

**FOURTH SESSIONS OF THE AD HOC  
WORKING GROUP ON FURTHER  
COMMITMENTS FOR ANNEX I PARTIES  
UNDER THE KYOTO PROTOCOL AND  
CONVENTION DIALOGUE:  
27-31 AUGUST 2007**

The fourth session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol to the United Nations Framework Convention on Climate Change (AWG 4) and the fourth workshop under the “Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention” (Convention Dialogue) took place from 27-31 August 2007, in Vienna, Austria. Approximately 900 participants attended the meeting, representing governments, intergovernmental and non-governmental organizations and the media.

The AWG and Convention Dialogue were established by decisions taken during the eleventh Conference of the Parties (COP 11) to the United Nations Framework Convention on Climate Change (UNFCCC) and the first Conference of the Parties serving as a Meeting of the Parties to the Kyoto Protocol (COP/MOP 1) in Montreal in late 2005. At those meetings, delegates discussed a range of issues relevant for a framework for the post-2012 period (when the Kyoto Protocol’s first commitment period ends) and long-term cooperative action on climate change.

The fourth Convention Dialogue workshop focused on bringing together ideas from the previous workshops and addressing overarching and cross-cutting issues, including financing. The workshop was generally perceived as useful and constructive, with delegates elaborating on building blocks for long-term cooperative action on climate change and next steps to take the process forward. After this fourth and final workshop, the co-facilitators will give their report on the entire workshop series to COP 13 in December 2007.

The fourth session of the AWG focused on the analysis of mitigation potentials and the identification of possible ranges of emission reductions for Annex I parties. After lengthy informal consultations, the AWG adopted conclusions referring, among other things, to some of the key findings by Working

Group III of the Intergovernmental Panel on Climate Change (IPCC), including that global greenhouse gas emissions need to peak in the next ten to fifteen years and be reduced well below half of 2000 levels by the middle of the 21st century in order to stabilize their concentrations in the atmosphere at the lowest levels assessed by the IPCC to date in its scenarios. The AWG’s conclusions also recognize that to achieve the lowest stabilization level, Annex I parties as a group would be required to reduce emissions by a range of 25-40% below 1990 levels by 2020.

The Vienna meeting was generally seen as a successful step towards constructive negotiations on the post-2012 framework at COP 13 and COP/MOP 3, widely anticipated to be some of the key meetings in the UNFCCC process.

**A BRIEF HISTORY OF THE UNFCCC AND THE  
KYOTO PROTOCOL**

Climate change is considered one of the most serious threats to sustainable development, with adverse impacts expected on the environment, human health, food security, economic activity, natural resources and physical infrastructure. Scientists agree that rising concentrations of anthropogenically-produced greenhouse gases in the Earth’s atmosphere are leading to changes in the climate. According to the IPCC, the effects of climate change have already been observed, and scientific

**IN THIS ISSUE**

A Brief History of the UNFCCC and the Kyoto Protocol . 1	
Report of the Meetings . . . . . 3	
<i>Ad Hoc</i> Working Group on Further Commitments for Annex I Parties . . . . . 3	
Convention Dialogue. . . . . 6	
A Brief Analysis of AWG 4 and Convention Dialogue 4. . . . . 10	
Upcoming Meetings . . . . . 12	
Glossary . . . . . 13	

This issue of the *Earth Negotiations Bulletin* © <enb@iisd.org> is written and edited by Suzanne Carter, Peter Doran, Ph.D. and Kati Kulovesi. The Digital Editor is Leila Mead. The Editor is Pamela S. Chasek, Ph.D. <pam@iisd.org>. The Director of IISD Reporting Services is Langston James “Kimo” Goree VI <kimo@iisd.org>. The Sustaining Donors of the *Bulletin* are the United Kingdom (through the Department for International Development – DFID), the Government of the United States of America (through the Department of State Bureau of Oceans and International Environmental and Scientific Affairs), the Government of Canada (through CIDA), the Danish Ministry of Foreign Affairs, the Government of Germany (through the German Federal Ministry of Environment – BMU, and the German Federal Ministry of Development Cooperation – BMZ), the Netherlands Ministry of Foreign Affairs, the European Commission (DG-ENV) and the Italian Ministry for the Environment, Land and Sea. General Support for the *Bulletin* during 2007 is provided by the Swiss Federal Office for the Environment (FOEN), the Norwegian Ministry of Foreign Affairs and the Ministry of Environment, the Government of Australia, the Austrian Federal Ministry for the Environment, the Ministry of Environment of Sweden, the New Zealand Ministry of Foreign Affairs and Trade, SWAN International, the Japanese Ministry of Environment (through the Institute for Global Environmental Strategies – IGES) and the Japanese Ministry of Economy, Trade and Industry (through the Global Industrial and Social Progress Research Institute – GISPRI). Specific funding for coverage of this meeting has been provided by the Austrian Ministry of Agriculture, Forestry, Environment and Water Management. The opinions expressed in the *Earth Negotiations Bulletin* are those of the authors and do not necessarily reflect the views of IISD or other donors. Excerpts from the *Earth Negotiations Bulletin* may be used in non-commercial publications with appropriate academic citation. For information on the *Bulletin*, including requests to provide reporting services, contact the Director of IISD Reporting Services at <kimo@iisd.org>, +1-646-536-7556 or 212 East 47th St. #21F, New York, NY 10017, USA.

findings indicate that precautionary and prompt action is necessary. The IPCC will be releasing its Fourth Assessment Report (AR4) in November 2007. In their already finalized contributions, the IPCC's Working Group I identified a more than 90% probability that human action has contributed to recent climate change, Working Group II emphasized the observed and projected impacts of climate change and Working Group III analyzed various mitigation options.

The international political response to climate change began with the adoption of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992. The UNFCCC sets out a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases to avoid "dangerous anthropogenic interference" with the climate system. Controlled gases include methane, nitrous oxide and, in particular, carbon dioxide. The UNFCCC entered into force on 21 March 1994, and now has 192 parties.

