

## Conclusions and the Way Forward

Ancha Srinivasan

*Despite a growing recognition worldwide that reducing the growth of GHG emissions in Asia would be a major determinant of the success of the future regime, efforts to reflect Asian concerns and aspirations in international climate negotiations are far from adequate.*

*The future climate regime should identify and facilitate the most pragmatic measures to mainstream climate concerns in national energy and development planning, and support implementation of integrated development and climate strategies at various levels.*

In the first round of consultations held in 2005, we ascertained the concerns and interests of various countries in the Asia-Pacific region on the post-2012 climate regime. Based on the outcomes of those consultations, we organised the second round in 2006 to discuss and prioritise options to strengthen the future climate regime under four specific themes of high priority to the region, namely, *energy security and developmental needs, clean development mechanism (CDM), technology development and transfer, and adaptation*. Participating stakeholders offered their views frankly on 20-30 proposals put forward under each theme and expressed preferences for a few proposals based on their interests. In addition, they contributed many valuable ideas to strengthen the climate regime from an Asian perspective. The salient findings of our consultations and analysis are given below.

1. **Asia's role in the design of the future regime:** Despite a growing recognition worldwide that reducing the growth of GHG emissions in Asia would be a major determinant of the success of the future regime, efforts to reflect Asian concerns and aspirations in international climate negotiations are far from adequate. This is partly due to the lack of effective involvement and negotiating capacity of Asian stakeholders in climate discussions. Indeed, most of the countries in the region have not yet declared a formal national position on the post-2012 climate regime due to barriers, such as uncertainty of the positions of various Annex I countries, low priority attached to climate change in national policy, limited awareness of developments in international climate negotiations, and lack of technical capacity. There was a consensus that the post-2012 climate regime would greatly benefit if Asian interests and priorities are considered more effectively than before. The ratification of the Kyoto Protocol served as one of the major drivers for policy formulation on climate and energy in many Asian countries, especially in the establishment of new institutions (e.g. DNAs for CDM implementation) and the promulgation of new regulations for energy conservation. Asian experiences gained from such efforts could be a sound basis for putting forward and defending well-defined and workable proposals at the international negotiations. The best available structure for the future regime in the near term may be the continuation of the Kyoto-style framework, complemented by pluri-lateral agreements engaging the USA in initiatives such as G8 agreements and the Asia Pacific Partnership (APP). However, efforts to create an inclusive (with all Annex I Parties) and mandatory regime should continue. The creation of a region-wide platform in Asia to build consensus on a fair, equitable and effective climate regime is also recommended.
2. **Energy security and Development Needs:** Even though the terms "energy" and "development" were referred to in several articles of the UNFCCC and the Kyoto Protocol, the efforts to reflect Asian concerns on energy security and development needs in international climate negotiations have been far from satisfactory. The future climate regime, therefore, should identify and facilitate the most pragmatic measures to mainstream climate concerns in national energy and development planning, and support implementation of integrated development and climate strategies at various levels. Indeed, the success of the future climate regime rests on the extent to which it can assist in transforming the region's social and economic structures toward low carbon societies, while addressing genuine concerns on energy security and development.

Improving energy security and access through maintaining affordable energy supplies are crucial for achieving economic development and realising climate benefits in

Asia. Strategic international cooperation through effective investments, policies and measures to improve energy efficiency and promote renewable sources plays a key role in achieving lower future GHG emissions in the region and in reducing the vulnerability of both regional and global energy security. Since energy security is an issue on which both developing and developed countries share common interests, the future climate regime should facilitate further development of climate-friendly energy policies through sharing good practices, setting standards and guidelines, building adequate human and institutional capacities, and initiating new partnerships for regional collaboration. The future regime discussions should explore new opportunities for clean energy investments. The CDM can be a supplemental source of financing clean energy, but the mobilisation of resources outside the Convention is crucial.

