

Engaging with Asia-Pacific on Climate Change

European Climate Diplomacy

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Charlemagne building, room Jean Durieux
Rue de la Loi 170, Brussels

SUMMARY REPORT

The one day roundtable meeting – 'Engaging with Asia-Pacific on Climate Change' – was co-hosted by Directorate-General for Climate Action of the European Commission and the European External Action Service. The event brought together some 140 representatives from public administrations, diplomatic corps, expert organisations, civil society and the business community from within the EU and from the Asia-Pacific. The day was structured around three themes to allow the participants to reflect upon the new global trends, opportunities presented by the transition to low-carbon economy, and the challenges facing the most vulnerable.

Under the theme "Responding to new policy realities", the following elements were highlighted as priorities:

- The consequences of climate change will have profound affects growth, sustainability and development co-operation. All cooperation must mirror this.
- Equity considerations are important. Whilst it is unlikely that a single formula will succeed in addressing all countries concerns, climate diplomacy offers a useful vehicle for advancing discussions on balanced effort sharing.
- In order to act the policymakers need a mandate from the constituencies. Public acceptance and awareness of climate science and the priorities not always a given.
- Successful and relevant projects should be replicated. Donors like the EU look for scale benefits.
- The environmental narrative is valid, but to should be paired with sound political and economic arguments. Reliable monitoring systems important.
- Translating national action and strategies to international pledges/targets can inspire other countries and reinforce commitment at national level.

The discussions during the 2nd session, focusing on "Competition vs. Cooperation" the key considerations consisted of the following:

- Many countries in Asia and the Pacific have already taken significant steps in view of preparing national strategies that are aimed to deliver both on mitigation and growth.
- Despite economic downturn, low carbon industry has experienced significant growth in the recent years at times outperforming traditional sectors.
- Providing regulatory clarity and the right investor signals are key parameters for attracting private financing.
- Urgency of action is at times overlooked – the 2°C out of reach shortly.

The final session focused on the adaptation issues under a heading of "Challenges for the vulnerable" highlighting in particular:

- The need for going beyond conversation. Hands-on engagement vital for understanding the nature of the challenge.
- Nationally owned plans and local initiative crucial.
- The EU has succeeded in rolling out the Global Climate Change Alliance (GCCA), but it is clear adaptation financing remains low relative to needs
- Analytical work by the Asian Development Bank, World Bank and other experts should be exploited in full when preparing national and donor approaches.

The rich discussions revealed good scope for further discussions and more concrete action. The organisers signalled that possibilities for a follow-up round table co-organised with the ASEAN secretariat will be explored in view of building from constructive momentum during the day.

Session I: RESPONDING TO NEW POLICY REALITIES

The first session presented an opportunity for reflection on the global issues which condition the EU-Asia-Pacific relationship, in the context of global climate governance, multilateralism and trade. The themes debated included the ability to reconcile growth and wellbeing, and mapping out common ground among Asia Pacific and EU on climate change.

The key issue among countries in Asia Pacific is adaptation to current realities: the region is highly exposed to the negative effects of climate impacts and urgently needs development assistance to deal with the consequences. Although Asia has enjoyed strong economic growth in recent years, this increased growth and trade have multiplied demands on resources and are leading to severe environmental damages. Some main concerns include water shortages, new diseases, food insecurity as well as the shift in rain fall patterns. Another issue faced in some regions is climate scepticism – people do not see the relevance of climate action in their everyday lives. Furthermore, climate change affects the poor disproportionately. For this reason it is important to promote the concept of a green economy as a path to sustainable growth and development.

The Asia Pacific region has vast commonalities and difference and finding areas of convergence was emphasized. The countries in Asia-Pacific are members in other political groups such as the Least Developed Countries (LDC), Alliance of Small Island States (AOSIS) and the Association of Southeast Asian Nations (ASEAN).

The region looks to the EU for increased collaboration in sharing best practices as well as for financial and technological support. From the Asian Pacific perspective, some key issues in international climate negotiations include the length of the second commitment period of the Kyoto Protocol, clarity on finance and generally strengthening the climate architecture.

