

equal rights to the atmosphere

# equity watch

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## ON PRONK'S NOTE

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## Cop out

COP-6 has come to a stage that most veteran climate CoPers are familiar with. Negotiations go underground, and all but the pink badges hang around in corridors, pouncing on delegates for news as they emerge from behind closed doors. Observers must resign themselves to waiting out the next 24 hours in suspense.

The draft Pronk put out late last evening has already drawn a spate of negative reactions from groups present at the CoP. If our reading is correct, it will also be controversial with the negotiating governments. Despite Pronk's assertion that the note is a balanced representation of the participating countries, it shows a definite partiality towards US drafts. Either that, or the US demanded so much in the first place, that even in giving them a little Pronk has given away too much. His text retains many of the elements presented by the US on the sinks issue, but does not address many of the concerns expressed by the G77 on the financial mechanism, or CDM.

The president has already declared that it will not be possible to come to agreement on all the details of the texts that were transmitted by the subsidiary bodies to the CoP last week. "Instead I am aiming for a political success this week by aiming for a comprehensive and balanced decision," Pronk told the plenary late last night. "Such a decision would consolidate a political consensus at this conference, which can be transferred to detailed decisions which can be decided later."

The conference will now end at 4 p.m. on Saturday. But it still remains to be seen if even Pronk's 'crunch issues' can be resolved by then, and at what cost to the effectiveness of the climate negotiations. Will a document of already dubious value become even more worthless to accommodate a country which may not even eventually ratify?

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## BACK TO BASICS



anil agarwal

## Prostitution of the mind

Jan Pronk has done it again. A note, with compromised language, thrown in late at night, leaving negotiators with little option but to oppose words and compromise further.

This is exactly what happened in Rio. A stalemate on the forest convention saw Jan Pronk and Klaus Töpfer produce a draft late at night. The draft, supposedly a compromise position, however, conceded to the US its key demand for a forest convention. It took many hours of squabbling over words, for countries like India, China and Indonesia, to get the convention out of the text. But the rest went through as it was. It was clear that he who writes the draft, wins the battle.

This is what we see in The Hague again. The pie in the face of undersecretary of state of the US, Frank Loy, is a clear indication of the anger and frustration of a number of people committed to getting an effective climate regime. The throwing of the pie may have been wrong but the anger cannot be brushed aside. Or even apologised for. The US has come to COP 6 with a clear agenda – include sinks to increase the loopholes and do even less at home to change energy use. Pronk's "balanced" note should have been called the note by the chairman to facilitate the ratification of the convention by the world's biggest polluter. We hope the EU will pick up the courage to reject the note. Sometimes nothing is better than anything.

What in all this will the G-77 and China do? As yet it has shown very little political sagacity. As always, it has been lost in a quagmire of discussions on funds and technology transfer. Almost as if the larger issues of an effective climate regime do not concern this group of the most vulnerable countries.

There has been no effort to find a strategy to negotiate so that the sheer immorality of the industrialised world, as it continues to plunge the world into greater and greater climatic stress, is made clear.

We would have expected G-77 and China to take the strong moral ground that it needs an effective climate convention. It is in its own interest to demand from the industrialised North, effective and measurable action at home to reduce emissions. To do this, it should have taken hard, uncompromising positions on not allowing the Kyoto agreement to be riddled with loopholes any further.

Secondly, having taken this position for ecological effectiveness of the convention, it should have pushed for social effectiveness and equity. Not because it sounds good. But because it is the only way to bring about cooperation to save a global common like the atmosphere.

Thirdly, G77 and China should have made alliances. And found ways to joining forces with the EU to lobby against the umbrella group. Instead of keeping its positions on key issues open in order to make a deal with whoever makes the first call – prostitution at its very best.

But we would like to tell the Indian delegation that not only was the speech of the Indian stand-in minister, Suresh Prabhu, lacklustre and predictable, but we

really don't see any reason for him to be here at all. The French president, on the other hand, did a better job of putting commitment and concern on the table on how we can find effective and equitable ways of meeting the climate challenge. But what can we do when the leaders of poor nations also have the minds of beggars. Reject the note Mr Prabhu, or don't come home.



## Short shrift

### Pronk's note on the CDM

**Eligibility:** While countries will judge whether a project is in line with their priorities for sustainable development, annex I parties will *refrain* from using **nuclear facilities** for generating CERs. At a press conference, Pronk said he could not clarify whether *refrain* meant nuclear projects have to be excluded. His note states that parties agree to give priority to renewable energy and energy efficiency improvements. Further rules and modalities can be developed under guidance of CoP/MoP, conveniently leaving the question open for future discussion.

