

COP 12 AND COP/MOP 2 HIGHLIGHTS: WEDNESDAY, 8 NOVEMBER 2006

On Wednesday, SBI met in the morning to discuss Annex I communications, the Adaptation Fund, capacity building under the Kyoto Protocol, Protocol Article 3.14 on adverse effects and response measures, amendment of the Protocol relating to compliance, the international transaction log, and privileges and immunities for members of the Protocol's constituted bodies. The AWG convened in the afternoon to hear general statements and a summary of the previous day's in-session workshop, and to discuss future commitments and the AWG's work plan. In addition, contact groups and informal consultations took place throughout the day on issues such as the adaptation work programme, technology transfer, the financial mechanism, and response measures.

SBI

ANNEX I COMMUNICATIONS: Synthesis report on Kyoto Protocol Article 3.2 (demonstrable progress): The Secretariat introduced the issue (FCCC/SBI/2006/INF.2 and FCCC/SBI/2006/INF.7). China, for the G-77/CHINA, expressed concern at rising Annex I greenhouse gas emissions and delays in reporting. The PHILIPPINES urged full implementation of commitments under Protocol Articles 10 and 11 (existing commitments, financial mechanism). The EU said it is implementing all its commitments under the Kyoto Protocol. Henriette Bersee (Netherlands) and Arthur Rolle (Bahamas) will coordinate informal consultations.

ADAPTATION FUND: The Secretariat introduced the issue (FCCC/SBI/2006/MISC.7 and Add.1; FCCC/SBI/2006/MISC.11 and FCCC/SBI/2006/MISC.16). The Philippines, for the G-77/CHINA, said the Fund's principles, governance structure and modalities should be agreed before deciding on institutional arrangements, and stressed that the Fund should be accountable to the COP/MOP. Tuvalu, on behalf of AOSIS, welcomed discussion on the Fund's modalities and emphasized full cost funding for adaptation projects to assist the most vulnerable developing countries. Bangladesh, for LDCs, said the Fund should be managed by an executive body such as the CDM Executive Board with regional representation, including LDCs. JAPAN, NORWAY and SWITZERLAND said the GEF is best placed to manage the Fund. The EU urged further consideration of the Fund's governance structure and early operationalization. Chair Becker established a contact group co-chaired by Philip Gwage (Uganda) and Adrian Macey (New Zealand).

PROTOCOL ARTICLE 3.14: Several parties reflected on the outcomes of a workshop on reporting methodologies held in Abu

Dhabi, UAE, from 4-6 September 2006 (FCCC/SBI/2006/27). The EU, supported by JAPAN and NORWAY, expressed concerns over the heavy agenda and overlap with a SBSTA item on Protocol Article 2.3 (adverse effects of policies and measures). He suggested just one agenda item and contact group to address both issues. Saudi Arabia, for the G-77/CHINA, insisted that these were separate issues. Chair Becker announced informal consultations on Article 3.14, to be coordinated by Angela Churie-Kallhauge (Sweden) and Al Waleed Hamad Al-Malik (UAE), with a view to taking a procedural decision on these two agenda items in SBSTA on 10 November.

CAPACITY BUILDING UNDER THE KYOTO

PROTOCOL: JAPAN encouraged incorporation of stakeholders' "needs and preferences," while Tanzania, for the G-77/CHINA, recalled Decisions 21/CMP.1 and 2/CP.7 on financial and technical support and, with the EU, urged addressing regional imbalances in participation in CDM projects. Crispin d' Auvergne (Saint Lucia) and Helmut Hojesky (Austria) will co-chair a contact group.

AMENDMENT OF THE PROTOCOL: The Secretariat said Decision 27/CMP.1 had invited the SBI to give further consideration to an amendment in respect of procedures and mechanisms relating to compliance, with a view to finalizing discussions at SBI 27. The EU said he was not opposed to an amendment, but considered that for the time being there were significant practical difficulties with its adoption and entry into force. Chair Becker will prepare draft SBI conclusions.

INTERNATIONAL TRANSACTION LOG (ITL): Chair Becker reported considerable progress on the implementation of the ITL. The Secretariat called attention to the report of the ITL administrator (FCCC/KP/CMP/2006/7). The EU welcomed progress so far. He noted that it was a priority to make the ITL fully operational by April 2007, including linkages to the CDM Registry, which would require that registry systems are developed and tested as early as possible in 2007. Draft SBI conclusions will be prepared.

PRIVILEGES AND IMMUNITIES: The Secretariat introduced the issue of privileges and immunities for individuals on the Protocol's constituted bodies (FCCC/SBI/2006/20 and FCCC/SBI/2006/21). The EU said the risk of claims against individuals is not as great as some had suggested. He proposed addressing the potential risk first with some short-term measures, and then addressing longer term issues in the context of discussions on post-2012 issues. ARGENTINA suggested that project developers should be required to renounce their rights to take legal action against individuals on Kyoto boards. Paul Watkinson (France) will chair a contact group.

AWG

The AWG began with general statements. South Africa, for the G-77/CHINA, said discussions should be limited to Protocol Article 3.9 (future commitments) and not linked to other articles. The EU stressed that action by Annex I parties to the Protocol is not sufficient to tackle climate change. AUSTRALIA said a future framework should include all major emitters, CANADA stressed the need to make it easier to extend the "Kyoto family" and the RUSSIAN FEDERATION underscored voluntary commitments. The G-77/CHINA, LDCs, CLIMATE ACTION NETWORK and others called for more ambitious targets for Annex I parties, while the RUSSIAN FEDERATION emphasized considering national circumstances when determining targets.