Both parties emphasised the need for global collective action on climate change. Asia Pacific and Europe share many objectives, but these common interests need to be better reflected in the international negotiations. In particular, Europe and Asia should focus on their common interest in how to raise ambitions to close the gap towards achieving the 2°C target.

Panellists also reflected on the need for international cooperation on climate policy to support low-carbon, climate resilient growth in a way that is widely perceived as fair as well as effective. This will include recognising, within planetary constraints, the need for developing countries dependent on fossil fuels to continue to grow, and for industrialized countries to demonstrate they are taking the lead in reducing emissions. While academics and delegations have suggested that that a global deal could be based on an agreed formula for sharing out "atmospheric space", no one formula is ever likely to meet the interests of all countries. In this context, the main challenge of climate diplomacy will continue to be making incremental steps forward towards a negotiated agreement on effort sharing.

The Asia-Pacific and the EU views appeared to come together on the on the need to strengthen cooperation and knowledge sharing as well as increase climate resilience in most vulnerable areas. Potential areas for moving forwards together included promoting renewables, setting energy efficiency standards and reducing fossil fuel subsidies.

The EU participants expressed their determination to show leadership and to work with their international partners on

- i) improving and increasing Cancun pledges
- ii) accelerating implementation
- iii) closing the ambition gap
- iv) designing a post-2020 regime
- v) sharing leadership of the ADP process

Challenges both partners faced included mainstreaming climate action into trade and economic policy. The EU also voiced its concern on the missing Nationally Appropriate Mitigation Actions (NAMA's) in many of the Asia-Pacific countries. Consequently, the participants from Asia Pacific drew attention to the slow progress with the activation of the Green Climate Fund, arguing that funding has not come forward as it should have. Another predominant challenge that was brought up was the urgent need to speed up negotiations.

Overall, it was agreed that the benefits from innovation and investment in low carbon technologies can lead to sustainable economic growth and help developing countries in Asia Pacific to move away from the carbon intensive model of economic growth.

Session II: COMPETITION VS COOPERATION

The discussions during the second session looked at the potential to "win-wins" from low carbon action, both in terms of economic development and emission reductions. The discussions focused on the benefits low-emission trajectories can offer and the scope for considering 'going green' as a profitable and viable business model. In addition to the business case, low-carbon development strategies and technologies were identified as increasingly embedded in the financing palette in the region. Overall, the low-carbon path is starting to become endorsed across the public and private sectors.

The Vietnamese example anchors these regional dynamics in local context. The country faces worsening climate change-induced stress factors ranging from typhoons, floods, and droughts to other disasters, rendering it one of the most vulnerable nations in the world. Against this backdrop, Vietnam's energy security will be adversely affected due to the drastically growing rate of energy deficiency. Therefore, the Vietnamese authorities have started to tap into the promotion of green industry in order to ensure that renewable energy can be more prominent in the future. In addition to the incentives put in place by the government, there is also push coming from the private sector to promote the green growth agenda in the country.

The presentation by Siemens demonstrated how businesses and major corporations are gradually adopting green portfolios. The company has undergone a thorough transformation in 20 years from coal-intense operations to become a corporate champion of clean energy. However, an issue are of the Intellectual Property Rights protecting the companies' competitive edge remains, which in turn can hinder the transfer of technology. As a partial solution to this, Siemens has raised the possibility of global companies to disseminate their products in-house and thus reaching also the countries in need. Siemens is a pertinent example of a company that has been able to detect the trend early and adopted green growth based on a business case.

Despite the mobilised business community and increasing domestic interest in going green, the economic growth and rising population will push energy demand higher in Asia. As the biggest contributors to global economic growth, China and India lead the way, representing half of the growth in demand. Consequently, countries outside the OECD will increasingly determine the state of energy markets and that of the climate. This trend is exacerbated by the persistent fossil fuel subsidies further contributing to inefficient energy use. Therefore, the door to 2°C is quickly closing without steadfast and decisive international co-operation and action.

