

10. CONCLUSIONS AND SUGGESTIONS

IGES conducted a series of consultations in several countries of the Asia-Pacific region to ascertain their concerns, interests and priorities for the future climate regime beyond 2012. It is important to bear in mind that no country has yet stated its official position on the climate regime beyond 2012, and the outcomes of our consultations are at best only indicative of such positions in the future. Further, participants were relatively more certain in identifying national concerns and interests than on their priorities for restructuring or strengthening the future regime. While recognising that countries are highly diverse in their interests and circumstances, we believe that future regime discussions should focus on the following issues in order to address Asian concerns and interests more effectively and adequately.

Future discussions should focus on incentives for climate-friendly policies and measures to meet energy security needs of Asian countries.

Several developing countries in Asia have traditionally adopted climate-friendly lifestyles; adequate recognition and promotion of such lifestyles may be crucial in future.

1. Developmental priorities: The Asia-Pacific region, despite recent rapid economic growth rates, faces significant developmental challenges, such as poverty alleviation, food security, energy security and local environmental protection. Although climate change can exacerbate such challenges, it is not yet a high priority in the developmental planning in most countries. Progress in GHG mitigation and adaptation in the Asian context can only occur if such initiatives are pursued from the perspective of development goals rather than pure environmental concerns.

It is thus important to identify various options for mainstreaming climate concerns in development policies and strategies, especially in sectors, such as agricultural and industrial development, water resources development, public investment in infrastructure and promotion of tourism. Grappling with the long-term impacts of climate change on the development framework is also the key in the adaptation context. Future discussions should focus on incentives for climate-friendly policies and measures to meet energy security needs which do not necessarily increase GHG emissions (e.g., those for expanding the use of natural gas use which may reduce dependency on imported oil, or may improve long-term energy or resource efficiency).

2. Leadership by developed countries: Several policy-makers across the region argued that lack of demonstrable progress by Annex I countries in terms of their commitments to GHG emissions reductions, finance, technology transfer and capacity building, and unsustainable lifestyles of developed countries remains a major barrier for stabilisation of global climate, and that developed countries must take leadership in demonstrating that economic and social development can indeed be climate-friendly.

Research into ways to transform social and behavioural preferences for existing technologies and lifestyles and policies and measures promoting such transformation may be a prerequisite to make further progress. Future regime discussions must focus on designing incentives for climate-friendly initiatives and lifestyles in both developed and developing countries. Many policy-makers believe that several developing countries in Asia have traditionally adopted climate-friendly lifestyles and adequate recognition and promotion of such lifestyles may be necessary in future.

3. Developing country participation: Policy-makers across the region recognised that GHG emissions from the region would continue to grow in order to accommodate the basic human needs of Asian societies, and some mentioned that it is premature to talk about emission reduction targets for developing countries. They reaffirmed their readiness to reduce the growth in GHG emissions but insisted that the “common but differentiated responsibility principle” must continue to be the basis of the future regime.

Future discussions must, therefore, explore ways to involve various countries in a staged manner perhaps based on a set of criteria such as historical responsibility, per capita emission rights, development needs, etc., while building on agreed principles and improving existing instruments. Indeed involvement of developing countries could be very different from that for Annex I countries and it could be progressive and staged in an eight-step process as follows:

- Comprehensive reporting of country needs and domestic policies and measures through National Communications and other means
- Active participation in a more flexible CDM, with a clear link with national development
- Voluntary initiatives aimed at controlling emissions growth
- Pledge and review of voluntary initiatives with assistance
- Contractual commitments to modify BAU emissions growth scenarios
- Mandatory reporting of GHG emissions of all major installations
- Voluntary reduction targets
- Legally binding reduction targets

Further research on equitable and practical methods to differentiate the developing countries while considering the evolving economic and geopolitical realities is urgently warranted. Such dynamic categorisation would obviously add flexibility to the regime architecture.

4. Market mechanisms: Despite many market imperfections and the recognition that market mechanisms alone can by no means solve all development problems in Asia, several policy-makers agreed that market mechanisms could become a powerful force in bringing down the growth of GHG emissions. They underscored the need for building on the Kyoto mechanisms such as the CDM, and continuing and/or creating similar such mechanisms in the future regime beyond 2012. Besides noting the need for removing uncertainties on continuity of the CDM beyond 2012, nearly all countries expressed concerns for efficiency and cost of the CDM approval process and noted the need for its restructuring in the future regime without sacrificing environmental integrity in the process.

A few ideas have come up in our consultations on ways to strengthen the CDM beyond 2012 so that it could become a primary driver in the international carbon market while meeting the developmental aspirations of various countries.

- Institutional reform of the CDM including the CDM Executive Board, standardisation of methodologies, simplification of the approval process, etc.
- Reduction in transaction costs for project development and implementation
- Widening the scope of the CDM through (a) inclusion of sectoral or policy-based or technology transfer-CDM, and (b) making deforestation avoidance eligible for the CDM (as many countries in the region have significant areas under forests and deforestation has been a major source of emissions).
- Special preferences for projects with large sustainable development benefits or contribution to adaptation capability, and projects based in LDC and small island nations which are especially vulnerable to climate change impacts.
- Preference to the carbon emission reduction projects should be elaborated, because while those projects that tackle CH₄, N₂O and HFCs may prove cost-effective and acceptable in certain countries, the local sustainable development benefits from such projects are quite limited.

The common but differentiated responsibility principle must continue to be the basis of the future regime discussions.

Market-based mechanisms can be a powerful force in bringing down the growth of GHG emissions.