The future climate regime can never be effective and equitable unless it reflects the diversity in developmental needs and priorities of Asian countries. The discussions on a post-2012 regime, therefore, should focus more on social and economic aspects of co-benefits from mitigation and adaptation policies, with a view to help achieving the millennium development goals by the least developed countries and provide assistance to enhance the economic and environmental efficiency for newly industrialised countries in Asia. Operational support from the climate framework, for example, through maintaining a registry of SD-PAMs and identifying PAMs with synergies between SD benefits and GHG mitigation, is critical to address the mainstreaming of climate risks in the development agenda.

*The provision of an early, credible signal on continuity of CDM and ensuring the value of CERs after 2012 are vital because CDM activities have just gained momentum in the region, with many projects requiring long gestation times and high capital expenditure.*

**3. Clean Development Mechanism:** The provision of an early, credible signal on continuity of CDM and ensuring the value of CERs after 2012 are vital because CDM activities have just gained momentum in the region, with many projects requiring long gestation times and high capital expenditure. Indeed, the absence of financial benefits from post-2012 CER would reduce the viability of many CDM projects in the region. Options for an early signal include (a) unilateral declaration by Annex I countries to extensively utilise post-2012 CER including towards meeting their targets for the first commitment period, (b) extension of the period of the next commitment to beyond 10 years instead of the five years, and (c) proactive support for post-2012 CERs by multilateral financial institutions.

The future regime discussions should pursue opportunities for (a) widening the scope of CDM from the current project-based activity to sector-, programme- or policy-based CDM, (b) redressing geographic inequity within and outside the region, and (c) enhancing SD benefits from CDM. A sector-based approach can benefit the region in many sectors (e.g. transportation, LULUCF) and enables greater participation by Asian developing countries in climate efforts. However, problems such as baseline setting, monitoring, and potential leakage must be resolved. Expedient registration of small-scale projects and support for bundled projects, coupled with the creation of carbon funds targeting micro-scale CDM activities in LDCs and SIDS are crucial to improve the geographic distribution of projects within the region. Further, co-benefits from CDM must be quantified and financially supported separately, so that the total value of the projects with high development benefits but yielding low CERs could compete well with those yielding high CERs. In addition, the future regime may strengthen SD assessment by creating a registry system for SD-PAMs and integrating it into the approval process of the CDM-EB.

The need for employing innovative financing approaches to cover underlying finance of CDM projects in the region is widely recognised. Some options suggested include:

*Treating critical low carbon technologies as global public goods and enhancing the flexibility of the intellectual property rights regime for such technologies may be another strategy.*

strengthening synergies in the private sector between Annex I and non-Annex I countries through bilateral business agreements, utilising ODA for CDM implementation especially during the early stages and in countries that are not financially attractive to investors from the perspective of project financing, and utilising multi-source funding effectively to spread risk among several institutions.

4. **Technology development and transfer:** There are serious concerns on the ability of the current climate regime to facilitate the development and transfer of clean technologies in the region. One way to move forward is to exploit synergies with other initiatives outside the climate regime. Since technology is a cornerstone of several non-UNFCCC initiatives such as the Asia-Pacific Partnership on Climate and Development (APP), which have potential to provide the necessary paradigm shift to reduce GHG emissions in selected industries in the region, building synergies between the UNFCCC and non-UNFCCC initiatives is crucial. For instance, the climate regime can provide CDM opportunities in methane recovery and additional income for project developers while the methane to markets (M2M) initiative and/or the Asia-Pacific Partnership (APP) can provide access to necessary technologies. Likewise, transfer of technologies for carbon capture and storage (CCS) through APP can provide synergies with the future climate regime when the regime makes CCS projects eligible for CDM. The future regime should also facilitate synergies among the North-South and South-South technology cooperation and transfer initiatives, especially in adaptation.

Future regime discussions should facilitate efforts to identify “tipping points” where small interventions or infusion of resources can reap large gains in development and deployment of climate-friendly technologies. Treating critical low carbon technologies as global public goods and enhancing the flexibility of the intellectual property rights (IPR) regime for such technologies may be another strategy. Some of the options to be pursued in Asia include extensive collaboration in the early stages of technology development leading to joint ownership of IPRs with developed countries, and creation of a multilateral technology acquisition fund, which could be structured to buy-out IPRs and make privately owned, climate-friendly technologies available for deployment in developing countries.

