

“We need Financing for a Post-2012 Agreement!”

Interview with Prof. Maciej Nowicki, Polish Minister for Environment

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On 29 September 2008 I met with the Polish Minister for Environment, Professor Nowicki, in order to discuss the upcoming climate change conference (COP14/MOP4) in Poznan, Poland, as well as Poland’s views on the European climate and energy package.

The following is a transcript of the interview.

How are the preparations going for Poznan? You must be very busy I imagine.

We are very busy indeed but the preparations are going according to plan. Last week we had a third and last technical mission in Warsaw and Poznan with the UNFCCC from Bonn, and Yvo de Boer, the Executive Secretary of the UNFCCC, concluded that the conference was well prepared in every aspect, ranging from hotels and accommodation to transport, and that there were no weak points.

And after all, they (UNFCCC) have experience with these conferences and are able to compare our preparations with those of Bali and others.

The most important subject, however, is the preparations surrounding the negotiations that will take place in Poznan. Since the second half of this year we have concentrated our efforts on these negotiations, but it is important to bear in mind, that Poznan is a halfway point between Bali and Copenhagen. It is a point where discussions on a new post-2012 regime will be finalized and where we can actually start formal negotiations. So Poznan is important in the sense that it summarizes the positions of the different parties from which we can start negotiations and hopefully conclude them in Copenhagen in 2009. In this respect Poznan is crucial but one should not expect very spectacular results as it remains a working session on specific issues.

What about the so-called ‘Pre-COP’? What is the aim of this meeting?

The ‘Pre-COP’ is the unofficial term of the informal meeting of Ministers that always takes place several months preceding the actual COP. At this event we will host ministers from countries all over the world and we will discuss what we hope to achieve in Poznan.

Ambassador Reiter has recently been given the position of ‘Climate Ambassador’. What exactly is his role in these negotiations?

Ambassador Reiter is an experienced diplomat that supports me in my work through holding bilateral talks with countries such as the US, China, and others. As we have enough on our hands here at home in Poland, he will be traveling and meeting with stakeholders from other countries in order to identify their positions and facilitate the negotiations.

Which issues do you believe to be the most important for this upcoming COP in Poznan?

The biggest and most important issue is that of the financial architecture for the next agreement, as financing is the basis of nearly everything. Without money nothing will happen. Therefore we need to allocate sufficient funds for a post-2012 agreement and we need to identify new sources of funding for aspects such as mitigation, adaptation, and the transfer of technology. So for me the issue of

financing is the focal point for all other activities.

Of course mitigation is also crucial because we need to reduce our carbon dioxide emissions, while for countries such as the LDC (least-developed countries) adaptation is very important. So you have parallel problems. On the one hand, mitigation for the developed countries and emerging economies such as China, Brazil and India, and adaptation for those countries such as the LDC that will suffer the most. Another example of the need for financing is the fact that the majority of LDCs have national action plans regarding adaptation but lack the necessary finances and specialists to implement them. So we need the means to finance these programmes and train specialists for them in order to advance concrete actions in the field of adaptation.

Another topic for discussion will be technology transfer. I am unsure about what can be achieved here. There are thousands of examples of different transfers of technology. You have the transfer of technology through direct investments by companies in developing countries as well as through the establishment of joint ventures, and these are all market-driven and function without the support of the government. But of course in many cases such transfers could be facilitated by providing them with funding. And there are innovative ways to do this. One example in Poland is the use of swap money in order to create win-win situations. This is an interesting model as donor countries can promote their technologies and receiver countries get modern equipment and know-how.

What about the concept of a 'shared vision'? How will this play out in Poznan?

Of course apart from the 4 building blocks we have, as you mention, the important topic of shared vision with the mid-term 2020 and long-term 2050 target in sight. I think in Poznan we will have identified the positions of the different countries regarding these timeframes and we will start with discussions on a shared vision in

order to find an agreement for the next COP in Copenhagen.

Do you expect the US to already set out a position this early after the presidential elections?

No. But we will be happy to see somebody from the new administration participate and provide informal input on this issue. This could be an important step forward, particularly if this new message signals a willingness and change from the present US policy.

