



**Carbon Expo
Cologne, 30 May 2012**

**Statement by
Christiana Figueres, Executive Secretary
United Nations Framework Convention on Climate Change**

Frau Stadtsekretär,
Mayor of Köln,
Dear Mary, Dear Dirk,
Ladies and gentlemen,
Dear friends,

Thank you for coming, all of you. I am pleasantly surprised to see a full room. Why? Because, like you, I am completely frustrated about the slowness of the international intergovernmental process.

I am very happy to also see many members of the press in the room today. The press is good at vividly portraying how slow the intergovernmental process is, which is most understandable. However, there is another side to that story that is not always enthusiastically portrayed and that is, that despite the completely unacceptable pace, governments are persevering and they are persevering – I would like to underline – in the face of the financial turmoil that we have had since 2008. We are now in year 4 of international financial turmoil and despite that, governments are persevering step by step in evolving the climate regime to where we all know it has to go. They're persevering simply because they and we all, have no other option. There is no other option. We have to move towards a low-carbon society, we have to develop low-carbon economies; we have to increase our resilience to the effects of climate we can no longer control.

The direction is clear and correct; the pace is frustrating, painful, and unacceptable. But let me share with you the progress that actually has been done over the past few months, by providing a quick update of the negotiations, although today I will refer only to the mitigation chapter.

In Durban, Parties agreed to a second commitment period of the Kyoto Protocol. That was not an easy decision, but rather a courageous decision that shows international leadership of those countries that are committed.

During two weeks of negotiations in Bonn which ended a few days ago, Parties made progress on the second commitment period discussing the consequences of the length of the second commitment period – 5 or 8 years– and beginning to marry that with what instruments they might use to increase the ambition during the commitment period if it is going to be an 8-year period.

Parties also discussed very concrete options: three options on what to do with the carry over; we didn't have that before the Bonn session. And they're also committed to what they term "seamless continuity"; which allow me to translate, means avoiding a legal gap between the first commitment period and the second commitment period. All of that is good news for the markets.

But the Kyoto Protocol covers only 10-15% of emissions. So in Durban all industrialized countries and 49 developing countries reaffirmed their mitigation pledges, covering 80% of global emissions – much better than the 10-15; however, on a voluntary basis.

In Bonn the last two weeks there was also progress on this discussion because it is now evident that on the side of industrialized countries what really needs to be examined is the conditionalities which these industrialized countries have put on these pledges. A very important topic is going to be comparability - how do we ensure that industrialized countries are making comparable efforts to each other? How do we ensure that there is going to be robust accounting? If each country is going to have its own accounting rules, what is that going to mean for the environmental integrity of the system? The main question is how to ensure that there is robust accounting across the system, and of course how to encourage Parties to increase the level of ambition, which is clearly not where it should be.

On the non-Annex I side, – on the developing country side – also good progress in Bonn. Governments have given a green light to the secretariat to go forward with a prototype of registry for the NAMAs (Nationally Appropriate Mitigation Actions) which we have produced and will be able to finalize in time for COP 18 in Doha; There is also clarity on the fact that what is needed in order to move NAMAs forward is to understand the technical, policy and institutional requirements that need to be there for both the preparation and implementation of NAMAs.

Where was there less progress in Bonn? On the ADP, the Ad Hoc Working Group on the Durban Platform for Enhanced Action, that was put forward as the very important "new kid on the block" in Durban and which has two components: one is, all governments of industrialized countries have agreed that they will negotiate a legally based, universal agreement by 2015, to go into effect by 2020 and secondly, the other very important pillar of the ADP that does not get enough attention: a commitment to raise ambition not in 2015, not in 2020, not in 2030, but now.

There was admittedly much less progress on this track than on the others in Bonn. What I can report to you is that they finally decided who is going to chair this process for the next four years and – I'm sure you read that in the press – we have an agenda. And that sounds...ridiculous. How is it possible to have a two week discussion about an agenda?

I would just like to translate "governmentese" thinking for you: the reason why it's important that there is an official agenda that has those two points is because that now guarantees that there will be work done on both issues for the next four years, and that was not guaranteed in Durban. The two-week discussion was an important and necessary discussion for all countries to give each other the reassurances that were necessary for them to commit to making both of these efforts the focus of their discussion over the next four years.

What does that mean for markets, and was there any progress in markets? Well, yes there was also progress in markets and there we're working on two parallel efforts: we're working on the new market mechanism – (please somebody come up with a name, we can't call it "NMM"!).

There is some progress of the new market mechanism which is being pursued for broader mitigation than that of individual projects and in fact even the programmes of activities that we have now. In Durban, countries decided they will work on modalities and procedures and in Bonn they have decided to call for submissions and I hereby extend that call to every one of you. July 6 is the deadline for submissions; please, if you have suggestions on what this new market mechanism should do, how it should be run, what are the modalities and procedures, please send it in, take advantage of the fact that governments are making a broad call to everyone to send in their ideas for the new market mechanism. If your submission has a name, you get extra credit!

On the framework, which translated from "governmentese" means the platform of connectivity of the many market schemes that are already emerging in many different parts of the world. There was a very clear call in Bonn last week for robust standards that are going to deliver real, permanent, additional and verifiable emission reductions. There is a call for the avoidance of double counting and there is a call for ensuring, through the rigour of the accounting, that there really is a net decrease or a net avoidance of greenhouse gas emissions. Also good news for the markets there.

