

## Chair's conclusions

The Environment Ministers of the G8 countries as well as of Brazil, China, India, Mexico and South Africa, the European Commissioner responsible for the environment and senior officials from the United Nations and the IUCN (The World Conservation Union) met from 15<sup>th</sup> to 17<sup>th</sup> March 2007 in Potsdam.

We discussed two serious global challenges: climate change and the loss of biodiversity. The most important goal was an open discussion about our interests in order to be able to identify common and to reconcile differing views. We also benefited from a discussion with stakeholders.

We saw the need to broaden our perspectives for making the urgently required progress in international negotiations on environmental issues. Economic development, the fight against poverty, global security, access to affordable energy and investment in education have to be integrated into the international environmental process.

The Chair summarised the discussions as follows and will forward his conclusions to the summit chair.

### **1.) Biodiversity**

We underlined that biological diversity constitutes the indispensable foundation of our lives and of global economic development. We highlighted that an estimated 40% of world trade is based on biological products or processes such as agriculture, forestry, fisheries and plant-derived pharmaceutical and that biodiversity comprises an invaluable pool for innovations. We stressed that biodiversity has to be at the top of the political agenda and must be an integral part of global economic policies. We expressed a strong interest in a study on the economics of biodiversity.

We recognized with deep concern the ongoing dramatic loss of biodiversity and the serious degradation of vital ecological services such as natural hydrological cycles, fertile soils and a balanced climate provided by intact ecosystems.

We stressed the fundamental importance of biodiversity for human livelihoods and the crucial role of biodiversity in poverty eradication and the achievement of the Millennium Development Goals.

We agreed on the need to better acknowledge and understand biodiversity conservation activities already undertaken in particular by developing countries. We discussed that the serious consequences of biodiversity loss and its crucial economic value are not well understood by the broader public and political decision makers. We therefore acknowledged the need for improved communication.

We underlined that benefits and costs of the conservation and use of biodiversity as well as its loss are often unevenly distributed between different sectors, social groups, countries or regions and that the issue of equity has to be taken into consideration categorically. We reaffirmed the concept of common but differentiated responsibilities.

We stressed that comprehensive and integrated policy approaches are indispensable and that a mix of policies is needed which includes a set of regulatory measures, economic incentives and voluntary measures integrating governments, private sector, stakeholders and consumers. We agreed that besides the crucial role of direct conservation policies e.g. protected area systems and sustainable production methods, mainstreaming biodiversity into all relevant sectors such as trade, development, financing and transport is a prerequisite if the natural basis of our economy is to be safeguarded.

We recognized that a re-linking of biodiversity, climate change, economics and poverty eradication is necessary to adequately address these global challenges.

Reflecting on the commitments of Rio and Johannesburg we discussed the issue of additional financial resources for biodiversity conservation. The following mechanisms were explored in this context: increase in ODA and integration in national development strategies; market mechanisms and trade such as certificates, public procurement and carbon markets; compensation mechanisms; benefit sharing and public-private partnerships as well as the improved management of resources. We agreed to especially explore possible mechanisms for compensating reduced emissions from deforestation.

We discussed the importance of access to genetic resources and of a fair and equitable benefit-sharing. It was raised that currently there is no satisfactory international regime which meets the demands of the developing countries for a fair and equitable benefit-sharing and that the negotiation process does not yet provide a solid basis for scientific progress, innovations and the creation of new markets.

We agreed that biodiversity and climate are intertwined, and more efforts are needed to coherently address biodiversity and climate change issues together. In this context, reducing emissions from deforestation, sustainable production of biomass and linking adaptation with strategies for conservation and sustainable use of biodiversity were seen as areas meriting particular attention.

Recognizing the imperative to significantly scale up our efforts to tackle the global challenges, the G8 and the five major newly industrialising countries generally supported the chair's proposal for the "Potsdam Initiative – Biological Diversity 2010" and its ten activities (Annex). In addition, a number of countries, in particular the

five major newly industrialising countries, underlined the importance of and the clear need for further activities.