There seems to be great discussion now in Poland surrounding the EU's energy and climate change package and the possible effects it might have on Poland's economy. What are your views on this?

Well, the Council decided in spring 2007 to reduce CO₂ emissions by 20% in 2020, but it is important to note that this goal can be achieved in a multitude of ways – not just in the way the Commission has proposed. And even then, my question to the Commission is on what basis this proposal currently under discussion has been elaborated. Has it been proven to be the only proposal possible, the fairest one, the most optimal or the cheapest? In fact, the simplest effort-sharing proposal would be to tell every member state to reduce emissions by 20%.

So concerning the Commission's proposal, we think it is very complicated, and quite frankly, unfair.

Why?

Why? Unfair because we European countries do not have one uniform economy. There are different levels of consumption regarding fossil fuels and countries have different starting points. So it is unfair to treat every country the same. We in Poland, for example, are 95% dependent on coal while France only 1%. Therefore, we need to find a solution that fits all countries.

We are ready to fulfill our -20% obligation and we can even do -30% by 2020 with a

base year of 1990 but we need money and time.

How do you want to achieve this?

We have concrete plans on how to do this. We need to modernize our energy sector and push developments in carbon capture and storage (CCS) technologies, but first of all, we need to introduce a huge national programme on increasing energy efficiency and accelerating the introduction of renewable energies.

What about the emissions trading mechanism?

Well, after the first phase of the emissions trading mechanism the Commission and several other member states talked about massive windfall profits for companies. This was the Commission's mistake. They gave too many emissions rights. Now for the period 2008-2012 each enterprise has, yet again, received too many permits so they have made the same mistake. Currently the cap is 90% of real emissions. This is not bad because we are slowly adapting to it and the cap will be reduced.

For Poland we are suggesting that from 2013, 80% of allowances will be free of charge and 20% will be done via auctioning and then of course beyond 2013 less and less allowances will be given free of charge.

Alright. But then again will you not have windfall profits by companies? And after all with auctioning there will be some finances flowing into the ministries coffers.

No. This all depends on the way it is done. If I give you a permit for free that has a certain value then I will also add certain conditions into an agreement between us that stipulates what you can do with this permit and what you cannot do. In this sense we will not give them for free. We provide them with certain stipulations and thereby control how these allowances are used. And we, of course, would do it in such a way as to lower CO₂ emissions.

What about the money that you will receive from the 20% auctioning that you are proposing? Are there any ideas on how to use it?

So far we want to invest 20% in the modernization of our energy sector, primarily in energy efficiency and renewable energy systems. This will be very useful but we have to get to the point where these measures are undertaken by the market itself – without any state aid. The other 80% is so far unclear. There are discussions on alleviating fuel poverty in Poland and supporting average households, but then you open up questions such as, when does one family qualify for such aid and when does it not.

In addition, independent calculations are suggesting that in 2012 energy prices for industry and society will rise between 50% and 80%. And while we will receive money from auctioning, this money will only start flowing into the budget during 2013, which means we will only be able to spend it in 2014, which will already be quite late if we want to alleviate rising energy prices and indirect inflation of consumer goods.

Furthermore, there is the issue of carbon leakage that needs to be tackled. If we in Poland have high energy prices due to the EU energy and climate package, then we can simply buy our electricity from countries such as Ukraine. This, however, does not solve our problem. Instead, it increases our energy dependency, increases CO₂ emissions, and can lead to the collapse of the Polish coal industry and other industries.

Is this a view shared by all the ministries or are there disagreements between you and say, for example, the Ministry of Economy?

This is a united position. The Finance Minister has also stressed these points and has emphasized the importance of identifying a price corridor for CO₂ allowances. For 2013 he has suggested a minimum price of 5 EUR and a maximum of 65 EUR. Within this range emission

rights should be sold, particularly if the penalty level is 100 EUR. In addition, establishing such a range can discourage speculation as opposed to the Commission's original proposal according to which anyone ranging from huge banks, hedge funds to foreign countries and their sovereign wealth funds, would be able to buy those permits.

Thank you very much for your time and all the best of success with the upcoming negotiations.

Thank you.

Interview conducted by Roderick Kefferpütz
Interview authorized with the Polish Ministry of Environment

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