**KYOTO PROTOCOL:** In December 1997, delegates at COP 3 in Kyoto, Japan, agreed to a Protocol to the UNFCCC that commits developed countries and countries in transition to a market economy to achieve emission reduction targets. These countries, known under the UNFCCC as Annex I parties, agreed to reduce their overall emissions of six greenhouse gases by an average of 5.2% below 1990 levels between 2008-2012 (the first commitment period), with specific targets varying from country to country. The Protocol also establishes three flexible mechanisms to assist Annex I parties in meeting their national targets cost-effectively: an emissions trading system; joint implementation (JI) of emission reduction projects between Annex I parties; and the Clean Development Mechanism (CDM), which allows for emission reduction projects to be implemented in non-Annex I parties (developing countries). Following COP 3, parties began negotiating many of the rules and operational details governing how countries will reduce emissions and measure their emission reductions. To date, the Kyoto Protocol has 175 parties, including Annex I parties representing 61.6% of Annex I greenhouse gas emissions in 1990. The Kyoto Protocol entered into force on 16 February 2005.

**BUENOS AIRES PLAN OF ACTION:** The process for finalizing the rules and operational details of the Protocol was agreed at COP 4 in 1998 in a document known as the Buenos Aires Plan of Action (BAPA). The BAPA set COP 6 as the deadline for finalizing these details and strengthening implementation of the UNFCCC. In November 2000, parties met at COP 6 in The Hague, the Netherlands, to complete these negotiations. They were not successful, and COP 6 was suspended until July 2001 when it reconvened in Bonn, Germany. After further talks, parties adopted the Bonn Agreements, a decision that provided high-level political direction on the implementation of the Kyoto Protocol. But delegates were still unable to finalize text on some issues, and agreed to forward all the draft decisions to COP 7 for final resolution.

**MARRAKESH ACCORDS:** In November 2001 at COP 7 in Marrakesh, Morocco, delegates reached agreement on the outstanding matters in the Marrakesh Accords. These Accords consisted of a package of draft decisions on many of the details of the flexible mechanisms, reporting and methodologies, land

use, land-use change and forestry (LULUCF), and compliance with the Kyoto Protocol, to be adopted by parties at the first COP/MOP. The Accords also addressed issues such as support for developing countries, including capacity building, technology transfer, responding to the adverse effects of climate change, and the establishment of three funds: the Least Developed Countries (LDC) Fund, Special Climate Change Fund (SCCF), and Adaptation Fund.

Delegates built on the Marrakesh Accords at COP 8 and COP 9, elaborating on various technical rules and procedures. At COP 10 parties also agreed on two new agenda items focused on adaptation and mitigation, and began informal negotiations on the complex and sensitive issue of how parties might engage on commitments to combat climate change in the post-2012 period. As a result of these discussions, a seminar was held in Bonn in May 2005 that began to address some of the broader issues facing the climate change process.

**COP 11 AND COP/MOP 1:** COP 11 and COP/MOP 1 took place in Montreal, Canada, from 28 November to 10 December 2005. COP/MOP 1 took decisions on the outstanding operational details of the Kyoto Protocol, including formally adopting the Marrakesh Accords.

The meetings also engaged in negotiations on longer-term international cooperation on climate change. COP/MOP 1 addressed possible processes to discuss post-2012 commitments and decided to establish a new subsidiary body, the *Ad Hoc* Working Group on Further Commitments for Annex I parties under the Kyoto Protocol (AWG).

After lengthy negotiations, COP 11 agreed to consider long-term cooperation also under the UNFCCC "without prejudice to any future negotiations, commitments, process, framework or mandate under the Convention." This would take place through a series of four workshops constituting a "Dialogue" on the matter through to COP 13. The four thematic areas to be addressed during the Dialogue included: advancing development goals in a sustainable way; addressing action on adaptation; realizing the full potential of technology; and realizing the full potential of market-based opportunities.

**AWG 1 AND CONVENTION DIALOGUE 1:** The AWG and Convention Dialogue each convened for the first time in Bonn, Germany, in May 2006, alongside the 24th meeting of the Subsidiary Bodies (SB 24).

At its first session, the AWG adopted conclusions on "planning of future work." It identified the need to assemble and analyze information on a number of scientific, technical and socioeconomic topics to enhance a common understanding of the level of ambition of further commitments for Annex I parties and of the potential for achieving these commitments.

During the first Convention Dialogue workshop, participants exchanged initial views, experiences and strategic approaches to the four thematic areas to be addressed during the Dialogue.

**AWG 2 AND CONVENTION DIALOGUE 2:** The second sessions of the AWG and Dialogue took place in November 2006, in Nairobi, Kenya, alongside COP 12 and COP/MOP 2.

During its second session the AWG held an in-session workshop and agreed on a work programme focusing on the following three areas: mitigation potentials and ranges of

emission reductions; possible means to achieve mitigation objectives; and consideration of further commitments by Annex I parties.

The second Convention Dialogue workshop engaged in discussions on “advancing development goals in a sustainable way” and “realizing the full potential of market-based opportunities,” including the newly published Stern Review on the Economics of Climate Change.

In parallel, COP/MOP 2 carried out the first review of the Protocol under Article 9, and held discussions on a proposal by the Russian Federation on procedures to approve voluntary commitments. While the Nairobi conference did not result in any major breakthrough in negotiations, it did mark a staging post as negotiators sought to pave the way for a post-2012 agreement.

**AWG 3 AND CONVENTION DIALOGUE 3:** In May 2007, alongside SB 26, the third session of the AWG and the third Convention Dialogue workshop convened in Bonn, Germany.

The AWG held a roundtable discussion on the mitigation potentials of policies, measures and technologies. It also adopted conclusions on the analysis of mitigation potentials and agreed to develop a timetable to complete its work so as to avoid a gap between the first and second commitment periods.