**Supplementarity:** The note states that annex I parties will meet their emissions commitments *primarily* through domestic action since 1990. Hence no definite cap has been stated on the use of flexmex. The facilitative branch of the compliance committee will decide compliance on this clause, and a first assessment is suggested in 2005.

**Fungibility:** Has been **permitted** for all three flexible mechanisms. Developing countries should strongly oppose fungibility in the CDM (see *Equity Watch*, Special Edition # 1).

**Geographic distribution:** Standardised baselines based on an appropriate annex I average, are permitted for small scale projects and renewable energy projects. To foster LDC participation, special attention will be paid for capacity building in these countries, CDM projects in these countries will be exempt from the share of proceeds for adaptation, and only *public funding* for CDM projects should be additional to current ODA.

**LULUCF:** Afforestation and reforestation activities are included under CDM. *Preventing deforestation and land degradation* are ineligible under CDM, though they are to be considered priority projects for funding under the adaptation fund.

The note does not satisfactorily address financial, technological, or investment additionality, issues that are important for G77 countries. Basic principles of equity do not form part of the text (though some references to per capita equity mysteriously appear in the section on fungibility, where they are most dispensible).

FINANCE, ADAPTATION, CAPACITY BUILDING &amp; TECHNOLOGY TRANSFER

# G77 positions compromised

Few suggestions from developing country on financial mechanisms have found a place in Pronk's note, which resembles US and EU drafts

President Jan Pronk's note does not include some key elements proposed by the G77/China on the financial mechanism, capacity building, technology transfer and implementation of articles 4.8/4.9 of the UNFCCC and article 3.14 of the Kyoto Protocol, and is likely to be controversial. A comparison shows greater similarities with the umbrella group and EU text than with G77 positions. Earlier this week (November 22-23), informal consultations had produced little agreement. Danish minister for environment, Svend Auken, co-facilitator of the group on these issues, had reported to the plenary that the deadlock between industrialised and developing country was primarily over the issue of finance.

In the informal discussion, G77/China had presented a set of principles stating that financing activities for implementation of the convention should not be confined to the Global Environment Facility (GEF) alone. But the umbrella group presented a draft proposal that offered the creation of a **new window within GEF to fund adaptation and mitigation** activities. It went a step further, and suggested that mitigation funds, for national abatement and sequestration strategies, should be **consistent with criteria** to be agreed. G77/China opposed this, claiming that the criteria could turn out to be a way of imposing emissions reduction commitments on them. The umbrella group went on to say that an **adaptation fund should be part of the proceeds from CDM**, and voluntary contributions from annex 1 parties.

Pronk's note bears remarkable similarity with the umbrella groups draft. It suggests an **adaptation fund under GEF**, financed from a **2 per cent cut of the share of proceeds from CDM**. Pronk also suggests a **convention fund** as a new window to GEF, with new and additional funding for technology transfer, capacity building, assistance with economic diversifica-



## Beware the climate resources committee!

Pronk's note retracts the positive lists, but introduces a clause that could end up dictating to developing countries what sort of projects they should undertake, not just under CDM but also under other already existing sources of funds.

The note calls for the establishment of a climate resources committee at CoP-7 to give policy advice to existing financial channels and institutions such as GEF, RDBs, the World Bank, UNDP and other multilateral institutions. This committee will be focused on:

- Increasing the climate fund
- Mainstreaming
- Monitoring and assessment.

This could be the first step for industrialised countries to formalise the current opposition of some groups to stop funding for fossil fuel projects in the South. But as *Equity Watch* pointed out earlier, the use of financial mechanisms to force developing countries to stop using fossil fuel energy, that too at a time when developed countries have shown no inclination to do so, is deplorable.

tion (to deal with the OPEC demand with compensation). Sources for this convention fund include

- GEF third replenishment
- voluntary contributions by annex II parties
- annex II parties will transfer a percentage of their initial assigned amount to the registry of the fund, which annex I parties can then buy
- ODA

Pronk suggests that in addition to the adaptation and convention fund, countries should increase resources through other channels. But even this will not amount to much. The sum total (it is not clear whether the *sum total* includes the adaptation and convention funds), says the Pronk text, should **increase by US \$1 billion on an annual basis by 2005**. If resources are less than this one billion, only then will a levy will be applied to ET and JI.

Just before the informal consultations came to an end, the EU also tabled a draft. Like the umbrella group text, this also called for the **adaptation fund to be part of GEF**, which developing countries opposed. The main objections developing countries have against GEF are that the body has been faring badly and its procedures are too bureaucratic to be effective. As a result, funds are difficult to access and disbursements are slow.

