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MINISTERIAL INDABA ON CLIMATE ACTION

Kapama Lodge, South Africa, 17 to 21 June 2006

CHAIR'S SUMMARY

Ministers and Heads of Delegation from 22 countries met at Kapama Lodge, South Africa, for an Informal Ministerial Indaba on Climate Action, following on the Greenland dialogue last year. The Indaba provided Ministers with the opportunity to consider key issues for the climate agenda for Nairobi, the next two years, and beyond. Rather than reiterating historical positions, the Indaba discussions were forward-looking and concrete, and enhanced our common understanding of the challenges and opportunities facing developed and developing countries.

The Montréal Action Plan, agreed to at COP 11 and COP/MOP1 last year, launched a dual-track process aimed at the widest possible cooperation and broadening participation in an effective and appropriate international response to climate change. An open-ended *ad hoc* working group was mandated to discuss commitments by Annex I Parties for subsequent periods under Article 3.9 of the Kyoto Protocol ("the Kyoto track"). Under the guidance of the COP, a dialogue was established to discuss how long-term cooperative action to address climate change could be deepened through enhanced implementation of the Convention ("the Convention track"). Given the breadth of the climate change agenda, deliberations at the *South African Ministerial Indaba on Climate Action* focussed on unpacking the central elements of effective long-term cooperation under the Convention track. The key areas of discussion included an overview of the current status of the climate change regime, the economic case for action, sustainable development, adaptation, technology transfer, positive incentives, and the way forward.

The Chairperson, Mr. Marthinus van Schalkwyk, South African Minister of Environmental Affairs and Tourism, summarised the discussions as follows:

1. The economic case for action now is mounting. Since the scientific case for action has been widely accepted, attention is turning increasingly to the economic case for urgently addressing climate change. It was noted that the choice of development paths impacts fundamentally on climate policy and that national circumstances, technology, security and energy choices are central to this. Considering potential disincentives of near-term action by some in terms of competitiveness, many Ministers stressed that action now may create new competitive advantages in the longer term future. While emphasising the importance of economic policy drivers, Ministers also noted that economics had limitation in dealing with issues of equity and distributional effects.

The economic imperatives to act now include avoiding future damage costs and their impact on development; the fact that delaying action may increase the investment required for both mitigation and adaptation; and the need for short-term investment in longer-term technology options to keep deep reductions affordable. Ministers stressed that countries taking climate action can, and already do, reap other rewards. These co-benefits include advancing national sustainable development objectives, such as access to cleaner energy for development, improved health, food security and others.

2. All countries have responsibilities and must do more. Ministers re-affirmed that we must move forward both on the basis of equity and our common but differentiated responsibilities. We need to

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cooperate to ensure that the future climate architecture is a success. At the same time, differences on the architecture of the future climate regime came to the fore. One conception of the future balances a package of sustainable development policies, technology, finance and adaptation with stricter targets for Annex I. Another conception seeks to extend targets to a broader set of countries, possibly through sectoral approaches. In this context the inter-linkages between the two tracks became evident. Both conceptions need to be further explored and possible bridges between them may frame our discussions. This could enhance our common understanding of a possible architecture of a future regime.

3. Specific options were examined under the themes of the Convention Dialogue:

- a. **Sustainable development.** Ministers broadly concurred on the need to incentivise synergies between sustainable development and climate change mitigation. The co-benefits of sustainable development for climate action were broadly accepted. Ministers shared the view that developing countries are already contributing significantly to emission reductions through a range of domestic policies, but that these actions are insufficiently recognized, measured and communicated. Many Ministers expressed interest in further exploring Sustainable Development Policies and Measures (SD-PAMs) as one possible means to register action by developing countries in the Convention process. The question of investment in SD-PAMs needs further work and development. The appropriateness of extending the existing market mechanisms to support SD-PAMs was questioned. Specific ways of capturing the climate co-benefits of sustainable development policies could be further explored under the Convention Dialogue.
- b. **Adaptation.** Ministers shared the view that the implementation of high-priority adaptation activities is critical and acknowledged the challenge of mobilising funding at the scale required, particularly given that this is currently two or three orders of magnitude smaller than the levels needed. Insurance and co-financing are two possible means of increasing the scale of funding. Ministers discussed piloting national and regional adaptation activities and implementing them cooperatively. Particular interest was expressed in projects that meet both adaptation and mitigation objectives.
- c. **Technology.** Ministers expressed a strong desire to upscale investment in the development and deployment of low-carbon technologies. In the climate sphere, a Multilateral Technology Acquisition Fund could be structured to buy-out intellectual property rights (IPR's) and make privately-owned, climate-friendly technologies available for deployment in developing countries. Governments play an important role in creating an enabling environment and directing private sector investment through regulatory and policy initiatives.