The third Convention Dialogue workshop involved sessions on adaptation and realizing the full potential of technology. Participants also exchanged views on the fourth and final workshop in Vienna in August 2007. Some parties began to discuss the issue of what should happen procedurally after the Convention Dialogue workshops report to COP 13.

**GROUP OF EIGHT (G8) SUMMIT 2007:** At their annual summit held in Heiligendamm, Germany, from 6-8 June 2007, the eight leading industrialized countries adopted conclusions with several paragraphs on climate change, energy efficiency and energy security. The G8 expressed its commitment to move forward in the UN climate process and called for active and constructive participation in the Bali meeting with a view to achieving a comprehensive post-2012 agreement. The G8 also addressed issues such as adaptation, technology, deforestation and market mechanisms.

**THE MIDNIGHT SUN DIALOGUE ON CLIMATE CHANGE:** From 11 to 14 June 2007, delegates from 28 countries and the European Commission gathered in Riksgården, Sweden, for an informal dialogue on climate change. The meeting was organized following two similar gatherings in Greenland in 2005 and South Africa in 2006. While no consensus was attempted and no formal conclusions were adopted, participants sought to enhance prospects for agreements in future negotiations by exchanging views on the principles and elements of a future international climate regime.

**UN GENERAL ASSEMBLY INFORMAL THEMATIC DIALOGUE:** The UN General Assembly held an informal thematic debate on the subject of “Climate change as a global challenge” from 31 July to 2 August 2007, in New York. The debate took place in the form of two panel discussions on adaptation and mitigation, general discussion and national statements on national strategies. Much of the discussion focused on the post-2012 negotiations, with some delegations calling for agreement on a “roadmap” at COP 13 in Bali for completing discussions by 2009.

## REPORT OF THE MEETINGS

The fourth sessions of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties (AWG 4) and the Convention Dialogue opened on Monday, 27 August 2007. Josef Pröll, Minister for Agriculture, Forestry, Environment and Water Management, Austria, opened the meeting. He emphasized that climate change is already a “harsh reality” and indicated that the EU is prepared to reduce emissions by 30% by 2020 provided that other industrialized countries take on commitments and that economically advanced developing countries contribute adequately.

Maria Madalena Brito Neves, Minister of Agriculture and Environment, Cape Verde, emphasized small island developing states’ vulnerability to climate change, outlined adaptation and mitigation activities in Cape Verde and underscored the need for international cooperation.

Monyane Moleleki, Minister of Natural Resources, Lesotho, emphasized the need to begin post-2012 negotiations in Bali and indicated that while African countries need support, they also have responsibilities concerning climate change.

Yvo de Boer, UNFCCC Executive Secretary, highlighted recent and upcoming meetings within and outside the UNFCCC, showing that momentum is building for COP 13 in December. He urged delegates to “seize this opportunity” to have focused discussions on a post-2012 regime in Vienna.

After the opening ceremony, the AWG convened in plenary, followed by the first session of the Convention Dialogue workshop. The Convention Dialogue workshop took place from Monday to Wednesday. The AWG met in plenary, contact group and informal consultations from Monday to Friday. On Friday evening, it adopted conclusions on the analysis of mitigation potentials and indicative ranges of emission reductions for Annex I parties.

This report summarizes the discussions and conclusions from AWG 4 and discussions from the fourth Convention Dialogue workshop.

### **AD HOC WORKING GROUP ON FURTHER COMMITMENTS FOR ANNEX I PARTIES**

The first part of the fourth session of the AWG opened on Monday morning, 27 August 2007, with Leon Charles (Grenada) continuing as the AWG Chair and Outi Berghäll (Finland) as the AWG Vice-Chair. AWG Chair Charles stressed the need for a “strong robust outcome.” He explained that the AWG will resume its fourth session in Bali and proposed that the Vienna meeting focus on the analysis of mitigation potentials and ranges of emission reduction objectives of Annex I parties. He indicated that this would leave the agenda item on the review of the work programme, methods of work and schedule of future sessions to be taken up at the AWG’s resumed fourth session. Parties adopted the provisional agenda (FCCC/KP/AWG/2007/3) without amendment, and agreed to the organization of the work.

During the Monday morning plenary, country groups made opening statements. Australia, for the Umbrella Group, called for in-depth consideration of indicative ranges of emission reductions, including the contribution of Annex I parties. He added that the iterative nature of the AWG’s work plan would allow parties to revisit issues and emphasized that the AWG

is one of several inputs to the post-2012 issues. Pakistan, for the Group of 77 and China (G-77/China), stressed the unique vulnerability of least developed countries (LDCs), the African region, and small island developing states (SIDS). Portugal, for the European Union (EU), restated that global greenhouse gas (GHG) emissions should be reduced by 50% by 2050 to ensure that the average temperature increase is no more than 2°C above pre-industrial levels. Switzerland, for the Environmental Integrity Group, recalled recent findings by the IPCC and called for strengthened mitigation and adaptation efforts, taking account of the circumstances of small states.

Maldives, for the LDCs, and Grenada, for the Alliance of Small Island States (AOSIS), challenged a scenario projecting greenhouse gas concentrations of between 445-490 parts per million (ppm) and a change in global mean temperature above pre-industrial levels of between 2-2.4°C. AOSIS said the avoidance of climate change impacts in small island states should be a benchmark for the post-2012 agreement. Indonesia called for real progress on the analysis of mitigation potentials and ranges of emission reductions. She also outlined plans for COP 13, including parallel meetings for finance and trade ministers.

#### **ANALYSIS OF MITIGATION POTENTIALS AND RANGES OF EMISSION REDUCTION OBJECTIVES OF ANNEX I PARTIES:**

During the first session of AWG 4, delegates focused on the agenda item on the analysis of mitigation potentials and ranges of emission reduction objectives of Annex I parties.

When first addressing this agenda item in plenary on Monday, parties exchanged views on a technical paper prepared by the Secretariat (FCCC/TP/2007/1) synthesizing information relevant to mitigation potentials and the identification of possible ranges of emission reduction objectives for Annex I parties.