Developing countries have also resisted the idea of linking the adaptation fund to CDM. This amounts to industrialised countries shirking from commitments made under the climate convention for adaptation funds, by conveniently placing a levy on the profits of developing countries from CDM – or taxing the poor to help the poor.

The G77 will also have problems with the provision for voluntary contributions from annex II, since such contributions rarely materialise. The note hardly reflects any financial additionality, and even includes ODA as a source for the convention fund.

## SINKS

# Sunk deal

## Could the Kyoto Protocol get worse? Apparently, yes

Pronk's proposal for inclusion of additional land use change and forestry activities in the first commitment period is only a slightly diluted version of the joint proposal of US, Japan and Canada presented two days earlier in the plenary (see *Equity Watch*, Special Edition # 4). A comparison of the proposals that could turn the Kyoto Protocol into an even more worthless document follows in the table.

The UN Food and Agriculture Organisation (FAO) definition for forests proposed by Pronk defines a forest as *lands that have, or will have because of continued growth, more than 10 per cent canopy cover* - a very low threshold, even according to the IPCC. Biome-specific

forest definitions (which follow the FAO definition, but the threshold for canopy cover is specific to each biome, and to be decided by, say, an international expert panel) will be deliberated in future commitment periods. But Pronk's note calls for establishing a process to investigate the feasibility of applying these definitions.

The note says the IPCC definitions for afforestation, deforestation and deforestation activities will apply. Afforestation and reforestation are *land use change from non-forest to forest through planting and differ only in that afforested lands never contained forest*. Reforestation does not include regeneration post-harvest.

Deforestation is defined as *conver-*

*sion of forest to non-forest*.

Grazing land, cropland and forest management have been included for credit as broadly defined land management activities while revegetation is included as a narrowly defined activity.

In case of a broad activity, the definition is land- or area-based and includes the net effect of all practices applied within the area. This approach captures the net emissions or removal effects of practices that deplete carbon stocks and those that increase removals by sinks. According to the IPCC Special Report, such definitions may make it difficult to separate human-induced changes from naturally induced ones.

The narrow definition of activity, on the other hand, is based on individual practices, like, reduced tillage or irrigation water management. Such definitions may facilitate the separation of human-induced changes from natural influences (see table).

### Comparison between Pronk's note and the US, Japan and Canada proposal

	Pronk's 'note'	US, Japan and Canada proposal
<b>Additional activities</b>	Forest, cropland and grazing land management, revegetation included	Forest, cropland and grazing land management included
<b>Limit on LULUCF credits from additional activities</b>	3 per cent of a country's base year emissions limited to first commitment period only	No limit considered
<b>Accounting</b>	Two intervals described for accounting	Three stages given for accounting
<b>First accounting interval</b>	Full credits for forest management to compensate the net debit that a country incurs under the provisions of article 3.3. <sup>1</sup> This compensation should not be more than 30 Mt of carbon dioxide	Full credits for forest management, due to existing efforts, up to a level of 20 Mt of carbon per year or a negotiated percent, whichever is lesser
<b>Second accounting interval</b>	A reduction of 30 per cent to the net carbon stock changes and net GHG emissions resulting from additional cropland and grazing land management activities <sup>2</sup>	Full counting of credits from cropland and grazing land management activities. Full counting of credits from sequestration due to additional forest management
<b>Third interval</b>	85 per cent reduction to the net carbon stock changes and net GHG emissions resulting from additional forest management	A discounting factor of 2/3 will apply to sequestration due to existing efforts in forest management
	Not considered	Beyond an undefined threshold, full credits for tonnes sequestered can be claimed

<sup>1</sup> Article 3.3 encompasses afforestation, reforestation and deforestation activities that have occurred since 1990 but recognises only verifiable carbon stock changes in each commitment period. This implies that there could be either a net debit or a net credit. For instance, for lands deforested between 1990 and the beginning of the first commitment period, only a fraction of carbon stock changes will occur during the commitment period and would be debited under article 3.3. If these lands are subsequently reforested, there may be an increase in carbon stocks during the commitment period resulting in a credit under this article. So it is not necessary that a country will always have a net debit under this article, there could very well be a net credit also. The IPCC Special Report on Land Use, Land Use Change and Forestry mentions that such outcomes can possibly be addressed through "combinations of definitional and accounting approaches".

<sup>2</sup> The reduction in the second interval in case of Pronk's text is to factor out indirect human induced effects and to address uncertainty.

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