



Bonn Climate Change Conference – Report on SB 40, 4 – 14 June, 2014

Summary

The second round of United Nations climate talks this year took place in Bonn, Germany, from 4-15 June 2014, with an outlook to make progress towards a 2015 climate deal.

The outcomes of Climate Change Conference indicate the need for countries to raise ambitions in pursuing climate targets and re-examine their current emission reduction pledges. The turn of events doesn't reflect the rate of global warming and demands a more progressive approach if favourable outcomes in Lima COP20 in December and Paris in 2015 are to be reached.

Since Parties were unable to reach an agreement on the CDM reforms, the future of carbon markets leaves a worrying trail, especially with investments decreasing and prices dropping over the last decade. Furthermore, a future 2015 international climate treaty is expected to include contributions towards climate action from all countries which naturally gives a very limited role to an offsetting mechanism in the future climate framework. Instead, discussions on the obligations for industrialised countries to mobilise the climate finance needed are increasing.

During the two weeks a slow headway towards the new climate deal was made, along with a notable breakthrough of 60 nations agreeing to phase out dirty fossil fuels and replace them with 100% renewable energy sources by the middle of this century. Bonn conference was recognized overall as a small step forward in determining elements of a draft treaty, aimed at being delivered in Lima COP 20 by the end of the year. Discussions on many items came to a halt and are to be considered further in Peru. The Bonn climate talks also fell short of determining how the numerous regional and national carbon trading schemes are to fit into a future international framework. A growing understanding exists that Paris needs to be a turning point where binding decisions are to be made to reach low carbon world. Much needs to be done in the coming months and negotiators hope to take discussions further in meetings planned in Bonn for October and beforehand in a climate summit in September called by UN Secretary General Ban Ki-moon in New York.

Below is a more detailed summary of the respective discussions:

Reforms on the Kyoto Protocol Mechanisms postponed

Key negotiations were evolving around the Kyoto Protocol's project-based mechanisms Clean Development Mechanism (CDM) and Joint Implementation (JI). Major reforms on the rules of these two were however postponed.

SBI continued its consideration of the possible changes to the **modalities and procedures for the Clean Development Mechanism (CDM)** (issue [FCCC/TP/2014/1](#)). It was a mutual understanding among many Parties that CDM is an important instrument in many developing countries and should be evolved and



reformed further in a way to generate substantial emissions reductions for the benefit of the atmosphere. The participants discussed the informal note prepared by the co-chairs in Warsaw taking into account the technical paper. Technical paper included some of the key elements, including; protecting against conflict of interest; improving gender balance; Inclusion of [requirements] [principles] [means] for the demonstration of additionality; clarifying the roles of designated national authorities; etc.

During negotiations, parties disagreed on, inter alia, the need for a technical paper focusing on net mitigation, and the CDM Executive Board to identify options for the evolution of the CDM to generate substantial net emission reductions. No conclusion was reached by the countries in this matter, thus discussion is deferred until the next session at SBI 41. A new Co-Chairs note was issued, which reflects areas that Parties would like to further consider in Lima. Issues the Parties have agreed to, will included in the review.

To see a revised version of possible changes to the modalities and procedures for the CDM prepared at SBI 39, with a list of possible changes for further consideration at SBI 41 as well as those that have been agreed at SBI 40, click [here](#).

With regard to **new market-based mechanism (NMM)** ([FCCC/SBSTA/2014/L.12](#)), defined at COP17 and devised to promote and enhance the cost-effectiveness of mitigation actions, SBSTA in its last session continued its work programme to elaborate correlated modalities and procedures. The subsidiary body invited Parties to consider and provide submission on the following issues: design and governance of NMM, elements of its modalities and procedures, the meaning of “a net decrease and/or avoidance of global greenhouse gas emissions,” lessons learned from relevant Kyoto Protocol mechanisms, NMM’ relationship with FVA and its and relationship with enhanced mitigation ambition.

Furthermore, Parties were invited to submit their views on issues related to **non-market based mechanisms** ([FCCC/SBSTA/2014/L.11](#)), more specifically on best practices and lessons learned in relation to developing and implementing, options for international cooperation on non-market-based approaches, co-benefits of such approaches. Along with the technical papers, provided by the Secretariat, these matters will be considered at SBSTA 41.

Now that the GCF is in a position to fund and is to mobilize funding from public and private sources it might be able to provide some practical knowledge on how market and non-market mechanisms might work.

Controversy around the inclusion of the land-use sector in the CDM

Considerable amount of discussions at SB 40 evolved around agriculture and how its activities fit in the mitigation of climate change by reducing greenhouse gases (GHGs) emissions in the atmosphere or decrease emissions by sources leading to an accumulation of carbon stocks.

Parties discussed whether to include a new sector - LULUCF (land use, land-use change and forestry) to earn credits under the CDM ([FCCC/SBSTA/2014/MISC.2](#)). Given the limited role the CDM may play in a future 2015 international agreement, the discussion was dominated by countries with clear interest in using their land-use sector as a sink for emissions reductions from other emissions sources. Additionally, the lack of demand for current CDM offset credits was the elephant in the room.

One key discussion point was whether the existing modalities and procedures for Afforestation/ Reforestation (A/R) projects could apply to any new activities, with minimum changes. Regarding the difficulty of establishing additionality and permanence of certain carbon activities, Parties identified a number of specific elements from the current A/R modalities and procedures, including crediting periods and baselines, as well as environmental integrity principles, for future consideration.



Drawing from the technical paper prepared by the secretariat at SBSTA 39, SBSTA 40 Parties decided to prioritise in its consideration three groups, which could be included as activities under the CDM; re-vegetation, including agroforestry and silvopastoral practices; cropland management and grazing land management; wetland drainage and rewetting. S

SBSTA agreed to further facilitate development of the modalities and procedures for possible additional LULUCF activities under the CDM by organizing a workshop. For this purpose SBSTA invites participants to submit their views on this matter, which will be considered at SBSTA 41 in December.

Side event: A call for greater attention for local stakeholder consultation

As a part of UNFCCC Climate Change Conference in Bonn, Carbon Market Watch co-organised the side event entitled “Best Practices in Local Stakeholder Consultation in the CDM and other Climate Mitigation Mechanisms” jointly with the Centre for International Environmental Law and the UNEP Risø Centre.



The side event was inspired by decisions taken in Warsaw that tasked the CDM Executive Board of to collect and publish best practices for local stakeholder consultation and to provide technical assistance for the development of guidelines for local stakeholder consultation upon the request of a government. Experts from the CDM, the Green Climate Fund (GCF) and REDD+ provided an update on the role of LSC in the various climate mitigation mechanisms and discussed their experiences with the chair of the CDM Executive Board Hugh Sealy who informed participants about the progress of the mandate.

In their presentations, the speakers shared their experience and views on; the role of LSC in various climate mitigation tools; main issues and challenges in implementing LSC; CMP mandate and progress to date. Furthermore a case study of a CDM project was presented with reference to consultation rules. The overall presentation underlined the deficient stringency of rules on stakeholder participation and the lack of common guidance. While certain climate mitigation tools, such as REDD+, GCF and Adaptation fund, provide a clearer set of safeguards, CDM applies vague rules or even disregards them in practice. For a more detailed summary of the side event, please click [here](#).