The EU emphasized that the paper confirms the urgency and scale of the necessary mitigation efforts, also showing that mitigation is technically and economically feasible. Climate Action Network (CAN) International emphasized that the rise in emissions must be halted by 2015. Saudi Arabia and Pakistan stressed the need to consider the impact of Annex I mitigation activities on developing countries. New Zealand expressed a readiness to take on new quantitative emission reductions but suggested that new types of commitments should be considered. Canada noted that it is important to understand what kind of commitments can be made in the near term on the way to global emission reductions. The Russian Federation and Belarus emphasized that different economic circumstances must be taken into account when defining new targets.

Parties then agreed to establish a contact group chaired by AWG Chair Charles to prepare draft conclusions on the analysis of mitigation potentials and ranges of emission reductions. Prior to the first contact group meeting, AWG Chair Charles held a number of bilateral consultations with parties and NGO representatives. The contact group met for the first time on Wednesday afternoon with parties elaborating on what they saw as key elements of the conclusions. The second contact group met briefly on Thursday morning, but was postponed due to a prolonged coordination meeting by the G-77/China. The delay was reportedly caused by differences between the AOSIS and Saudi Arabia over questions such as a reference to the lowest

stabilization scenario of 450 parts per million (ppm) analyzed by the IPCC. When the contact group resumed at 3:00 pm, AWG Chair Charles presented an overview of the draft conclusions and proposed to hear delegates' comments paragraph by paragraph. After these discussions, the Chair convened informal consultations that took place from Thursday evening until 4:00 am on Friday morning. Good progress was reported and consultations resumed at 10:00 am and continued throughout the day. The contact group met briefly at lunchtime and AWG Chair Charles updated delegates that most of the draft conclusions had been agreed. He explained, however, that difficulties remained concerning spillover effects of Annex I mitigation policies and measures on developing countries, and certain references to findings by IPCC Working Group III. After further informal consultations, the AWG convened in plenary at 7:00 pm. AWG Chair Charles thanked delegates, indicating that while there had been difficulties during the informal consultations, the mood had always remained positive. Delegates then adopted the text as agreed during the informal consultations.

During these negotiations, the main differences concerned reference to Article 2 on the Convention's ultimate objective, the need for further analytical work, domestic and international mitigation potentials, the use of flexible mechanisms and references to the lowest stabilization scenario and IPCC Working Group III's findings on emission ranges.

During the discussion on whether the conclusions should refer to Article 2 on the Convention's ultimate objective, the G-77/China stressed the AWG's mandate focusing on further commitments by Annex I parties and amending Annex B of the Kyoto Protocol. India stated that questions related to Article 2 on the ultimate objective of the UNFCCC do not need to be answered before determining new targets for Annex I parties. Also the Republic of Korea opposed a reference to Convention Article 2. Norway and many other Annex I countries disagreed and, underscoring the importance of Article 2, explained that the world needs to understand the extent to which new commitments contribute to solving the problem of climate change.

In the final text, the AWG recalls that it should be guided "by a shared vision set by the ultimate objective of the Convention" with a footnote added to a paragraph in the report from AWG 3 (FCCC/KP/AWG/2007/2) also referring to "shared vision" and the ultimate objective of the Convention.

On the need for further analytical work, the G-77/China warned against paralyzing the AWG with excessive analysis and emphasized the need to move forward with the AWG's work so as to avoid a gap between commitment periods. Canada, Japan, the Russian Federation and others stressed the importance of further analytical work. Japan called for cooperation with the International Energy Agency (IEA) and IPCC on energy indicators and best practices. Canada supported expanding the analysis using the same indicators for all countries and to draw out aspects of national circumstances. The G-77/China supported using standard indicators. AOSIS requested studies showing emission pathways leading to temperature increases below 2°C from pre-industrial levels, and Saudi Arabia stated that spillover effects for developing countries of Annex I mitigation policies and measures must be analyzed. The G-77/China proposed that

the analysis on spillover effects be prepared for the next stage. The EU and Norway proposed that further analytical work be carried out while advancing the AWG's work programme.

In the conclusions, parties resolved these issues by acknowledging that understanding mitigation potentials is a complex process and further analysis would help the AWG in completing its work. They also recognize the need for further progress in conducting the AWG's work programme. They agreed to include a paragraph noting concerns by SIDS and some developing countries on the lack of analysis of stabilization scenarios below 450 ppm. The question of spillover effects of Annex I mitigation policies and measures was one of the final issues to be resolved on Friday evening. The final text acknowledges the importance of receiving information "on the potential environmental, economic and social consequences, including spillover effects on all parties" in particular developing countries, and invites Annex I parties to include such information in their submissions due on 15 February 2008.

Parties also discussed issues related to domestic mitigation potentials and flexible mechanisms. The G-77/China stressed that Annex I mitigation potentials could be enhanced through the use of flexible mechanisms. The EU agreed on the importance of flexible mechanisms in the post-2012 period, but, with some other Annex I countries, indicated that their status has not yet been decided for that period. The EU also raised the possibility of expanding the flexible mechanisms. The G-77/China stated that this was not within the AWG's mandate. The final text notes that greater mitigation potential is at the disposal of Annex I parties through the wider use of flexible mechanisms "taking fully into account sustainable development considerations."

The key differences during the negotiations focused on references to emission reduction ranges and stabilization scenarios contained in IPCC Working Group III's contribution to the AR4. Japan expressed serious concerns over reference to the lowest stabilization scenario of 450 ppm, emphasizing that the Secretariat's technical paper had referred to a number of possible stabilization scenarios. He stated that delegations were not prepared to agree on the lowest stabilization scenario. Canada agreed that the ranges set out in the technical paper should be reflected in the conclusions, together with those indicative ranges that individual parties had set out in their submissions. CAN International expressed concerns at the objections to the IPCC's lowest stabilization scenario that would limit the temperature increase to 2.0-2.4°C. He said higher ranges, to which parties had referred, would carry extreme risk, taking warming up to 4.0°C and beyond with consequences for coral reefs, species extinction and the Greenland ice sheet.

