling and promoting processes and tools for enhancing the predictability of impacts;
- Providing processes and tools and for enabling clarity and information to improve planning and decision-making process to AI Parties on their response strategies and activities that will be conducted domestically or under the Convention
- Undertaking formalised gap analysis exercises to compare between results and findings from earlier efforts (themes a—g) and the level of implementation on the ground
- Strengthening the capacity to conduct assessments of the adverse spill-over effects of trade, market barriers and policy measures on the social and economic growth impact—affected industry, export opportunities, labour force dynamics
- Promoting enhanced opportunities for capacity building and building resilience  
Coordinating and linking the efforts of TNAs and TAPs, and readiness under the GCF and other operating entity of the financial mechanisms with streams of response measures activities
- Promoting a reliable platform for data and info on the impacts of response measures strategies
- Collect and disseminate portfolios of best practices and the exchange of views and sharing of information, expertise on the negative impact of response measures  
Explore and identify opportunities for economic diversification and transformation in the context of nationally define priorities and the needs of developing countries
- Creating economic models to assess economic and social consequences of RMs in specific sectors for developing countries: energy, agriculture, industry and trade....  
Preparing the work force and enhancing the quality of jobs in creation of new kinds of jobs.

Ultimately, the mechanism will coordinate, implement and oversee actions to understand, assess and address the negative consequences of mitigation policies and actions  
platform to report activities and information; monitors progress of all related actions and activities; encourage and facilitated cooperation action on different levels (domestic regional and international); and undertake stocktaking of past achievements, lessons, gaps and shortcomings plan for the future.

In order to move forward the work on economic and social consequences of responses measure, there is the imperative for a Mechanism that is cross-sectoral as well as focused for specific issues, especially those that are likely to be contentious, such as with unilateral measures.