The Way Forward...

1. Reports from Roundtable (extract)

Andre Stochniol, *Architect and Founder, International Maritime Emissions Reduction Scheme (IMERS), United Kingdom*

On Innovative Financing and Environment

Ladies and gentlemen, yesterday we picked up the discussion where we left off at Oslo. In Oslo we discussed an International Air Travel Adaptation Levy (IATAL). At that time, my colleague from Oxford University didn't present a proposal for a levy on maritime transport. It was too early as the proposal had not entered the multilateral process then. I presented the novel maritime proposal yesterday. Prof Kim Il-chung from Republic of Korea provided his positive views and several questions on it. Ms. Kate Miles from Australia outlined bottom-up approaches to create financing locally. A thorough discussion followed.

G8: "We Need to Act" … but priorities vary

From Oslo, the major change on the international scene was the G8 Summit organized during the Germany presidency of European Union. The major outcome was an agreement - including the US for the first time - that actions on climate change must be taken.

Something which was not obvious in the G8 statement - but has been made clear by the recent 4th report of the Intergovernmental Panel on Climate Change (IPCC) - is that there is a big difference between agendas of the developed and developing countries. The developed countries focus on mitigation. They say: "we want to reduce the impact on climate change", "we must cut emissions of greenhouse gases" (GHGs). But developing countries like China think "That's your problem" and are rather looking at "How can we create sustainable development? How can we adapt to climate change?"

The IPPC report is very clear: the poor are going to be hit hardest, so part of our discussion yesterday was, "Can we use a levy or charge mechanism to create new funding at scale?" At a scale necessary to deal with problems on both sides: mitigation and adaptation to climate change.

Key Financing Points

The key financing points that have been extracted from the discussion are as follows.

First, mitigation cannot substitute adaptation, because big negative effects are already felt in Africa and elsewhere. Even crisis in Darfur, some people attribute to climate change. And vice versa, adaptation cannot be substitute for mitigation because emissions are growing rapidly.

Second, the current financial mechanisms are inadequate, both in scale and design. In Oslo, we talked about the financing gap for adaptation which is 50 to 100 times greater than available funding. Just last week, a new report confirming this big gap was issued by the UNFCCC

(United Nations Framework Convention on Climate Change). The developing countries alone will need about $26-$30 billion per annum for their adaptation needs.

Outline of Discussion

Therefore the main objective of the discussion was whether and under what conditions environmental financing of billions of dollars could be decided through a multilateral approach. Two initiatives were described. The first was for aviation engaging the International Civil Aviation Authority (ICAO). The second was for maritime transport engaging the International Maritime Organization (IMO). Both initiatives are based on my vision to combine emission mitigation with financing for adaptation to climate change in a single scheme. In short, we have failed to bring the aviation proposal to the ICAO multilateral process. However, lessons learned from the first initiative helped to make the maritime initiative a success story so far. As you will recall, the Landau Report mentioned environmental taxes and charges from both aviation and maritime, so we had an interesting follow-on discussion.

An alternative investment approach discussed shortly yesterday was the bottom up approach, in which opportunities to fill the gaps exist on local basis like tourism, including setting up local charges and funding.

IMERS

Let me now expand on the maritime innovation. We call it IMERS – International Maritime Emission Reduction Scheme. What we try to do is to address differentiated priorities in one cohesive supra-national scheme. The goals are twofold: halve maritime GHG emissions through current and future mitigation, and contribute notably to climate change adaptation in developing countries.

First, we address the mitigation agenda of developed countries. For maritime and aviation industries, where the ships' and airplanes' lifetime and investment cycle are around 30 years, mitigation requires a long-term approach. Based on our calculations, around $3 billion per annum will be needed to mitigate the emission growth of shipping as illustrated on the slide shown. The yellow area represents emission mitigation. The main innovation here is achieving scale by engaging developing countries from the outset. Second, the same amount of money, $3bn per annum is proposed for adaptation in developing countries alone.