The Russian Federation and Canada expressed concerns over wording indicating that the AWG agrees to an initial indicative range of Annex I emission reduction objectives. The G-77/China stressed that this formed the core of the text. The EU emphasized that the IPCC had indicated that emission reductions required by 2020 from Annex I parties as a group associated with the lowest stabilization scenario integrates the use of flexible mechanisms. The EU also proposed adding text noting scientific evidence for the need to ensure that global emissions peak in the next 10 to 15 years and are reduced by 50% by 2050.

In the final document, the lowest stabilization level "assessed by the IPCC to date" is mentioned and the text also indicates that achieving this level would require Annex I parties "as a group" to reduce emissions in a range of 25-40% below 1990 levels by 2020, through means that may be available to Annex I parties to reach the emission reduction targets. The conclusions also recognize that the IPCC Working Group III's contribution to the AR4 indicates that global emissions need to peak in the next 10-15 years "and be reduced to very low levels, well below half of 2000 levels by the middle of the twenty-first century" in order to stabilize greenhouse gas concentrations at the lowest level assessed by the IPCC.

Japan and Canada also opposed requesting submissions from Annex I parties by 30 June 2008 on indicative ranges for domestic emission reductions, with Canada indicating that this was premature. The G-77/China stressed that such submissions were relevant in the context of expediting the AWG's work. The EU proposed postponing this issue to the resumed fourth session as it related to the AWG's work programme. Saudi Arabia and the G-77/China opposed, and Saudi Arabia stated that either all or no paragraphs should be deferred to the meeting in December 2007. Norway stressed that adopting conclusions on some issues in Vienna would save negotiating time at COP 13. In the final text, there is no deadline for submissions on indicative ranges for domestic emission reductions, but the AWG agrees to consider further information on indicative ranges of emission reductions by Annex I parties, including the timing of submissions, as a part of its discussions on the development of the timetable at the resumed AWG 4.

**AWG Conclusions:** In its conclusions (FCCC/KP/AWG/2007/L.4), the AWG, among other things:

- notes the basis for the work from previous AWG sessions, party submissions, the technical paper prepared by the Secretariat and the Convention's ultimate objective;
- notes that mitigation potential is determined by national circumstances, evolves over time and that applicability of factors and indicators varies among parties;
- acknowledges that understanding mitigation potential is a complex process and notes that further analysis would help the AWG in completing its work;
- recognizes the need for further progress in conducting its work programme, invites Annex I parties to continue analyzing the mitigation potential of policies, measures and technologies at their disposal and agrees to consider relevant information from external bodies and forums;
- notes information from IPCC Working Group III's contribution to AR4 indicating that global emissions of greenhouse gases need to peak within the next 10 to 15 years and be reduced to very low levels, well below half of levels in 2000 by 2050, in order to stabilize their concentrations in the atmosphere at the lowest levels assessed by the IPCC to date in its scenarios;
- recognizes the outcomes of IPCC Working Group II's contribution to AR4 noting that the lower the stabilization level achieved, the lower the consequent damages;
- recognizes that IPCC Working Group III's contribution to AR4 indicates that to achieve the lowest stabilization level assessed by the IPCC to date, Annex I parties would be

required to reduce emissions by 25-40% below 1990 levels by 2020, through means that may be available to Annex I parties to reach emission reduction targets;

- indicates that these ranges would be significantly higher for Annex I parties if they were a result of analysis assuming that emission reductions were to be undertaken exclusively by Annex I parties;
- notes that the IPCC ranges do not take into account lifestyle changes that could increase the reduction range;
- recognizes that these reduction objectives by Annex I parties would make an important contribution to overall global efforts required to meet the ultimate objective of the Convention Article 2;
- notes concerns of lack of analysis for stabilization scenarios below 450 ppm carbon dioxide equivalent;
- cites the need for continued work on this issue on an iterative basis;
- notes the mitigation potential of the flexible mechanisms in the context of sustainable development considerations;
- acknowledges the importance of considering further information on indicative ranges of emission reductions, including quantified emission limitation or reduction commitments, for further commitments by Annex I parties through their domestic and international efforts; and agrees to consider this issue, including the timing of submission by parties, at the resumed AWG 4;
- asks parties to make submissions regarding spillover effects on all parties, particularly developing countries, of tools, policies, measures and methodologies available to Annex I parties; and
- invites parties to submit views by 9 November 2007 on the development of a timetable to guide the completion of the AWG's work.

**CLOSING PLENARY:** On Friday evening, the AWG 4 closing plenary took place. Parties adopted the report of the session (FCCC/KP/AWG/2007/L.3) without amendment.

South Africa, for the G-77/China, emphasized that consideration of indicative ranges for Annex I emission reductions has not been finalized and looked forward to finalizing these discussions when returning to this agenda item at AWG 5. The EU indicated that the critical moment to take action on climate change is building and stressed the importance of ensuring an adequate level of global action. He stated that while AWG 4 had been able to develop further understanding of the issues at hand, the EU had come to Vienna prepared to go further in discussing emission ranges. Egypt stated that she would have liked to see stronger and clearer conclusions, emphasizing that climate change had been addressed by the UN Security Council and would be taken up at a high-level in the context of the General Assembly.

Japan announced the retirement of their former AWG negotiator Ambassador Mutsuyoshi Nishimura and, with language frequently used by Nishimura, called for fruitful progress at the resumed AWG 4 in Bali "in the spirit of solidarity." Numerous delegates and UNFCCC Executive Secretary de Boer also paid tribute to Harald Dovland (Norway) who will be retiring after this session.

AWG Chair Charles thanked delegates for their work and said he looked forward to seeing them at the AWG's resumed fourth session in Bali in December. He declared the meeting closed at 7:57 pm.

