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ENVIRONMENT - U.N. Conference on
Environment & Development



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Environment - UN Conference on Environment and Development - 1v

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RE:			
UNCED '92 Convention...			
REMARKS			
<p>Mr. Svein Aass, Advisor on Global Environment Issues, Norwegian Ministry for Foreign Affairs, left this during his visit with us.</p>			
From		Room No.	Ext.
Afsaneh Mashayekhi		N 6055	37070

A I D E M E M O I R E

UNCED '92/Convention on Climate Change/Cost-effective Implementation of Commitments/A Clearing-House System/A new source of development funding.

Climate change is a truly global problem in search of a global, long-term solution requiring global participation by both industrialized and developing countries in a comprehensive approach addressing all sources and sinks through cost-effective measures.

As a first step the framework convention on Climate Change to be signed at UNCED in June 1992 must contain specific commitments by industrialized countries to stabilize emissions of greenhouse gases (in particular/including CO₂) (by the year 2000 at 1990 levels). There is widespread consensus that the framework convention will contain no commitments for developing countries on quantitative targets.

Regarding developing countries' obligations it is the view of developing countries (G-77) that they will have no legal obligations. Most industrialized countries are of the view that developing countries' commitments will be of a relative nature, i.e. improving energy efficiency/improving the rate of emission per unit of GNP/undertake actions regarding sinks. Some NIC's (South Korea, Singapore) are willing to consider quantitative targets after a grace period.

There is consensus that a financial mechanism will be established under the Climate Convention providing new and additional financial resources limited to cover incremental costs involved for developing countries in undertaking measures limiting net emissions of greenhouse gases.

The Norwegian concept of a clearing-house aim to (add) a new source for financial and technology transfer/co-operation and represent a concrete example of moving to a "second generation" of environmental agreements in which "co-operation and support is to the mutual benefit of all countries and should be seen as an extension of national environmental policies in a regional and global perspective" (Communique of OECD Environment Ministerial Meeting, 31 January 1991).

The point of departure of the clearing-house idea is that the framework convention must contain elements that point towards a global long-term solution in introducing the criteria of cost-effective implementation measures. One such element should be the provision that specific country commitments on limitations of emissions be implemented either individually, jointly or in co-operation with other countries.

In order to ensure a cost-effective allocation of net emissions on a global basis countries should have the option to achieve limitations they have committed themselves to domestically or abroad, in co-operation with other countries. This can be done by allowing for exchange of emission commitments between countries with specific quantitative limitation commitments and/or in co-operation with developing countries without quantitative commitments, either bilaterally or through a clearing-house mechanism. A clearing-house system would represent an intermediate variety of an exchange system of emissions/commitments.

The clearing-house could appraise and select projects for reducing net emissions, according to their cost-effectiveness (such is e.g. already the rationale behind the Global Environment Facility) and co-ordinate funding for these projects in areas such as energy efficiency (industry/power sector), forestry and agriculture/soil management. The net reduction in emissions resulting from any specific project should be credited the country that contributes to the funding of this project and deducted from its national commitment. Verification would also form a natural part of the review process to be instituted as part of the necessarily process-oriented framework convention. The clearing-house would have a large portfolio of potential projects, thereby facilitating a more efficient matching of projects and funds than a system of bilateral exchanges.

Even if one should not agree on specific country commitments for all countries in the initial framework convention, a clearing-house system might be of great value. Countries with such specific commitments would still have the option to finance emission reductions in other countries as an alternative to more expensive reductions in their own countries thereby in the process turning at the margin excessively costly measures into no-regrets measures of high environmental, economic and developmental value. (The Nordwijk Conference gave practical examples of the magnitude of savings involved in such an exercise).

In a clearing-house mechanism, the transfer of financial resources between countries is part and parcel of the system's *modus operandi*. The flow of funds is likely to a large extent to be from the industrialized countries to the developing countries and the countries in transition. This

would be an important supplement to other financial mechanisms and could become a very substantial new source of development funding through the transfer of financial and technological resources. The clearing-house mechanism should function in close co-operation with any such funding mechanisms. Eventually, these mechanisms should be integrated as much as possible. (The Global Environmental Facility, which recently was established by the World Bank, UNEP and UNDP, gives a practical demonstration of how a financial mechanism could be organized.)

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