MEXICO proposed quantifying UNFCCC Article 2 (objective of the Convention), possibly by establishing a target for atmospheric carbon dioxide concentrations. NIUE criticized the 2°C goal as inadequate. The G-77/CHINA and the EU said targets should be based on sound science. Algeria, for the AFRICA GROUP, said the need for further information is no excuse for inaction.

Most parties stressed the need to ensure there is no gap between the first and second commitment periods, and to send a strong signal of continuity to the carbon markets and the CDM. The G-77/CHINA, GAMBIA, GRENADA, CLIMATE ACTION NETWORK and others, opposed by JAPAN, said discussions on further Annex I commitments should be concluded by 2008. The G-77/CHINA, LDCs, BUSINESS COUNCIL FOR SUSTAINABLE ENERGY and others called for longer commitment periods. The G-77/CHINA, AFRICA GROUP and others called for a concrete work plan and timetable.

Chair Zammit Cutajar raised points for consideration, including: discussing the number of AWG meetings; holding AWG 4 back-to-back with the UNFCCC Dialogue; organizing more in-session workshops; signaling continuity of flexible mechanisms; launching work on an aspirational goal; distilling the aggregate level of "ambition" of Annex I parties; and establishing the duration of a future commitment. JAPAN noted that the mandate from Article 3.9 is to amend Annex B, not to deal with the continuity of the flexible mechanisms. NORWAY underscored that the duration of the commitment cannot be determined independently of the number of Parties undertaking commitments and the ambition of those commitments.

SOUTH AFRICA underscored that a structured work plan rather than a succession of workshops, would send a clear signal to the market. SWITZERLAND proposed, *inter alia*, to hold three AWG sessions in 2007 with specific focal areas, and to finalize the analytical phase at COP/MOP 3.

**CONTACT GROUPS AND INFORMAL CONSULTATIONS
ADAPTATION FIVE-YEAR PROGRAMME OF WORK:**

Co-Chair Helen Plume (New Zealand) presented text containing the initial activities of the work programme (FCCC/SBSTA/2006/CRP.1). France, for the EU, supported by CANADA, expressed concern about the chapeau paragraphs. The US, CANADA and MEXICO stressed that the current mandate of this meeting is to agree on the initial list of activities. The G-77/CHINA noted the importance of clarifying the content and outcome of the sub-themes in the list of activities. On the possible establishment of an expert group, she underscored the need for a focal point to facilitate linkages between the various adaptation initiatives and proposed referring instead to a working group. The EU, AUSTRALIA, CANADA and US entered a reservation on this until the initial list of activities is decided. Informal consultations will continue on Thursday.

TECHNOLOGY TRANSFER: The EU and G-77/CHINA each introduced draft decisions on the issue. The US, AUSTRALIA, SWITZERLAND and others supported using the EU text as

the basis for negotiations. This text proposes continuation of the framework and the EGTT. The longer G-77/China proposal includes, *inter alia*: setting up a technology development and transfer board, which would be a standing body reporting directly to COP; a new financial mechanism, the multilateral technology acquisition fund, to facilitate the "buy out" of intellectual property rights; the possibility of creating technology development and transfer credits; and developing performance indicators to monitor progress in technology transfer. The US noted problems with the proposed fund and WTO rules. GEORGIA stressed lack of representation of EIT countries in the EGTT. Informal consultations continued into the night.

FINANCIAL MECHANISM (CONVENTION): The contact group began consideration of the third review of the financial mechanism on the basis of SB 24 conclusions (FCCC/SBI/2006/L.4). Delegates discussed preambular paragraphs containing references to mitigation and adaptation. The G-77/CHINA stressed adaptation as the key concern in light of common but differentiated responsibilities. The EU favored mitigation in accordance with the Convention and COP guidance, and the US proposed references to both mitigation and adaptation as parties' key concerns. On operative paragraphs, delegates discussed references to: GEF's fourth replenishment; outcomes of its Third Assembly; RAF mid-term review; and informing the GEF's fifth replenishment negotiations.

IMPLEMENTATION OF DECISION 1/CP.10: Parties discussed reports from the intersessional and pre-session activities on the impacts of response measures mandated under Decision 1/CP.10. Regarding an expert meeting focused on tools and methodologies for modeling and on financial risk management (FCCC/SBI/2006/13), parties discussed a list of topics proposed for further consideration. SAUDI ARABIA noted the value of providing guidance to modelers on useful outcomes. However, Portugal, for the EU, said "it is not for us to tell them [modelers] what to do, but rather to pay attention" to their work. AUSTRALIA noted the value of different forums for information exchange and the wider relevance of economic diversification beyond the climate change process. Informal consultations will take place on Thursday.

NON-ANNEX I COMMUNICATIONS: Informal consultations on national communications from non-Annex I Parties were held. Co-Chairs Bersee and Rolle presented draft text on the work of the Consultative Group of Experts and on the provision of financial and technical support. On the latter, some concerns were raised about information from the GEF in relation to the RAF. Further consultations will be held.

IN THE BREEZEWAYS

After its open and candid in-session workshop on Tuesday, politics seemed to regain control of the AWG on Wednesday, according to observers. Delegates were heard lamenting a "return to the trenches" and well-rehearsed positions as the Group returned to its formal agenda.

Agenda disputes seemed to be the order of the day in other venues, with some delegates discussing the difficulties faced by parties seeking to streamline SBI's agenda. Observers noted that the EU's efforts to fold two agenda items under SBI and SBSTA on adverse effects and response measures into just one had received short shrift from Saudi Arabia and others that place great emphasis on these particular issues. "We're facing a heavy agenda, but it's almost impossible to get any group to sacrifice discussion time on their priority issues," explained one delegate.

In other news, a procession of delegations was noted entering and leaving the COP President's office on Wednesday as Kivutha Kibwana apparently spent the day taking the pulse of the negotiations with the key players.