### CONVENTION DIALOGUE

The fourth workshop under the "Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention" took place from Monday afternoon to Wednesday morning, 27 to 29 August 2007. The workshop was co-facilitated by Sandea de Wet (South Africa) and Howard Bamsey (Australia).

The fourth Convention Dialogue workshop consisted of three sessions. On Monday afternoon, participants discussed building blocks for long-term cooperative action on climate change. On Tuesday they spent the day focused on issues related to finance. The workshop concluded with a discussion on next steps on Wednesday morning. This report will first summarize the discussion on finance, followed by a combined summary of the discussions on the building blocks and next steps that took place on Monday and Wednesday.

**FINANCE ISSUES:** On Tuesday, the Convention Dialogue workshop focused on finance issues. Opening the session, Co-Facilitator Bamsey recalled a request by COP 12 for the Secretariat to produce a report on investment and financial flows to address climate change (Dialogue Working Paper 8, 2007).

**Presentations:** Presenting an overview of the Secretariat's report, UNFCCC Executive Secretary de Boer underscored the broad consultative process underlying the report and said its main findings concerned financial and investment flows needed in 2030 to meet worldwide mitigation and adaptation requirements. For mitigation, he identified the need for an additional US\$200-210 billion in 2030 and said that the estimated figures for adaptation amounted to several tens of billions of US dollars. He explained that mitigation in developing countries is less expensive and that the carbon market would have the potential to deliver more emission reductions and investment flows, but the demand depends on the emission reduction ambitions of industrialized countries.

Participants also heard presentations by consultants involved in the preparation of the report. On financing mitigation, Erik Haites, Margaree Consulting, emphasized the difficulty of estimating the costs of reducing deforestation and sources of financing based on current flows that are largely private. He estimated that most investment would come from the private sector, with incentives and policies. He explained that new funding sources would be needed for non-Annex I countries and recommended that these countries aim to attract foreign investment.

Joel Smith, Stratus Consulting, estimated that a total of US\$50-170 billion of additional investment and financial flows will be needed for adaptation in 2030, highlighting that damages caused by climate change were not included in the estimate and that the numbers would also depend on the amount of climate change. Smith predicted that the cost of adaptation would rise substantially during this century. He emphasized the need for new funding sources and said the private sector and national policies would play a role.

**Panel Discussion:** On the main constraints on mobilizing new capital investment, Richard Samans, World Economic Forum, proposed that finance and economic ministries would have to work through such issues with the parties. He described the extraordinary potential of the carbon market while cautioning that uncertainty can be a fatal impediment, and described the critical role of domestic regulatory environments for investment. On opportunities for the UNFCCC to address financing gaps, Samans highlighted: the development of soft or policy commitments for non-Annex I countries; public-private and multilateral approaches to research and development; and the role of the multilateral development banks. He cited the role of grants, concessional lending and risk mitigating guarantees in stimulating early private sector investment.

James Cameron, Climate Change Capital, outlined the challenge of constructing the new legal framework within which capital will flow to address climate change, and aligning public, moral and private interests and purposes. He defended the moral case for moving capital, through a carbon mechanism, to countries that have played little role in creating the problem of climate change; and warned against trading off choices between real reduction targets, the carbon market and technology transfer. He stressed that there was no moral justification for using any failure to reach multilateral agreement to defend inaction at home. Cameron described the challenge of adapting and directing core market disciplines and mechanisms, and applying new ones, to the task of reducing GHGs, and highlighted that climate negotiators had the chance to create economic opportunities.

Ernest Rauch, Munich Re, spoke on efforts by insurers in private and public-private partnerships using micro-insurance and catastrophe bonds, including their role in capital markets. Ian Noble, World Bank, spoke of the large shortfall between current and needed financial flows, described the Bank's interest in adaptation, and said developing countries must recognize that they are the main players in the process and need to take action ahead of guaranteed compensation.

Khalid Sheik, ABN AMRO, addressed the role governments can play to support financial actors, highlighting the importance of risk, capital ratios, capital and financial institutions, citing the examples of the Equator Principles in helping to translate policy into tangibles, and catastrophe bonds.

Ian Burton, independent expert, emphasized that adaptation can mean many different things and requires various kinds of expertise, thus making it a bigger and more complex building block for the post-2012 regime than currently conceived.

**Exchange of Views:** During the morning and afternoon sessions delegates exchanged views on finance issues and posed questions to the presenters and panelists.

Argentina said that since more than 50% of the mitigation potential was identified in non-Annex I countries, financial flows should be directed there. Japan emphasized the need for access to clean energy in developing countries and called for a new financial mechanism that includes energy access. The EU stressed that as mitigation can provide net benefits, including in the power sector, the challenge is not so much technical or economic but political and institutional.

Many countries addressed the role of carbon markets. The EU stressed the importance of the carbon market and said deeper commitments from developed countries are required to deliver its potential. Norway stressed the importance of setting the emission cap at the right level and said investors need to internalize the carbon price. Switzerland emphasized the importance of a global price for carbon and Haïtes agreed that a global carbon price would help in creating a global market for new technologies.

Germany indicated that enabling conditions were needed as well as long-term market predictability, and suggested a flexible mechanism for sectoral carbon crediting. UNFCCC Executive Secretary de Boer indicated that the current CDM, designed to address emission reductions, can be difficult to apply in small markets; and suggested consideration of a clean growth instrument in a future regime.

On funding for adaptation, Haïtes indicated that enlarging the carbon market could be one way to address adaptation. He specified that if a share of proceeds from the CDM was also to be channeled to adaptation funding in the future, more resources for adaptation could be mobilized. Uganda warned against giving an impression that the carbon market would "fix both adaptation and mitigation" and stressed that experiences with the CDM demonstrate that this will not be the case. Haïtes confirmed that policies in addition to markets are needed to ensure that adaptation and mitigation happen.