Now let me for a moment to stand back from the mechanics of the negotiations and give you a big picture, because if you focus on every single word that goes into the negotiating text, you just completely lose your sense of direction. Our GPS needs to be programmed on the final destination where we want to arrive, not on every bend in the road toward that destination. So let me help you focus your GPS system.

There is no doubt that we're moving toward low-carbon economies. There is no doubt that mitigation efforts in both industrialized countries and developing countries needs to, not increase, not grow, it needs to exponentially increase. There is no doubt that the only way to optimize the global investment in mitigation is via the markets and there is no doubt that we see signs everywhere of emerging market schemes.

Just the ones that we all hear about: 7 pilot projects in China including the small cities of Shanghai, Beijing and Tianjin. Australia, South Korea, Mexico, Brazil, Chile, Colombia, all at different points of development and other countries also considering. What does that mean?

In my personal conversations with some of you, those who like to use Biblical language have told me "you know, we feel like we're walking down the valley of death, here". Well, let me tell you it may feel like that, but from my perspective, what you're doing is you're walking down the valley of creation. Yes, we're in a valley — but in my book, it is the valley of creation for two important reasons:

First. This is the moment in which we as a society are creating the new market mechanisms. We can tell from what we're seeing out there that there's very likely to

be a diversification of market mechanisms and that they're very likely to be targeted to specific segments of the broader market.

I can tell you for sure that the CDM will continue, but I can also tell you for sure that it will not be the exclusive market mechanism. I can also tell you for sure that the new markets are going to be based on the current market and they are going to incorporate the lessons learned. Why? Because none of us is dumb enough to take all of that knowledge and just throw it into the trash can. Furthermore, we don't have the time to completely reinvent the wheel. We need to take all the experience we have, we need to take all the knowledge we have and use it to exponentially help countries to get to the mitigation levels that they need to get to.

Second. We are in a very fertile period of creation of a much more complex and much more mature market system, not just a market, an individual market, but a market system. And there I would like to point out seven characteristics of the new, mature market system:

1. Quality of commodity that can be easily and reliably assessed against strict and transparent standards. Are we there yet? Not quite. Moving in that direction, but not there yet.
2. Units that are more fungible and more liquid than units we have now.
3. Price transparency based on the widespread knowledge about the availability and the characteristics of the commodity.
4. You might want me to say "no risk"; but I cannot say that. There will be risk because it is a market, but can we actually move to a point where participants can be comfortable about assessing the different types of risk and take calibrated steps to mitigate those risks?
5. A direct link between government policies and incentives and the mitigation action. If we don't have that direct link we are never going to get to scale.
6. Coherent interrelationship with the broader climate finance world. Let us remember the markets are, particularly as we move forward, one particular form of finance for developing country mitigation, but not the only one. So we need to begin to think in the bigger picture and begin to devise the coherent integration of the markets into the broader climate finance universe.
7. Finally, and perhaps the greatest test of the maturity of the market: can we create a market system that will attract not just those companies that were specifically created to take advantage of the market, but can we we also attract the more mature and long-term investors such as pension funds, sovereign wealth funds, much more seasoned entities that would look at these markets as being mature enough to be able to incorporate them into their well-rounded portfolio of investments. If we get there, ladies and gentlemen, we will have created the market that we need to move toward the level of mitigation that is necessary and urgent.

I happen to lead the best team in the universe and that is the Climate Secretariat. So let me tell you what the secretariat is ready to do in this challenge. We are committed to working with you, we are not shying away, we are not closing shop, we are here to stay. We are committed to improving quality with you, we are committed to encouraging the adoption of tough standards and acting as a global standard setter.

The secretariat is also probably your most honest broker; we have no axe to grind: we neither sell nor buy; we have no influence on the price. So we are the most likely place for a multilateral platform, for you all to exchange your ideas and for the overall standards to emerge from. And finally for my very good friends, particularly in the least developed countries and in Africa, we are committed to capacity-building. What we have seen in the past few years in the market is that the market goes where there is volume, the market goes where there is expertise, the market goes where there is capacity and that's understandable because it's a market. We in the secretariat will at the same time as supporting the new growth period of the market, we are committed to capacity-building, we will be there to help our most vulnerable countries participate in the market that we have now – in the CDM – but also in whatever new market mechanisms you all are going to create. We are here to stay.

Now, what can you do? Because this is a partnership, a two way street.. Here is my list of what you can do:

Number one: you can make known what has worked and what hasn't worked. Mostly, we hear from you what hasn't worked and that has been very helpful because it has given us a very clear sense of what we need to improve and we have been improving it. But we also need to know what has worked because that is going to be the pillars upon which we build the new market mechanism.

Number two: stay involved. Suggest design considerations that you think are going to make it possible to take the market from where it is now to where we want to go. Clarify, if you agree with me, the benefits of linking the markets in order to help liquidity, fungibility and be able to draw out action. Those of you who have the ear of your governments demand more policy action and most importantly, do let your governments know what they need to do to get you to engage deeper and faster.

My dear friends, this challenge is not for the faint of heart. But because you're here today it means that you're not faint of heart. This is a major challenge. From where we are today the above mission may seem impossible, but let me assure you, "the impossible is not a fact, it is merely an attitude" and I thank you for your constructive attitude, I thank you for your continued engagement.
