Need for new thinking to deliver on technology and finance, says LCA Chair

Poznan, 5 Dec (Meena Raman) -- The contact group on 'delivering on technology and financing, including consideration of institutional arrangements' met on Friday, 5th December in Poznan at the climate talks under the United Nations Framework Convention on Climate Change (UNFCCC). It is one of the four contact groups formed under the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA).

It was chaired by Luiz Machado of Brazil, who is also the current chair of the AWG-LCA.

In response to the various views, Machado said that Parties cannot go on with business-as-usual thinking. There was a need to identify the gaps in relation to finance and technology i.e. as to what is needed; what is not working and what should be devised to make it possible (in providing finance and technology to support actions on mitigation and adaptation). He said that Parties should not think within the existing framework because it is not working and that there was a need to think of something else. He stressed the need for enhanced actions.

Machado said that the task of the contact group was to provide further clarity and ideas on delivering on finance and technology and to explore areas of convergence and narrow down the different proposals from Parties. The discussions can form part of the negotiating text for 2009, when Parties get into that phase. Two further meetings will be held, on Tuesday and Wednesday next week.

He asked Parties to focus on addressing some key questions that have been identified based on previous work and submissions.

On technology, if it is assumed that Parties agree to establish a new technology framework under the Convention, he asked Parties to consider the following questions - what specific function and structure would this mechanism have; how would it be monitored; what would constitute its success; what about its governance; how would this new technology mechanism or framework relate to existing mechanisms, within and outside the Convention; and how will it effectively engage the private sector in this structure or framework?

On finance, Machado asked Parties the following questions – how to mobilize predictable, adequate and sustainable resources; how can we leverage such finance and how to deliver this in an effective, efficient and equitable manner?

He said that these questions were collected from previous work and submissions and Parties were free to address whatever they want, but in his view, in this phase of the work, it was necessary to be more focused on how to reach an agreed outcome in 2009.

In response to the Chair, the Philippines, speaking for the G77 and China, referred to the proposals the Group had submitted which address the points raised by the Chair.

(The G77 and China had submitted two detailed proposals in Accra in August 2008 – “Financial Mechanism for Meeting Financial Commitments under the Convention” and “A Technology Mechanism under the UNFCCC”. (See TWN Accra News Updates 6 and 11 for further details on the proposals)).
The Group asked for reactions from Parties to these proposals and stressed the need for urgency in their consideration.

Machado said that the G77 and China proposals address many of the issues he raised and asked for comments.

Switzerland, speaking for the Environmental Integrity Group drew attention to proposals on finance from South Korea, Mexico and Switzerland. It asked the Secretariat to do some analytical work on the Group's proposals. (See TWN Accra News Update 6 for further details on the various proposals).

In response, the EU said that Parties cannot come to an agreed outcome if they cannot agree to a robust foundation. It said that effective and equitable funding should be based on different sources. It said that it was fully committed to mobilizing more financial resources but it was important to see what the resources are for. That is why it combines finance with the issue of technology. It said that it was very willing and open to exploring the issue of the mobilization of financial resources.

As regards the financial architecture, the EU identified 3 principles in moving the debate forward which were effectiveness, efficiency and equity. Elaborating further, it said that on 'effectiveness', the international financial architecture should respond to the Convention objectives. It should be new, additional and predictable, and linked to technology. It said that it was very willing and open to exploring the issue of the mobilization of financial resources.

On 'efficiency', it said that the priority was on adaptation with co-benefits. It said that efficiency should be rewarded with incentives.

In relation to 'equity' it said that an important driving principle of the international financial architecture is that the contributions should be fairly distributed and respect the principle of 'common but differentiated responsibility and respective capabilities'. In this regard, it was important to have criteria such as GDP or emissions which can change over time.

It also said that the burden should be different for different actions. Adaptation involves focus on poor countries and mitigation demands different focus, it said. It is also necessary to identify the needs of the most vulnerable countries.