Palau, for AOSIS, cited lack of funding for adaptation as a major failure of the Convention and proposed a new fund based on the "polluter pays principle" to link emissions to Annex I countries' funding commitments. South Africa questioned the underlying assumption that financing for adaptation is about mainstreaming this into national policies and development plans, as this overlooks climate proofing existing development and infrastructure. She also pointed out that the barriers preventing no-cost adaptation were not addressed in the report. Indonesia said new and additional external funding should be mobilized for developing countries. UNFCCC Executive Secretary de Boer called attention to upcoming financing for development conferences and the annual review of the Millennium Development Goals.

Indonesia stressed the need for technology transfer. Canada highlighted the need to consider policies that attract private sector investment and a representative speaking for several Business and Industry NGOs called for diverse and flexible policy options and clarity on how the UNFCCC process will move forward.

Smith indicated that insurance could play a role in compensating for climate damages and explained that the insurance industry is already getting more involved in developing countries and creating new instruments. On using existing climate funds in the future regime, he told Sudan that the funds could be integrated into new legal structures. Liberia asked if consultants had considered investment for countries with natural assets such as forests that provide benefits to the global environment. Co-Facilitator Bamsey said that the investment report had, for the first time, clarified the location of investment resources for a global response to climate change, and made clear the adequacy of those resources.

Saudi Arabia questioned the inclusion of nuclear energy in the Secretariat's report, given that it is not environmentally acceptable to many parties, and advocated the use of clean oil technologies. UNFCCC Executive Secretary de Boer responded that the nuclear energy figures were based on countries' stated probability of using this technology and that most scenarios show an increase in oil demand.

The International Trade Union Confederation called on decision-makers to show the link between investment flows and employment. He called for new instruments to ensure that developed countries bear the burden of climate change costs. Venezuela cautioned that the challenge for developed countries is to change the market-driven system of consumption and production in favor of a humanistic model of development, compatible with climate protection.

**BUILDING BLOCKS AND NEXT STEPS:** On Monday afternoon, delegates elaborated on building blocks for long-term cooperative action to address climate change. On Wednesday, they considered next steps on long-term cooperative action on climate change, also putting forward ideas related to elements of long-term cooperation. This section contains the key elements from these discussions.

Identifying building blocks for future cooperation, the EU and Norway called for a "shared vision" to reach the UNFCCC's ultimate objective of stabilizing greenhouse gas concentrations to a level that avoids dangerous anthropogenic interference with the climate system (Article 2). The EU identified the need for deeper emission reduction commitments for all developed countries and "further fair and effective" contributions by developing countries. He mentioned carbon markets, technology, investment, adaptation and deforestation as other building blocks to be addressed. Norway indicated that shared vision, mitigation and adaptation should be the main building blocks, with financing, technology, carbon markets, deforestation and aviation emissions as additional elements.

South Africa identified five building blocks for long-term cooperative action. He said the first would address adaptation for all but particularly LDCs, SIDS and Africa. He called for mitigation through legally binding reductions by Annex I countries and voluntary action by developing countries with technological and financial support. He emphasized the need to address the unintended consequences of adaptation and mitigation policies and response measures on oil exporting countries and others. He also stressed the role of technology research, development and diffusion. Saudi Arabia supported South Africa's building blocks approach, underlining the importance of financing and technology transfer.

China compared the Convention with a car that is not running smoothly. He identified mitigation, adaptation, technology and finance as the car's four wheels and lamented that only one of them, mitigation, is on track. China indicated that legally binding instruments should be adopted on adaptation, technology transfer and financing to safeguard the process.

On mitigation, Belize, for AOSIS, called for urgent, practical and ambitious actions, including large reductions within the next 10-15 years by the largest historical emitters and by major emitting developing countries with assistance from developed countries. He urged stabilizing greenhouse gas concentrations

at a level below 450 ppm, limiting temperature rise to less than 2°C from pre-industrial levels. AOSIS also stressed the need to consider the impacts on vulnerable countries of a long-term target, trade-offs implicit in emission pathways and damages caused by climate change. The Third World Network called for clarification of the potential impact on developing countries of a 50% global target for emission reductions.

Canada, Australia and Japan emphasized participation by all major emitters and underlined the need to consider national circumstances.

Argentina called for incentives for mitigation action in developing countries, including measures to allow them to overcome obstacles to mitigation in the agriculture and energy sectors. She identified the need for a differentiated approach based on national circumstances and per capita emissions. Brazil said that a successor process to the Dialogue should consist of a formal track, addressing measurable actions with incentives for non-Annex I countries.

Mexico said the new process should provide the way for long-term reductions in concentrations of GHGs, and identified the need for an evolution of the current division between Annex I and non-Annex I parties into a more realistic form of differentiation. He said voluntary commitments, based on gradual strengthening of capacity, should be part of a new formalized dialogue, and advanced developing countries should have incentives for innovative schemes to build goals over time. Uganda stated that developing countries had no objections to reducing emissions but were asking about the cost and impact on development.

India highlighted that developing countries need to increase their energy use and stressed economic development as the best form of adaptation. The United States underlined the need to respect national circumstances, notably energy endowments, and applauded efforts by India, China and South Africa.

Chile, New Zealand and several others highlighted the role of technology in long-term cooperation. Uganda called for a formal and binding instrument on technology, Iceland emphasized climate friendly technologies as a way to reduce emissions without halting economic growth, and Maldives called for modern cleaner technologies. Algeria mentioned the UN Convention to Combat Desertification where problems with technology transfer and financing are also halting implementation and said that the carbon market was necessary but insufficient. He proposed a fund with contributions from developed countries of 0.1-0.5% of their GDP.

The Republic of Korea stressed the importance of private sector participation, financing and capacity building. Egypt identified the need for more incentives under the CDM, and removal of barriers that have hindered participation and for non-commercial technology transfer. Papua New Guinea said the focus should be on mobilizing resources, identified market instruments as the most viable tool and said new ones should be created.

The Third World Network expressed skepticism about the role of private financing and called for a viable adaptation fund. He also identified intellectual property rights as a barrier to



technology transfer. Mauritius said that carbon trading needs to be reassessed as it is allowing emissions to continue with profits accruing to only some developing countries.

