

SB 24 HIGHLIGHTS: MONDAY, 22 MAY 2006

Contact groups and informal consultations were held throughout Monday on a wide range of issues, including adaptation, the Adaptation Fund, arrangements for intergovernmental meetings, bunker fuels, capacity building (under both the Convention and the Protocol), deforestation, review of the financial mechanism, research and systematic observation, the Special Climate Change Fund and technology transfer. In addition, informal consultations continued under the AWG, and an in-session workshop on carbon capture and storage under the CDM took place.

CONTACT GROUPS

ADAPTATION: In the morning contact group, Co-Chair Plume presented draft conclusions containing initial activities of the five-year programme of work on adaptation. The text was taken up in informal consultations throughout Monday afternoon and evening. Delegates began discussing the initial list of activities, modalities and deliverables, addressing methods and tools, and data and observations. However, differences remained and the co-chairs will provide a revised table. Several amendments were also proposed to the draft SBSTA conclusions by developed and developing countries and most paragraphs remained in brackets. Negotiations continued into Monday evening.

ADAPTATION FUND: Delegates considered whether to accept the co-chairs' text as the basis for negotiations. SWITZERLAND, CANADA, NORWAY and the EU agreed to this but the G-77/CHINA objected, noting that it had additional criteria that should apply to the Fund and indicating that the Co-Chairs' text could be used as input, but not as the basis for negotiations. The G-77/CHINA added that it was not ready to begin discussions on modalities since SBSTA was considering the five-year work programme on adaptation. JAPAN noted that the SBI and SBSTA discussions do not overlap. Delegates agreed that institutions that are candidates to manage the Fund should make presentations at COP/MOP 2. The Co-Chairs will integrate input from the G-77/CHINA and EU into their proposed text for consideration at informal consultations and a contact group meeting on Tuesday.

CAPACITY BUILDING (CONVENTION): This issue was addressed in a contact group and informal consultations. The G-77/CHINA supported a draft COP decision on monitoring capacity building, while the EU, JAPAN and US said a decision was unnecessary and proposed adopting only SBI conclusions. The EU emphasized the upcoming comprehensive capacity building overview. Delegates also discussed whether

it is necessary to define the goals of monitoring capacity building and whether a workshop would be useful. Informal consultations will continue until the next contact group meeting on Wednesday.

CAPACITY BUILDING (KYOTO PROTOCOL): This issue was addressed in a contact group and during informal consultations. JAPAN highlighted a workshop for CDM Designated National Authorities (DNAs). The EU proposed recognizing the informal DNA forum established this week, while CHINA said its usefulness can only be assessed at a later stage. Informal consultations on draft SBI conclusions will be held before the contact group meets on Wednesday.

RESEARCH AND SYSTEMATIC OBSERVATION: Informal consultations were held in the morning and afternoon before the contact group reconvened in the evening. Discussions focused on a bracketed paragraph on next steps and how best to facilitate interactive dialogue between parties, research programmes and the IPCC. In the paragraph, SBSTA agrees to explore how to facilitate dialogue between parties and research programmes, invites submission of views to be considered by SBSTA 26, asks the Secretariat to organize an informal discussion at SBSTA 26 (inviting representatives of research programmes and the IPCC), and notes that consideration should be given to a workshop on research needs by SBSTA 28. The draft conclusions were finally agreed on Monday night and will be forwarded to SBSTA for its consideration.

REVIEW OF THE FINANCIAL MECHANISM: Delegates met informally during the day and in a contact group in the evening, at which time copies were distributed of a G-77/China proposal, an EU proposal, and a compilation of the proposals prepared by the Co-Chairs. Given time constraints at this meeting, delegates did not negotiate text but instead suggested additions and changes to the compilation text. The entire text was then bracketed, and will be forwarded to SBI 25 for further consideration.

SPECIAL CLIMATE CHANGE FUND: During informal discussions, delegates discussed separate proposals from the Chair and the G-77/China for the paragraph on financing activities set out in Decision 7/CP.7, paragraph 2(d) (funding under the Convention). These deliberations continued when the contact group resumed in the evening. The group focused on the Chair's text, which proposed a two-stage approach, with the first stage consisting of technical assistance and a second stage on funding activities and programmes. While there was general agreement that the two-stage process was a useful conceptual way forward, delegates could not finalize text. Feeling that progress was being made and that it was consistent with the progress made at COP 11, delegates agreed to continue

discussions informally and subsequently in a contact group on Tuesday evening, reverting to the SBI Chair's draft conclusions from SBI 23 (FCCC/SBI/2005/L.34) as the basis for discussions.

INFORMAL CONSULTATIONS

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS: Parties discussed the organization of the intergovernmental process, agreeing to suggestions submitted by the EU that would mean some issues are included on SB's agenda once each year rather than twice. The proposals related to research and systematic observation, national communications, cooperation with relevant international organizations, and reporting by UNFCCC expert groups (FCCC/SBI/2006/MISC.8). However, developing countries opposed suggestions on clustering/merging agenda items. The group is expected to meet again on Tuesday to consider draft conclusions and take up the issue of observer states' participation in meetings.