Research on whether and how restructuring of CDM would benefit each Asian country is crucial.

Future regime discussions must facilitate identification of “tipping points” where small interventions or infusion of resources into technology intervention can reap large gains.

Further research on whether and how such restructuring would benefit each Asian country is crucial. Future regime discussions may focus on ways to balance the CDM project portfolio in a given country/region.

5. Technology development and diffusion: Policy-makers in the Asia-Pacific fully recognise that technologies play a critical role in the mitigation of, and adaptation to climate change, but emphasise that the global progress to date in development, transfer and dissemination of climate-friendly technologies is far from satisfactory due to the existence of several barriers at every state of the technology process – technical, political, economic, cultural, social, behavioural and institutional. Insufficient enabling environment in host countries also appears to be hindering technology transfer. As the two large Asian countries – China and India – have large coal reserves and are likely to depend on them for meeting their energy needs in the foreseeable future, clean coal technologies, improvement in energy efficiency, and carbon capture and storage technologies will be critical. Likewise, the potential for exploitation of renewable energy sources in the region is enormous. Future regime discussions should, therefore, give more focus on incentives for both development and transfer of such technologies, which are likely to have significant and immediate benefits in reducing the growth of GHG emissions in the region.

Innovative approaches for technology transfer (e.g., shared international IPR along the lines of agricultural technologies by the Consultative Group on International Agricultural Research), reducing the duration of IPR protection, compulsory licensing which enables the government to grant a license to a domestic manufacturer of a technology who in turn agrees to pay royalties to the patent holder, and bilateral negotiation along the lines of Costa Rica and Merck agreement on biodiversity may suggest a step forward (Ogonowski et al 2004). The need for designing ways to facilitate the North-South and South-South technology cooperation, financing for technology transfer, and localising technologies through right mix of “technology push” (through public R&D investments) and “market pull” (through provision of incentives for private sector innovation and technology deployment) was repeatedly mentioned in several countries. The recently announced Asia-Pacific Partnership for Clean Development and Climate and other initiatives for technology cooperation should be strengthened while building on the current technology initiatives of the UNFCCC. In addition, future regime discussions must facilitate identification of “tipping points” where small interventions or infusion of resources into technology intervention can reap large gains in technology transfer. Proactive involvement of the private sector in technology transfer and dissemination should be facilitated.

6. Financing: Asian policy-makers acknowledge that several barriers exist in the financing of clean development both within national and regional contexts, and that the current regime, despite the establishment of Marrakech funds and other initiatives, is unable to make a significant difference in limiting GHG emissions growth in developing countries. Future regime discussions should, therefore, consider innovative financing options such as the establishment of regional funding initiatives to support climate mitigation, adaptation and South-South technology transfer, and capacity building of negotiators. On the research level, options for “climate-greening” the FDI and ODA must be further pursued, since the volume of climate-related funding in Asia is very small compared to the FDI and ODA. Integration of climate-related financing for both mitigation and adaptation into conventional development funding should be pursued.

7. Adaptation: There is growing recognition in Asia that climate change may undermine the ability to meet the targets set in the MDGs. Reflecting the growing urgency and increased frequency and intensity of extreme climate events in the Asia-Pacific region, policy-makers argued for an increased focus on adaptation similar to the mitigation issues at international discussions on the climate regime beyond 2012. Policy-makers across the region insisted for continued support of adaptation efforts in developing countries through long-term, firm and regular financial commitments. The views on developing an adaptation protocol were mixed with some participants highlighting the complexities in developing such a protocol, especially by considering the long duration taken for the Kyoto Protocol to enter into force. Some people opined that instead it is better to give more focus through enhancing the flexibility in guidelines for the utilisation of adaptation funds of the GEF and UNFCCC, especially for projects linking adaptation and poverty alleviation in LDCs and SIDS. The need for increasing adaptation-focussed ODA activities, such as micro-finance, micro-insurance and income diversification was emphasised in several dialogues. However, some expressed reservations that using existing ODA funds for adaptation could also reduce the pressure on donor agencies to provide additional resources.

The need for leveraging funds to support adaptation both in and outside UNFCCC process is therefore urgent. In this context, the establishment of global insurance fund or other such funds may be valid. Future regime discussions should focus on mechanisms, incentives and policies that might be used to encourage private sector investment in adaptation. Discussions must also look into how climate and disaster management communities can more proactively collaborate at various levels (in terms of synergies among conventions, on-ground operations) to improve the adaptive capacity of vulnerable regions and communities.

8. Capacity building: Policy-makers across the region recognised significant shortfalls in institutional and human capacities to address climate change issue at various levels. Future regime discussions must continue to deliberate on creating innovative mechanisms for strengthening capacities through building on current initiatives of the convention and the Protocol. Policies and measures to enhance the capacity of financial and legal institutions as well as policy-makers at various levels, options such as the means to support participation of more representatives from developing countries at international negotiations and strengthening the capacity of negotiators are important to make progress in developing a cooperative, inclusive and effective strategy to address climate change at the global level. Long-term human development, including that for research and development, is urgently warranted.

The first round of dialogues clearly demonstrated that the Asia-Pacific region has several genuine concerns and interests in relation to the future climate regime, and that they need be addressed thoroughly and adequately through effective strengthening and reforming of the current regime, if we are to realize the ultimate goal of stabilizing global climate.

The need for leveraging funds for adaptation both within and outside the UNFCCC process is urgent.

Future regime discussions must deliberate on innovative means for strengthening institutional and human capacities in the Asia-Pacific.