Welcome, Ministers, to this beautiful island of Bali, gracious host to the talks that will help to frame the future of the world’s climate. Do not allow yourselves to be seduced by the sandy beaches, the warm, clear sea. There is work to do here. Urgent work.

You are indeed arriving at a critical moment. While several agenda items could be concluded by your negotiators, the most important decisions still remain to be taken and are not fit for presentation to you. Your negotiators need more time, but they also need your political guidance. Your leadership is required to broker the deal that will put us on the road to the all-important post-2012 agreement.

The negotiations mandated in Bali will need to be guided by the best available science. The IPCC tells us that in order to avoid dangerous climate change, the indicative range of Annex I emissions reductions required is -25 to -40 per cent by 2020 from 1990 levels, and global emissions will need to peak in the next 10 to 15 years.

The urgent action that the science requires is not yet being borne out in the negotiations here, especially in the performance given by negotiators last night.

1) Under the Kyoto Protocol near consensus was reached in the AWG on a draft decision yesterday, on the 10th birthday. Also under the Protocol ECO is now looking at a draft decision for the second review under Article 9 (you may fondly remember the first one, that never was, in Nairobi). You can look forward to finalising these parts of the package on Friday.

2) The all-important discussion on negotiations under the Convention, which is meant to mandate formal negotiations to follow on the dialogue on long-term collaboration, were in particularly bad shape last night. The intervention by the COP President, rather than being helpful, seemed to further confuse the already befuddled delegates and negotiations limped on until 2am.

3) The main stumbling block for the Bali conference could well be discussions on technology, which ground to a halt when in parallel SB sessions the Umbrella Group blocked agreement and proposed deferring the matter till 2008.

Isn’t it ironic? Precisely those countries that have been arguing for years that the climate discussions should not be centered around binding absolute emissions cuts, but rather about technology cooperation, are now refusing to allow any serious consideration of a technology package to lay the groundwork for the post-2012 framework. ECO wonders whether they are afraid that their toy is going to be taken away from them.

It is up to you, Ministers, to pick up this dropped technology ball, and bring to life the beginning of a technology framework for the low-carbon world. The offer extended on Friday by G77&China was an expression of genuine interest in specific progress on technology transfer as the central plank of the political package. Frankly, a Bali mandate without it is unlikely to appeal to the fast-growing economies of the world. The world is watching; none of us can afford for you to fail.
**Key to the deal?**

Under Technology Transfer, a set of contributions to a Bali package and beyond, was becoming apparent. Draft decision texts and statements by delegates, particularly from G77&China and the EU, highlight inroads to several issues which were being negotiated under the AWG, Article 9 review, Convention track and the SBI.

These include: new mechanisms and innovative financing; coverage of incremental costs; public/private panels (e.g. to facilitate overcoming obstacles to technology transfer such as intellectual property rights (IPR) of specific technologies and/or individual countries); performance review indicators and compliance; appropriate recognition and review of activities outside the Convention; funds and ideas for early and visible action. At the same time work continued on best practices for technology transfer and the Technology Needs Assessments (TNA). And there is the status of the Expert Group on Technology Transfer (EGTT) and its workplan pertaining to future action and the Bali Roadmap.

Such a comprehensive key to a deal was severely impaired at last night’s SBSTA and SBI sessions. There was a breakdown in negotiations on technology transfer without any of the pages of already-agreed text being moved forward to the COP. This breakdown, which shocked most delegates, was triggered internally and externally by “snakes, bulls and elephants” who used the agenda item to push their own interests.

ECO calls on ministers to pick up the ball and run with it. Safeguard the results achieved and strike this agreement here and now. For 15 years this issue has been stuck in the UN-agenda; it is time to get on with it. Technologies by themselves can neither solve the climate crisis nor resolve inequities. But intelligently designed technology transfer is a necessary precondition for developing countries to move to emissions pathways that could keep global warming at well below 2°C.

**Trade ministers discuss climate**

The informal trade ministers’ dialogue on climate change over the weekend discussed how trade rules and frameworks might support the emerging effort to stabilise climate through the UNFCCC/Kyoto process. It was attended by 12 trade ministers and 32 nations.

Issues covered included a recent proposal by the EU and US to the World Trade Organization (WTO) to liberalise tariffs and trade barriers for 43 categories of environmental goods such as wind turbines, solar panels and controls, as broadly recommended in a recent World Bank report.

ECO notes that given the gravity of climate change, climate stabilisation must become a new lens through which the rules of trade and finance are viewed.