On 'governance', the EU said that it should include equitable representation, be fair and balanced and be clearly related to UNFCCC process.

Japan thanked various Parties for their proposals and said that it would like to see linkages between these proposals. In relation to the means of implementation by finance and technology, it was necessary to see how existing resources and mechanisms are used more efficiently, before dealing with new and additional resources it said.

Since the volume of financial resources is huge, Japan said that countries have limits. There was a need to see who can be eligible and who can be self-sustaining. Hence, the issue of 'differentiation' has to be made. Some countries in the course of their development may be eligible but once when they reach a certain point they become developed, it said.

As regards technology, Japan stressed the need for sector specific needs and the amount of money needed accordingly. That is why it strongly supported a 'sectoral approach', to help identify the means of implementation.

In response, Machado stressed that the work of this contact group was not about what to do about finance and technology but about how to enable these and upscale them.

Australia said that the scaling up of financial support for adaptation and mitigation is a package. It includes measurable, reportable and verifiable mitigation actions based on deviation from baseline of emissions from business-as-usual. It said that was in strong agreement with some elements of the G77 and China proposal on finance in relation to predictability and transparency.
It said that any future international financial architecture must also take into account other sources of funding.

**Norway** said that Parties, in relation to technology, should be careful in distinguishing the role of national governments and the private sector. It supported a strengthened technology framework. It said that technology is largely privately owned and that the carbon market is important for technology transfer. It also acknowledged barriers to technology transfer such as lack of capacity. There was a need to identify best technology, standards and practices and increase capacity building for national policies and frameworks in developing countries and this must be linked to national efforts to provide an enabling environment, it added. It also supported cooperation in research and development for new technologies.

**New Zealand** said that it was still wading through proposals and cannot say what it likes and what it does not. In relation to finance, it was necessary to assess the needs and seek funds. The Bali Action Plan does not define the source of financing. There is a need for mutual accountability. Criteria is needed to guide eligibility, it said.

The **US** said that the critical issue in any financial architecture is if it is the most effective and efficient outcome. It stressed the critical role of the private sector and how to enable the shift from private capital into low carbon investment. It said that there was opportunity to shape existing institutions like the Global Environmental Facility (GEF) where the Conference of the Parties (COP) can provide guidance.

**Barbados.** speaking for the Alliance of Small Island States (AOSIS), stressed that climate change financing is not charity but is a commitment under the Convention.

**Brazil** said that given the scale and volume of finance and technology needed, it was necessary to consider new options and Parties must be prepared to think outside the present frame of mind for new ways and new instruments. Discussions on 'differentiation' and 'graduation' will not advance the work that needs to be done, it said. The work will have to deal with private sector activities and how they are able to upscale technology development and transfer. In considering the issue of intellectual property rights (IPRs), there was a need to take on board work in the field of public health and there must be a balanced interest between that of innovators and that of the general public in dealing with climate change. A new structure is needed under the Convention to deal with entire cycle of technology in a coherent manner, with participatory governance, etc.

**China** said that it was important to be very clear if Parties are going in the right direction in this process. What is fundamental is that Parties are addressing climate change as a global public good and not leaving it to the private sector. It expressed disappointment with some Parties who said that there was no need for new arrangements under the Convention. It said that the issue of IPRs is crucial especially as regards joint research and development for technologies for the global public good. It said that developed countries have commitments to provide public financing to developing countries. Market mechanisms including the carbon market cannot replace public financing, it said. China said that lessons can be drawn from the current financial crisis in relation to market failures. Hence, governments of developed countries should play a key role in addressing climate change in providing financial resources, it said. The financial mechanism should provide linkages between various funding sources and reduce fragmentation. In addition, operational rules can be developed, it added.

**South Africa** said that as regards financial resources, it was important to recognize a range of sources from public to private as well as from international to domestic sources. It said that the financial mechanism must link these different sources.

In his concluding remarks, Machado said that at the next meeting of the contact group, he would like to focus on technology and capacity building aspects and at the final meeting, on financing aspects.