## **2.) Climate Change**

### *Facing the scope of the challenge*

We agreed on the scientific basis confirmed by the Intergovernmental Panel on Climate Change. Human-induced climate change is accelerating and urgently requires swift and determined policy responses leading to the necessary deep emission reductions.

Deeply concerned about the consequences of climate change, not only for our natural environment, but also for economic development, global equity and international security, we welcomed the fact that climate change will be taken up at the Heiligendamm summit, as this serious challenge for humankind must be addressed by our world's leaders. Without prompt action, global economic growth and development in particular for developing countries, are at risk.

### *Integrating climate protection with sustainable development and economic growth*

We shared the view that we can only be successful if we design an integrated strategy on climate protection, sustainable development and economic growth, both for industrialised and developing countries. We saw good examples both in industrialised and developing countries, which show that an active climate policy offers tremendous opportunities for innovation and technological development. Fighting climate change means sustaining growth and securing development worldwide, with multiple ancillary benefits.

### *Recognising existing, encouraging and supporting further action*

We agreed that industrialised nations must continue to take the lead by substantially stepping up their efforts to reduce emissions, which can also be an incentive for enhanced action by developing countries.

We shared the view that the world cannot afford that developing countries repeat the mistakes in the development of industrialized countries.

We welcomed a wide range of existing activities in developing countries to mitigate climate change and shared the view that appropriate incentives need to be designed in order to trigger more comprehensive action and to decouple environmental degradation from economic growth. Incentives and other effective climate protection commitments should be tailored to their particular situations and guided by the principle of common but differentiated responsibilities and respective capabilities.

We believed that progress in the international process needs to be accelerated and could be helped by a clear statement of agreed principles. Accordingly, we agreed to intensify our dialogue to bridge dissenting views and to work on an effective solution with urgency.

We stressed that we need to develop mutually supportive national, regional and international policy and financial frameworks, which build upon the experiences of other processes such as the UN climate negotiations and the Gleneagles Plan of Action and do not replace them.

We reaffirmed our conviction that the negotiation process under the United Nations (UNFCCC and Kyoto Protocol) is the appropriate forum for future agreements on international climate protection measures.

We highlighted the need to provide industry with a long-term planning reliability. In order to avoid a gap in the international climate regime and to give continuity to the emerging global carbon market, there was much support for starting negotiations on a comprehensive, flexible and fair policy framework in 2007 and to finalise this process by 2009.

#### *Realising the full potential of technology*

We agreed that technology is key in addressing climate change and at the same time securing adequate supply of energy at affordable prices. We identified energy efficiency as being at the heart of a strategy that tackles both these challenges.

We jointly called for long-term policy frameworks giving clear incentives for the development, deployment and transfer of climate-friendly technologies, in particular energy efficiency, renewables and carbon capture and storage. Technology roadmaps with clear innovation targets to bring new technologies to markets were seen as useful.

We agreed that the scale of investments in climate-friendly technology of today needs to be stepped up significantly, as it is far too small to trigger the fundamental changes we need in order to mitigate climate change. Enhancing the international carbon market could contribute substantially to scaling up investment flows.

#### *Using a variety of incentive systems*

We agreed that a variety of tools is needed to address climate change, including emissions trading, standards, taxes and voluntary action. We appreciated the important role of market mechanisms as an efficient and powerful way to deliver the necessary cuts in greenhouse gas emissions.

Further developing and expanding the international carbon market was encouraged to provide a deeper and more liquid source of value for the deployment of existing and new technologies. But market mechanisms alone will not be enough without government support and encouragement, including through public procurement.

As the ultimate incentive for climate-friendly investment decisions, we recognised the need to provide long-term orientation on the overall direction of climate policy. An increase in global temperatures of more than 2°C compared to pre-industrial levels, beyond which the impacts of climate change are regarded as being largely unmanageable, was considered to be a possible yardstick.

#### *Adapting to the inevitable changes*

We stressed that climate change requires an urgent global response, comprising both mitigation and adaptation. Postponing mitigation would exacerbate the need for adaptation and could ultimately jeopardize any adaptation efforts.

We underlined that the impacts of climate change can already be felt and recognized that the poor in developing countries are especially vulnerable.