For us here an obvious point is that adaptation is also a problem of economic development. Some say adaptation is '*the*' development problem. Unsurprisingly, several questions were raised both from panelists and participants regarding, how the climate change principle of common but differentiated responsibilities is realized. Typically, this principle means that developed countries pay for mitigation, and developing countries do not. First, the proposal foresees that everyone pays, while developed countries pay effectively more due to lower growth. Secondly, the scheme contributes 50% of all the money raised to adaptation to climate change in developing countries. Thirdly, additional funding is created to technology development and transfer. So it's a novel approach to fulfill the differentiated principle both at the distribution point and at the collection point.

Multilateral Achievement

The big difference from the proposals from Oslo is that IMERS went beyond an idea stage: it has reached a multilateral level. Here I offer my thank you once more to Norway for their leadership. I approached the Norwegian IMO delegation in March. Subsequently, Norway has brought a high level summary of the proposal to the IMO environment MEPC committee that meets every year. All of the governments who are represented here have therefore heard of the proposal. We received a very good response at the IMO environment session in July that exceeded all expectations. As a result, a special world-wide correspondence group was established to discuss this and other options to reduce GHG emissions from ships. The group consists of experts nominated by governments and specialized organizations and is represented on the slide as the blue circle. The group will prepare a report to be discussed at the IMO environment session in April 2008.

Lessons Learned

Let me outline three key lessons learned. I talked to 30 governments in the last half a year regarding the maritime fund proposal and their response to the submission. It ranged from the State department in the US to a senior advisor in the Chinese government. The first problem I noticed is that there's often lack of cooperation between different government departments. The policy of maritime environment is complex as it often includes departments of transport, trade, finance, environment and foreign relations. The second lesson is that the issue of CO2 emissions is pushed down, often because there are not enough resources available.

The third lesson relates to money. Within the UNFCCC, during the last 2 years, there have been active discussions on creating best governance to manage the adaptation fund. The new structure will likely be agreed soon … but without adequate money. So it comes back to the main point that we need new innovative sources of funding for adaptation both in design and scale.

Summary

In this context, yesterday we discussed whether the climate change is an area of interest to the Leading Group. The consensus was that it is a topic of interest because adaptation is an economic development issue. There are not many places to discuss this aspect of adaptation to climate change.

The panelists agreed that cross-cutting issues of emission mitigation and funding for adaptation can be solved through a hybrid mechanism. One can't just implement a simple levy on maritime transport, because no one is going to accept an additional tax and the mitigation effect would be minimal anyway. We also have to deliver a politically compelling argument like a quantitative target to reduce emissions at the lowest cost to participants. So the problem is:

"Can we come up with a very small charge that could deliver both the mitigation and adaptation goals? At the same time can we deploy it globally for maximum efficiency?"

The key to accelerate decisions is not a technical feasibility; it's a political willingness to embrace a global approach. Norway has shown leadership, all the EU countries and ten others have supported the proposal. But now it can drag on like a typical multilateral approach, unless proactive political support is shown.

Call for Support

On this conference the major countries that are very influential in IMO are represented, such as Germany, China, Norway, the Republic of Korea and the UK. I would like to encourage all of you, to push for the IMERS proposal if you agree that adaptation and 3 billion dollars per annum for developing countries is important. Of course, part of the money can go to reducing poverty and therefore create capacity to adapt to climate change.

I appeal to the major maritime states to show leadership and to push for a global maritime solution combining mitigation and adaptation to climate change. At the same time I appeal to the countries on the other side, the recipient countries, to pull for the solution.

If you don't ask for the money and don't support a global approach, progress in innovative financing will be killed by the process machine. That's what I often see when I to talk to officials. The leadership is high there but the people who are trying to get resources are 2, 3, 5 levels below … and overloaded with other climate change issues.

So I think that's my main request, a harder push from the major maritime states and more pull from developing countries are needed. Finally, in this group we need to constantly remind ourselves another question: "Can some additional money go to poverty alleviation?" That's it.