Re-prioritised values must guide global governance to recognise ecological limits and to agree on equitable ways to live within them. Proper alignment of trade policy and climate response is an important task that should not to be taken lightly or quickly.

World Trade Organization Director-General, Mr Pascal Lamy, in his remarks at the meeting said, “It is not in the WTO that a deal on climate change can be struck, but rather in an environmental forum, such as the UNFCCC. Such an agreement must then send the WTO an appropriate signal on how its rules may best be put to the service of sustainable development; in other words, a signal on how this particular toolbox of rules should be employed in the fight against climate change.”

**Canadian Minister a no show**

Defending the indefensible can be tiring work. That must explain why Environment Minister John Baird cancelled his own speech at a side event organised by the Canadian Government, specifically to promote its climate change plan. Did he hit the panic button after reading Tuesday’s ECO?

As ECO readers know, every independent analyst to review Canada’s climate policies has concluded they will fail to reach the government’s weak targets. So the side event attracted a full house eager to hear Minister Baird make his case about the merits of his

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**The air conditioning irony**

You love it. Or maybe you hate it. Either way it’s safe to say that the air conditioning cooling COP/MOP3 is one of the few elements of this Bali conference experience that everyone has shared (along with those cold dry sandwiches). This being a negotiation, many people have taken positions on it – ranging from the “thank god for five star hotels” stance of the sweaty northerner emerging from the convention centre lugging a 10kg laptop bag, to the “it just makes the heat feel worse” marker laid down by the long-haired climate activist (who is nonetheless also sweating). The host UN agency meanwhile asked participants to avoid ties and suit coats in order to keep things cooler; a request fully backed by the Nusa Dua retailers association, judging from the resulting run on batik shirts.

But while our preferences on air conditioning are a topic of hallway discussion, the gases fuelling them are less so. It is worth reminding ourselves that the chemicals fuelling those frosty side events and taxi rides are potent gases with global warming potential thousands of times that of carbon dioxide. Air conditioning in the temporary

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facilities here run on a globally common refrigerant gas called HFC-22, whose byproduct is the clean development mechanism (CDM) darling HFC-23. And mobile auto air conditioning is largely dependent on HFCs, a group of gases under the remit of the Kyoto Protocol.

This past autumn’s celebrated agreement by Montreal Protocol Parties to phase out HFCs 10 years early will save billions of tonnes of carbon dioxide equivalent, but it risks incentivising the already rapid growth of HFCs as replacement refrigerants unless Kyoto Parties take proactive steps now.

ECO enjoys the air condition as much as the next conventionee. But as we load up on the island wear or shiver in the back of a conference room (depending on our tolerance for the fake chill), let us be aware of the crucial need to address high global warming potential HFCs in new ways, moving forward.
REDD-uced attention to an important detail

The UNFCCC is not the first international convention to consider the issue of protecting the world’s forests. But from one perspective at least, you might be forgiven for thinking so. Although there is text in the current draft decision before SBSTA referring to “recognising” the needs of local and indigenous communities, the formal REDD discussion has been remarkably silent on the issue of local community and indigenous rights.

In contrast, other international agreements – notably the UNFCCC’s “sister” Convention on Biological Diversity (CBD) – have invested vast amounts of time and political effort into tackling the complex social questions around forest governance. From its inception the CBD contained significant text aimed at protecting and promoting the interests and rights of indigenous and local communities and equitable sharing of benefits. In recent years the CBD has been strengthened further with provisions on prior informed consent, equitable sharing of benefits in relation to genetic resources and equitable sharing of the costs and benefits of establishment and management of protected areas.

REDD promises to create a whole new generation of carbon-protected areas – some of which will assuredly be on land with unclear tenure – but the language protecting the rights of forest dependent peoples is weak and insubstantial.

Some parties may be arguing that it’s too early to consider such questions, or that they are a detail or distraction from the main issue. ECO disagrees. The text of REDD needs to contain specific reference not only to addressing the needs of local communities and indigenous people, but also to ensuring their full and effective participation in the process and equitable sharing of the benefits of forest protection. In terms of the effectiveness, sustainability and equity of REDD, the devil lies in this most important detail. ECO calls on the Parties not to forget it.

Bunker fuels: It’s time to act

Ten years ago, emissions from international aviation and shipping were left outside the Kyoto Protocol. The International Civil Aviation Organization and International Maritime Organization were asked to pursue emissions limitation but progress has been glacial at best – not least because of strong resistance from the US.