It may be constructive to develop focused programmes for the transfer of technologies in particular sectors, for example cleaner coal or solar thermal electricity. For LDCs, access to technologies is a key issue, while in other countries, concessional finance is needed for wider technology deployment.

Ministers noted the upcoming review of the mandate of the EGTT in Nairobi, and suggested that the mandate should be broadened. The mandate could allow the EGTT to consolidate the numerous technology-related decisions under the Convention. It might also consider a new paradigm on technology cooperation, not only North-South but also South-South.

- d. **Positive incentives.** Ministers were of the view that positive incentives could stimulate climate action in developing countries. Different conceptions of incentives were explored, including links between incentives and markets, positive incentives to reduce emissions from deforestation in developing countries, identifying a climate-friendly part of new and

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increased levels of ODA, or incorporating positive incentives into mainstream development goals.

- e. Sectoral approaches were discussed and the understanding of how these could be applied either within countries or across nations needs further work. In this context, some Ministers raised the possibility of no-lose crediting baselines and permutations with a safety valve, whilst others underlined their potential role in preventing industry migration.

4. The way forward

The Indaba provided some basis for further discussions about the overall architecture of a post-2012 climate regime. Our current reality is that the Kyoto track is not universal. In the long-term, the different tracks which we have established will need to converge. While this does not appear feasible immediately, a bridge needs to be created between what is feasible and what is necessary. To sketch the process of building such a bridge needs further discussion.

The central question to be addressed is burden-sharing and how this will evolve over time, both within the North and between North and South, based on the principle that burden-sharing must be proportionate to responsibility needs to be maintained. Existing action by developing countries needs to be recognised. The Kyoto track is likely to have more success by 2009, if the Dialogue has produced concrete results by the end of 2007.

Ministers expressed interest in developing and testing a number of options, possibly in the form of scenarios or packages, by the end of 2007. Such options could include national sustainable development policies and programmes, supported through technology, enabled by financed. Adaptation will need to be a core element to give balance to any package.

Ministers reflected that a major political break-through is unlikely to emerge [at official level]. Greater space needs to be created in the process for political dialogue. Therefore, thought needs to be given to re-organising the intergovernmental process. Also stressing the importance of involving the private sector more closely in the climate negotiations, Ministers suggested a Finance Ministers' meeting prior to COP-13. In order for this process to gain wide support, a global public awareness and education programme is needed to provide the political momentum to the future climate change process

5. Looking ahead to the upcoming COP 12 and COP/MOP 2 in Kenya. Being very aware of the potentially devastating impacts of climate change on livelihoods in Africa, the continent's adaptation challenges, and the lack of capacity to share in the CDM, Ministers look forward to active participation during the African COP in Nairobi in November 2006. The incoming COP President, Minister Kivutha Kibwana from Kenya, outlined the emerging priorities for a balanced political agenda for Nairobi:

Adaptation

- a. moving forward on the key issue of adaptation, with an emphasis on securing adequate, predictable and sustainable funding, both by resolving the impasse on the Adaptation Fund and finalising the modalities of the five-year programme;

Mitigation

- b. creating a positive momentum in both the Convention and Kyoto tracks;
- i. concretising the discussions in the Dialogue process providing focus to the outcomes, which could draw on the specific options above;
 - ii. advancing the Article 3.9 discussion on Annex 1 country commitments for the second commitment period in order to finalise them by 2008/9;

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- c. expanding the inequitable distribution of the CDM through the promotion of capacity-building for project development in developing countries;
- d. providing a broader mandate for the EGTT and creating positive incentives in order to initiate real action on technology transfer;
- e. providing a platform for launching the Article 9 review process mandated by the Kyoto Protocol;

6. Continuing the informal Ministerial dialogue. The informal and discreet setting at Kaparna stimulated an open, interactive dialogue among Ministers. Ministers acknowledged that hard work was required to sustain and consolidate a creative space for innovative thought and action that would maintain a forward-looking momentum. South Africa will work with the three countries (Argentina, France, Sweden) that expressed a strong interest in hosting follow-up Informal Ministerial dialogues in 2007 and 2008 to finalise the hosting arrangement and schedule for the next meeting.