BUNKER FUELS: In informal consultations on emissions from fuel used for international aviation and maritime transport, little progress was reported, with some parties expressing the view that forward movement was not possible without progress in other areas, such as Protocol Article 2.3 (adverse effects).

DEFORESTATION: During informal consultations on deforestation, parties worked through revised draft conclusions that include the scope of an upcoming workshop. Differences remained on whether and how to refer to market or trading mechanisms when addressing policy approaches and positive incentives. The options tabled included references to "financial mechanisms," "economic incentives," and "other alternatives," with parties finally agreeing to "financial mechanisms and other alternatives." In addition, references were added to the text on displacement of emissions and to capacity building, as supported by several developing countries. Parties agreed to the text, which will be presented to the contact group on Tuesday.

TECHNOLOGY TRANSFER: The G-77/CHINA and a group composed of the US, JAPAN, CANADA and AUSTRALIA each submitted texts. Discussions focused on how to address the documents in the agenda, with special focus on the EGTT recommendations (FCCC/SBSTA/2006/INF.4), which have to be taken up at COP 12. The Co-Chairs will prepare draft text based on the submitted texts and discussions, which will be available on Tuesday morning.

AD HOC WORKING GROUP

Delegates met for informal consultations during the morning and the afternoon. In the morning, parties restated their positions and focused on, *inter alia*, what to include and what not to include in the group's future discussions. Delegates underscored issues such as a sectoral approach, bunker fuels, and forestry. In addition, the EU provided background information with regard to its emissions reduction targets.

In the afternoon, delegates discussed the possibility of a workshop or other means to consider the scientific basis for Protocol Article 3.9.

In the evening, a draft Chair's text on an approach to possible conclusions was distributed. In the text, the AWG: takes note of parties' submissions and statements; notes that the objective is to make a significant contribution by Annex I parties to achieving the aim of the Convention through their further commitments under the Kyoto Protocol to "substantially limit and reduce emissions"; and clarifies that the focus of the AWG's initial work plan will be to assemble the information and analysis needed to enable Annex I parties to agree to and ratify amendments to Annex B of the Protocol. The draft text also outlines some possible topics for the initial work plan, including "level of ambition," Annex I emission trends and mitigation potential, experience gained and lessons learned in implementing the Protocol, "architecture" of further Annex I commitments,

including duration of the commitment periods, and legal matters. The draft clarifies that the schedule of work for the AWG in 2006 and 2007 will be conducted during the regular sessional periods.

WORKSHOP ON CARBON CAPTURE AND STORAGE AS CDM ACTIVITIES

An in-session workshop on carbon capture and storage (CCS) as CDM project activities convened on Monday. Session Co-Chairs Georg Børsting (Norway) and Hernán Carlino (Argentina) explained that the aim of the workshop was to open a dialogue on this topic, focusing on project boundary, leakage and permanence, and taking into account issues raised in submissions invited in Decision 7/CMP.1.

Heleen de Coninck, ECN, presented a summary of the SBSTA workshop on CCS and highlighted those aspects of the IPCC Special Report on CCS and the IPCC 2006 Guidelines for inventories that might be relevant to the inclusion of CCS under the CDM. The Secretariat then highlighted relevant terminology and outlined three CCS project methodologies submitted to the CDM Executive Board.

In the ensuing discussion, participants raised a range of issues, including those pertaining to project boundary, leakage, and permanence. On the definition of project boundary, participants generally concurred that the project boundary should include capture, transport, and injection and storage, and that this could be handled with few difficulties under the existing CDM framework. There was some disagreement, however, as to whether CCS projects whose project boundary spans more than one country should be included under the CDM at this time.

Participants then debated whether increased carbon dioxide emissions resulting from CCS should be considered as leakage. Differences emerged over the inclusion of enhanced oil recovery (EOR) projects under the CDM, with some arguing that EOR leads to increased oil extraction, which counteracts the sustainable development goals of the CDM. Regarding additionality and EOR, a number of delegates argued for a case-by-case assessment.

On permanence, most participants agreed on the importance of rigorous site selection to minimize seepage potential. They debated whether long-term liability should rest with the host country or with those who receive CERs. Some argued that tools such as insurance, temporary CERs and sequestration bonds could provide incentives for ensuring permanence, while others advocated more flexibility. Most speakers agreed that monitoring should occur as long as seepage posed a threat, however there was no consensus on whether or not to establish monitoring timeframes.

A few participants highlighted the limited potential of CCS as CDM project activities, particularly for the 2008-2012 period, given the current price of carbon.

The workshop closed in the early afternoon, with several participants commenting on the positive tone of discussions.

IN THE CORRIDORS

The AWG was the key focus on Monday, with delegates leaving the Maritim conference center late in the evening speculating over how the Chair's draft text with an "approach to conclusions" would be received when discussions resume on Tuesday (for details of the text, see the section on the AWG, above).

On a lighter note, some delegates were heard talking about the unpleasant odor that permeated the Maritim conference center on Monday afternoon. The source of the smell was eventually traced to a nearby sewage problem, prompting a variety of jokes linking it to discussions on CCS "leakage" and methane control. "I'm just glad it wasn't my colleague, actually" confessed one relieved delegate.