Ensuring additional finance through innovative public and private support mechanisms is critical to make the currently available technologies commercially competitive. The future climate regime should play a facilitative role in determining incremental costs associated with acquisition of clean technologies relevant to Asia and in documenting various successful policy instruments that can offset the higher overall costs of emerging technologies.

5. **Adaptation to climate change:** The future climate regime should enhance the focus on adaptation to a similar level, if not more, as that of mitigation. Designing a separate protocol on adaptation will certainly enhance its profile in the future climate regime, although the process may require considerable resources and time in terms of negotiation. The future climate regime, therefore, should facilitate discussions on an adaptation protocol and its components in a more formal way to obtain views of different Parties and establish an exploratory committee for its adoption, if necessary.

Participants recognised that a combination of both “top-down” support and “bottom-up” engagement approaches is crucial to advance the adaptation agenda and urged that the future climate regime should facilitate identification of pragmatic options for mainstreaming adaptation concerns in development planning in Asia both at policy

and operational levels. The future regime should also support efforts to document such experiences as a way to strengthen the capacity of policy makers in visualising the benefits of mainstreaming.

Since the demand for adaptation funds will increase in the future as climate change proceeds in the region, the agenda for adaptation financing in the future climate regime will need further honing and clarity. It is important that the future climate regime should explore options for (a) enlarging the funding base and developing flexible but clear guidance to access adaptation funds, (b) differentiating between actions that can be funded inside and outside the climate regime, and (c) creating market mechanisms and incentives for the private sector to involve them in adaptation efforts. Options for establishing a mandatory global funding scheme, which is tied to both past and current GHG emissions by various countries, may need to be explored as a high priority.

*Since the demand for adaptation funds will increase in the future as climate change proceeds, the agenda for adaptation financing in the future climate regime will need further honing and clarity.*

**6. Other issues:** Our consultations also provided some insights into the other areas in which Asian stakeholders have expressed keen interest. Several participants emphasised that the role of private players including the corporate sector, financial institutions and NGOs will become increasingly important in the post-2012 climate regime. The future regime should proactively support initiatives by the private sector (e.g. carbon neutral approaches adopted by progressive companies as part of their Corporate Social Responsibility (CSR)) by giving them suitable opportunities in COP negotiations. Likewise, insurance, credit, investment practices and asset management services of financial firms will gradually become important in addressing both mitigation and adaptation in Asia. The number of Asian NGOs involved in climate regime discussions has been low so far. However, they can play a vital role in influencing climate policies of national governments and in building synergies with the international climate regime. The effective engagement of these stakeholders at national level and in international negotiations will surely help in building a more effective and flexible climate regime.

Forging new approaches that draw upon the above elements and closing gaps between what the stakeholders from the region want and what the multilateral climate regime can provide is surely a challenge. For this to happen, fostering effective linkages between the climate community and the development community and between the climate community and the financial community at both national and international levels is crucial. Above all, mustering strong political will from all nations, both developed and developing, is necessary to ensure strong and sustained action in both mitigation and adaptation.

*The revised framework should be flexible enough to accommodate diverse national circumstances and permit a wide range of commitments and actions that could vary in time, form and stringency.*

Since framing the current climate regime required substantial resources to date, the future focus should be more on removing its weaknesses rather than attempting to design a completely new framework. In doing so, respecting and reflecting aspirations and priority concerns of countries in the Asia-Pacific region is vital to involve them more effectively than in the current regime. The revised framework should be flexible enough to accommodate diverse national circumstances and permit a wide range of commitments and actions that could vary in time, form and stringency. Reaching an agreement on a post-2012 framework that is fair and equitable to all countries in the region may be a big goal, but not reaching an agreement in the near future will be more perilous for the entire world in general, and the Asia-Pacific region in particular.