



**Informal Ministerial Meeting: Bali Brunch 2009
Washington, 26 April 2009**

**Address by Yvo de Boer, Executive Secretary
United Nations Framework Convention on Climate Change**

Mr. Zoellick, Ministers, excellencies, ladies and gentlemen,

This informal Ministerial gathering started in Bali in 2007. I congratulate the World Bank and Robert Zoellick for continuing this initiative, because ultimately, an effective solution to climate change must include the involvement of Finance Ministries and the development community.

From Bali we have now moved steadily closer to Copenhagen, where I am sure history will be made. Copenhagen represents a window of opportunity to act on climate change. For one, through concerted, ambitious action the world can limit the magnitude and severity of climate change impacts. Ambitious action can save lives and limit damage to economies and economic growth. And secondly, policy clarity will provide the necessary impetus for upcoming investments to be directed into environmentally sound technologies, rather than infrastructure that will soon be obsolete.

It should also be beyond the doubt of any reasonable human being that we cannot realize the 45 per cent increase in energy demand the IEA projects for 2030 in a conventional way without running our planet, our people and our prosperity into the ground.

At the same time, we all know that energy is crucial for all aspects of development. Billions of people go about their daily lives without access to reliable energy services and many millions find their health threatened because they rely on traditional fuels.

So, there is a glaring need to bring power to the people. Given climate change, there is an even greater need to bring clean power to the people.

For the past years, the international community has been aware of the fact that the current model for energy production and use is nearing its end. The financial crisis and the response of many countries to the crisis have driven this fact home even harder.

We all know the joke about the stone age ending - not because the stones were finished. The modern version of this is South Africa's statement that business-as-usual means going out of business.

China brings most clearly into focus why this is. In 2006, China mined a record 2.4 billion tonnes of coal. A sustained economic growth and a continuation of the current largely coal-based energy sector, means that by 2030 more than three times the amount of coal would

have to be transported across the country annually. That would likely amount to more than 6 billion tonnes of coal.

Up to 2025, China foresees a rural to urban migration of some 240 million people. By 2030, China's urban population is on track to reach one billion people, who will account for 20 per cent of global energy consumption, and for over 85 per cent of national energy demand. Given current average household energy consumption, and leaving aside that more income means more energy consumption, this would require the construction of between 700 and 900 Gigawatts of new coal-fired power stations between 2005 and 2025 - all spewing more fumes, particulates and CO₂ into the atmosphere.

China sees this.

Not just in the field of energy production and use, where the national government aims to expand nuclear power, promote renewable energy, build higher-efficiency coal-powered plants and implement green energy subsidies. The most compelling evidence lies in the huge green elements of China's economic stimulus package, which dwarf those of other stimulus packages.

It is therefore interesting to see some countries putting most effort into persuading the one country that probably needs to be least persuaded!

The challenge now is how the combined force of economic recovery and an ambitious Copenhagen outcome can be used to turn a fundamental corner. How can such a combined force assist developing countries to implement mitigation actions they define according to their economic and development priorities?

So, how can a cooperative international climate policy be used to take us to a more sustainable future?

An ambitious Copenhagen outcome will reflect clarity on four key political prerequisites, which need to be resolved during the course of this year.

1. Firstly, clarity on targets for industrialized countries

Obviously, ambitious emission reduction targets for industrialized countries is a make-or-break prerequisite. Developing countries are calling on industrialized countries to show leadership in reducing emissions given their historical responsibility.

2. Secondly, clarity on nationally appropriate mitigation actions by developing countries

Like China, many developing countries are already implementing climate change mitigation actions, and many have climate change strategies in place. In Bali, developing countries indicated that they are willing to undertake additional measurable, reportable and verifiable mitigation actions, provided they get the promised measurable, reportable and verifiable support from industrialized countries.

The scope and scale of NAMAs has not yet been defined by the negotiations. But to my mind, they could include anything from voluntary renewable energy targets to boosting energy efficiency standards, to reducing deforestation projects, provided the additional mitigation benefit can be measured, reported and verified.