This matters. Bunker fuels emissions account for around 4 per cent of global carbon dioxide emissions (not to mention the significant non-carbon dioxide impacts of aviation) and are rising at 5 per cent per year.

For more than two years SBSTA has negotiated on bunker fuels with the aim of organising a workshop to deal with unanswered questions on data and inventories. This information was to provide the basis for politicians to decide on efficient mitigation measures in these sectors. However, the workshop proposal stalled mainly due to a blockade by OPEC countries, especially by Saudi Arabia.

In order to circumvent this impasse, Norway organised a seminar to discuss the outstanding technical questions in Oslo in October, in cooperation with other constructive actors. The results were presented at a side event on Monday hosted by the Norwegian Government.

The message from the seminar is clear. The current IPCC guidelines are good, and detailed information and data are available. However, the absence of policies, measures and political will is leading to the unrestricted and rapid increase in emissions from aviation and shipping.

ECO was therefore pleased to see Norway’s intervention in the Contact Group on the Article 9 review on Monday, demanding inclusion of bunkers in a post-2012 regime.

ECO makes a strong appeal to the negotiators in Bali to give high priority to tackling bunker fuel emissions – rather than hiding behind technicalities which are not as tricky as claimed.

The Global Day of Action on Climate held last Saturday was marked with rallies in more than 70 countries around the world. Colourful demonstrations were held in Bali as well. It appears these people are more aware of and concerned about climate change than the negotiators in Bali.
North America going backwards on dirty fuels

Here in Bali, both the US and Canada have been playing a less than constructive role. Back home, another factor unites them – their rush to embrace a dirty fossil fuel future.

In North America, massive new pipelines are in the permitting stage and some of the continent’s largest refineries are being “upgraded” and expanded to process more of Canada’s black gold — gooey, dirty bitumen from Alberta’s tar sands. The upper US Midwest may soon become the heart of North American synthetic oil refining.

It is startling that there has been almost no debate about this planned expansion. Prominent New York Times commentator Thomas Friedman has written extensively about the opportunities that high priced oil provides for the growth of greener alternative energies — and a boom for American jobs in wind, solar and energy efficiency. But if you follow the money it does not lead to that happy, greener future but to the tar pits of “unconventional” or synthetic, fuels. Over $100 billion is being invested in tar sands production alone, with billions more for the complex of pipelines and refinery expansions. The US state of Colorado, the very site of the boom and bust of synthetic fuels production of the early 1980s, is again looking seriously at developing its oil shale. Meanwhile, at least 15 plants are being planned to turn coal into fuel.

This development is being done, proponents assert, in the name of a secure energy future and energy independence. It will result in neither. Tar sands production requires either natural gas or nuclear power to heat the water used to extract oil from the sands. To get the gas from remote arctic areas, pipelines will be built over permafrost and may become unstable as permafrost warms. The tar sands production area could grow to the size of Florida, turning the heart of Canada’s wild Boreal forest, the continent’s largest carbon storehouse, into a wasteland, and jeopardise natural carbon storage there.

Worst of all, production of unconventional fuels emits two to five times the global warming pollution of conventional oil production. If Canada and the US are to get serious about their oil addiction and huge carbon dioxide emissions, they need to radically change their ways; not perpetually churn up more of the continent’s largest carbon storehouse, the heart of Canada’s wild Boreal forest, into a wasteland, and jeopardise natural carbon storage there.

It is true that Canada has not enjoyed an easy time in Bali. The country is near the top of the Fossil of the Day standings. Further, its demand for absolute emissions reduction targets for developing countries has drawn criticism from the likes of UNFCCC Executive Secretary, Yvo de Boer. Last night’s side event could have been a chance for the Minister to “Turn the Corner” himself and start taking climate change seriously. Instead, the audience was treated to one more example of Canada opting out of a “binding commitment” on climate change.

Fossil of the Day

The first place yesterday went to the United States for a litany of misdeeds, including flatly declaring that the UNFCCC is “not a sustainable development convention” and trying to remove the call for “sufficient, predictable, additional and sustainable financial resources for” adaptation in Article 1(c)(iii) of the Bali roadmap. The second place went to Canada and Japan for leading the way in blocking a strong reference to the 25-40 per cent range for emissions cuts cited by the IPCC. The third place went to Canada, Japan, United States and Australia.

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“Turning the Corner” emissions plan.

When the embarrassed chair announced that “the Minister is too busy with negotiations” to appear, Canada’s youth delegation walked out en masse in protest.

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