The gap between the concrete actions to move to a low-carbon path and the current emission trend is widening. The relevant findings of the recently published *Bridging the Gap* report by UNEP presented during the session, illustrate that this gap is possible to bridge if a series of actions are taken. This can be done by decoupling economic growth from GHG emissions growth, reducing the carbon intensity of the economy and leapfrogging the high-carbon development path of today's Business as Usual trajectory. Moreover, the short-lived carbon pollutants, such as methane, black carbon and hydrofluorocarbons, should be taken into account as part of the emission reductions. The priorities should be renewable energy, energy efficiency in housing, energy in efficiency in industry sector and in shifting to public transport in fast-growing urban areas. Therefore no major technological breakthroughs are necessarily needed to tackle the problem.

The private sector should be an active agent in climate finance, as was elaborated by the representative of the Asian Development Bank in the Philippines. In Asia, the involvement of the private sector in mobilizing the pledged 100 US dollars per year can be attained if the barriers in key policy areas are abolished. Taken into consideration the healthier state of the carbon markets, they should be included in the considerations for leveraging climate-related finance. However, it seems unlikely that the money becoming available can account for all the adaptation needs in the Asia-Pacific region, which calls for no-regret type of financing. Overall, work is needed to harness the private sector potential in Asia to its maximum.

In Germany, some innovative approaches to foster public-private partnerships have gained prominence. The Global Climate Partnership Fund of the KfW has mobilised capital investments *inter alia* to energy savings and GHG reductions more broadly since 2010. With its growing climate finance portfolio the Fund is targeting a volume of 500 million US dollars by 2015. The underlying rationale behind the fund is to cover for the gap left by project-based finance, which does not effectively reach the household-level. Partnerships of this kind could potentially enrich the scope of the current climate finance.

Session III: CHALLENGES FOR THE VULNERABLE

The third session recognised that regardless of what action is being taken to mitigate climate change the adaptation needs that cannot be sidelined. Therefore, the future financing modalities have to be adjusted accordingly and the best practices learned from the past should also be incorporated into the adaptation measures. The last session dwelled upon many illustrative country examples bringing the specific requirements of areas in need of assistance to the fore.

Bangladesh and Bhutan represent countries where the challenges of climate change are already being felt. Both countries are vulnerable due to their geographic specificities in the low-lying delta of three major rivers and high glacial mountain landscapes, this vulnerability being further exacerbated by their socio-economic challenges. The less well-off strata of society have therefore needs that need to be addressed by a myriad of ways from pre-emptive risk management to community empowerment.

The Mekong Delta is also among the dangerously vulnerable areas given that it can easily be affected by sea-level rise and that the agricultural production is located there. As a reaction to this threat inherent in the area's geography, adaptation has taken place even in the absence of climate change (including mangrove plantations, flood-resistant rice varieties and dikes). However, if the rice production of the delta were to be disturbed, the entire region would undergo severe food insecurity. Furthermore, the city planning plays a role in increasing resilience to extreme events that can paralyse entire cities if they remain unprepared.

The Pacific situated in the periphery of the world is facing a plethora of climate-related and social threats. The "island paradox" and the unique features of the low-lying islands call for implementation measures, such as regional funds, simplified access to funding, National Implementing Entities (NIEs) and well-reflected policy directions based on the borrowed knowledge from the past. The EU has formed good partnerships with the region that are very largely revolving around the climate change issues. Therefore, the GCCA has eagerly been taking the needed measures onboard and has channelled funding to the area in order to adapt.

Representative of the World Bank drew attention to the need to put effort into proper disaster risk management. In the Asian megacities the occurrence of flooding and increasing urbanisation rates will be a factor calling for alternative mechanisms. Therefore the Integrated Urban Flood Risk Management sets out guiding policy principles and a proper risk assessment could increase overall financial resilience to climate related risks.

It is, however, crucial to bring all the discoveries of the scientific level all the way down to the grassroots. According to the Red Cross, it is pivotal not to create yet another round of institutions but to learn from the past and go ahead with mixed approaches. Especially local incentives should be encouraged and bring adaptation to the national level. Lastly, the power of communication should be harnessed and bring the discussion to the ground level where most action should be initiated.