What is clear is that NAMAs need to contribute to the sustainable development goals of developing countries and boost their economic growth. NAMAs need to be a central element in developing countries' moves towards a sustainable energy future. Apart from the scope and scale of NAMAs, the negotiations also need to clarify how best to direct the financial and technological support towards the identified mitigation action, possibly under a NAMA registry.

3. The third political prerequisite centres on resources

In order to succeed, Copenhagen needs to mobilize very significant financial and technological resources to assist developing countries in their additional mitigation actions. New, additional and predictable financial resources have to be mobilized to unleash both mitigation and adaptation action in developing countries. Such resources have been estimated to total up to USD 250 billion per annum in 2020.

Significant public funding is essential. Multilateral and bilateral sources of funding represent an important option for mobilizing funding. Yet here it is critical that these are new and additional resources, as opposed to repackaged ODA. However, such public sources are unlikely to provide the type of support that would be sufficient to meet the needs for both mitigation and adaptation.

The carbon market is one viable option: the more ambitious the emission reduction targets of industrialized countries, the higher the amount of financial flows mobilized through the carbon market.

Finance Ministers need to directly contribute their expertise for expanding existing and developing new instruments and mechanisms for generating finances.

But for me, it is beyond doubt that Parties will achieve clarity on financing during the course of the year so that Copenhagen can indeed mobilize such resources. It almost seems facetious, but mobilizing such resources is not the main challenge for me.

The main challenge for me is the fourth political prerequisite, namely, managing all the resources that are out there towards the desired climate result.

Broadly speaking, there are two main positions regarding governance.

On the one hand, the G77 & China are proposing that the funds that are agreed in Copenhagen be under the authority of the Conference of the Parties to the UNFCCC, with operating bodies to supervise financial flows.

- It is important to the G77 & China that the new governance breaks with the past in that it is based on the equitable representation of Parties

- Parties would have direct control over funds under the Convention, whereas they wouldn't have that level of control over funds outside the Convention
- The G77 & China wants to ensure that funding addresses the sustainable development priorities of developing countries
- The underlying concern of developing countries is that they will have an insufficient say in directing finances towards their defined priorities
- They are also concerned that governance structures to date would manage resources and match them with mitigation actions in a way that would lead to "cherry-picking" actions according to the priorities of donors, instead of the defined priorities of developing countries

Industrialized countries, on the other hand, are pushing for governance of funds through existing channels.

- Industrialized countries maintain that existing multilateral institutions and regional development banks have an important role to play in the governance of the generated finances
- The underlying concern of industrialized countries is that the money should be spent wisely and in an efficient manner
- They also want to ensure that there is no proliferation of financial institutions, given the resources this would swallow

A middle ground has to be found to accommodate both. I am convinced that this can be done, but only if it is clear that both donors and multilateral financial institutions work towards the needs that developing countries determine for themselves.

At the beginning of April, the G20 committed to reforming the mandates, scope and governance of international financial institutions to reflect changes in the world economy, and that emerging and developing economies, including the poorest, must have a greater voice and representation.

The question is, how can this be linked up with the governance structures under a new climate change regime?

One possible way may entail the following: if developing countries recognise **NAMAs** and national adaptation programmes of action (NAPAs) **as vehicles to control the direction of financial support**, existing institutions could continue to be used **for channelling resources**.

The key is that measurable, reportable and verifiable support is given to NAMAs, as well as to NAPAs, **in line with guidance provided by the COP**.

Whatever the agreed outcome, Copenhagen will impact the work of international financial institutions

Given the financial crisis, for international financial institutions, the key challenge over the coming months is to demonstrate that you stand ready to implement both NAMAs and NAPAs in accordance with the frameworks created by the Conference of the Parties to the UNFCCC.

As you see, much work still needs to be done before ambitious, cooperative international climate policy can make a significant contribution towards bringing power to the billion people in developing countries who need it so desperately to better their economic prospects and their quality of life.

But I am confident that the remainder of this year will move us closer towards that goal and that Copenhagen will get us there.

And with effective and efficient governance structures in place that respond directly to the needs of developing countries, bringing clean power to the people can become a central mitigation activity over the next years.

Thank you

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