We agreed that industrialised countries have a responsibility to support developing countries in their efforts to adapt to climate change. Effective and financially robust mechanisms to cover the costs for the most vulnerable should be explored, including innovative approaches for climate-related insurance.

#### *Reducing emissions from deforestation*

We agreed on the need to reduce emissions from deforestation. Protecting forests can make a significant contribution towards both reducing greenhouse gas emissions and preserving biodiversity. We will explore incentives for forest protection and possible means of support for this endeavour by industrialised countries.

**"Potsdam Initiative – Biological Diversity 2010"**

**1) The economic significance of the global loss of biological diversity**

In a global study we will initiate the process of analysing the global economic benefit of biological diversity, the costs of the loss of biodiversity and the failure to take protective measures versus the costs of effective conservation.

**2) Science**

We will strengthen the scientific basis for biodiversity and are committed to improving the science-policy interface. In this context we will support the ongoing consultative process on an international mechanism for providing scientific advice (IMOSEB).

**3) Communication, education and public awareness**

Building on existing endeavours we will explore the development of a "Global Species Information System" which aims at gathering and making available information on all known species on earth and which serves as a tool for information and awareness raising for the wider public as well as for enhanced scientific cooperation.

**4) Production and consumption patterns**

We will enhance the integration of policies which involve governments, industries, civil society and consumers and implement an effective mix of mechanisms including:

- Regulatory measures
- Market incentives and access
- Codes of conduct
- Certification
- Public procurement
- Environmental Impact Assessments

In this context we will implement concrete initiatives with a special focus on timber and biomass such as voluntary harmonisation of procurement practices and standards to facilitate trade in sustainable timber and, building on the 2005 Derbyshire initiative, to tackle illegal logging.

**5) Illegal trade in wildlife**

Recognizing the serious threats to biodiversity from the illegal trade in wildlife, we will strengthen our cooperation to combat illegal activities within the framework of CITES and through effective partnerships between governments, international and non-governmental organizations, such as the Coalition Against Wildlife Trafficking.

**6) Invasive alien species**

In view of the increasing threat of invasive alien species to biodiversity and productive systems we will enhance our efforts in identifying, preventing and controlling invasive alien species and strengthen our international cooperation e.g. through the development of early warning systems, listing of species and information

sharing. In this context we welcome and support the activities of the Global Invasive Species Programme (GISP).

### **7) Global network of marine protected areas**

We will intensify our research and enhance our cooperation regarding the high seas in order to identify those habitats that merit protection and to ensure their protection.

### **8) Biodiversity and climate change**

We will aim for an improved linkage between climate and biodiversity policies. We will ensure that biodiversity aspects are equally considered in the mitigation of and the adaptation to climate change (incl. biomass) and the reduction of emissions from deforestation. We will strive for the reduction of trade-offs and the implementation of win-win solutions.

### **9) Financing**

In co-operation with our partners we will commit ourselves to stepping up and better integrating biodiversity issues into development co-operation. In this context we aim for integrated planning and the implementation of win-win strategies and projects. We strive for a systematic integration of Environmental Impact Assessments according to national law.

We will approach the financial sector to effectively integrate biodiversity into its decision making and welcome the Equator Principles as an important benchmarking initiative.

We will enhance financing from existing financing instruments and explore the need and the options of additional innovative mechanisms to finance the protection and sustainable use of biological diversity, together with the fight against poverty. In this context we will examine the concept and the viability of payments for ecosystem services.

### **10) Commitment to 2010 and beyond**

Focussing all our efforts on the achievement of the 2010 target of significantly reducing the loss of biodiversity in the coming years, we acknowledge the urgent need to halt human-induced extinction of biodiversity as soon as possible.

In this context we welcome the Countdown 2010 Initiative and the Alliance for Zero Extinction. We will develop and implement national targets and strategies in order to achieve the 2010 target and beyond.

In addition, a number of countries, in particular the five major newly industrialising countries, underlined the importance of and the clear need for further activities:

- 1) Establishment of an international regime on access and benefit sharing by 2010
- 2) Provision of new and additional financial resources for the conservation and sustainable use of biodiversity
- 3) Technology transfer
- 4) Participation in research and development
- 5) Capacity building