Qatar identified the need for discussions concerning the impact of response measures on non-Annex I countries, the linking of sustainable development goals with climate change objectives and moving from coal to cleaner fossil fuels.

The EU identified a strong degree of consensus on certain building blocks, including the need for deeper absolute emission reduction commitments for developed countries; measurable and incentivized action by developing countries; adaptation; technology and enhancing the carbon market.

AOSIS stressed that any post-2012 framework must build on the UNFCCC and the Kyoto Protocol, and the EU emphasized the UNFCCC as the global framework for addressing climate change, including adaptation and mitigation. Uganda said it was time for the Dialogue to deliver and called for the launch at COP 13 of a process leading to a legally binding instrument. The Business Council for Sustainable Energy supported a legally binding agreement after 2012 to underpin climate responsible investment and accelerate the deployment of renewable and energy efficient technologies in the coming decades.

India recalled that the Dialogue was not meant to open negotiations on new commitments. Saudi Arabia stated that there was no need for a new regime and argued that Annex I countries were preoccupied with an economic agenda, citing the EU's bid to control the carbon market. He called for further dialogue and confidence building and warned against attempts by countries to use the climate regime to exert economic leverage at the expense of others.

During the final session of the Convention Dialogue workshop on Wednesday morning, Co-Facilitator Bamsey reflected on the Dialogue and the building blocks he saw emerging from the process. He identified mitigation and adaptation as the key building blocks and indicated that technology issues are linked to both, and that the importance of finance and investment is increasingly understood.

**PROCESS AND NEXT STEPS:** During the Monday afternoon and Wednesday morning sessions, several delegates addressed the question as to how the Convention Dialogue process should be taken forward after the Co-Facilitators' report to COP 13.

India said the Co-Facilitators' report to COP 13 should be a compilation of views expressed during the Dialogue rather than a reflection of their sense of the discussions. Co-Facilitator Bamsey emphasized that the report would not contain any conclusions or recommendations but would reflect the diversity of views put forward. He said, however, that parties did not seem to have fundamental disagreements but that their differences related to specific design issues.

The Republic of Korea and China proposed extending the Convention Dialogue for two more years and Iran supported continuing it in the current format. Qatar supported a new agenda item on long-term cooperation under the COP, while continuing the Dialogue.

Indonesia called for a strengthened mandate and a decision from COP 13 for more comprehensive and in-depth discussion on the building blocks for long-term cooperation. Canada

stressed the need to build on the momentum created by the Dialogue and launch a process at COP 13 to establish a broad and comprehensive post-2012 framework involving all Convention parties. Mexico called for an immediate follow-up to build consensus and promote a framework for action, and said Bali should provide a basis for negotiations. Also Switzerland, New Zealand, Australia, Uganda and several others supported the idea of continuing the Convention Dialogue process through negotiations.

The Russian Federation proposed formal negotiations within the COP, the subsidiary bodies or within a new expert group. AOSIS indicated that a follow-up process for the Dialogue would involve forming a new body, and consideration of its mandate, operation and timeframe for completing the work. South Africa recommended that COP 13 convene an open working group to facilitate refinement of key ideas.

The EU called for a roadmap from Bali leading to a global comprehensive post-2012 agreement in 2009, and a work programme linked to the AWG and the review of the Kyoto Protocol under Article 9. Ukraine and Norway proposed that COP 13 should launch a negotiation process to be finalized at COP 15. New Zealand suggested that if negotiations were to be concluded in the timeframe suggested by some parties, the process will need to be more efficient.

Chile supported the continuance of the Dialogue in formal negotiations, parallel to the AWG, and Brazil identified a two-track process explaining that the AWG will lead to legally binding mitigation by Annex I countries. He proposed a formal process to succeed the Dialogue, focusing on voluntary and incentivized action by non-Annex I countries. Japan emphasized the need to ensure effectiveness, and with Norway, called for an inclusive one-track process.

The United States outlined President Bush's major economies' initiative that would lead to an agreement by major economies on a new framework by 2008 and contribute to global agreement under the UNFCCC in 2009. He stated that the Dialogue had highlighted areas of agreement for further focus, in particular, the calls for a new negotiation process. He called on parties to be cognizant of existing work programmes under the Convention, and looked forward to the United States making a significant contribution.

CAN International reminded delegates of the high expectations for Bali from the general public and business.

Wrapping up the workshop on Wednesday morning, Co-Facilitator Bamsey noted that the non-negotiation approach pursued during the Dialogue had freed up discussion and resulted in a wide range of new ideas and enhanced understanding. While the discussion had not always been comfortable, he hoped that the process had improved confidence. He noted that many had called for a formal process to be launched in Bali and this combination of process and substance would provide a full task for negotiators at COP 13.

## A BRIEF ANALYSIS OF AWG 4 AND CONVENTION DIALOGUE 4

### **AMBITION CAN DELIVER THE MEANS**

The “Vienna Climate Change Talks” followed a series of high-level initiatives, with climate change now firmly established as an issue warranting the attention of the leaders of the international community. As some in Vienna observed, climate change has also been driven up the political agenda by links to other strategically important issues including energy security and energy efficiency. There was a clear sense throughout the meeting that those within the process who are ambitious for a post-2012 agreement now have the wind at their backs as they prepare to use COP 13 in December this year as the launch pad for the next critical steps.

Thus, in a pivotal year of high-level activity on climate change, what are the main outcomes of the Vienna Talks and how were these achieved? What are the prospects for launching a formal process of negotiation leading to a post-2012 climate agreement in 2009 and what will that process look like? These are the two main questions to be addressed in this brief analysis of the UNFCCC intersessional meeting in Vienna.

### **CONTEXT: HIGH POLITICS (AND THE WASHINGTON CONNECTION)**

Nearly two hundred years after the Congress of Vienna (1814-15) reshaped European politics, the Austrian capital found itself at the apex of high politics with high stakes in play for the international community. The process, inputs and outputs of the “Vienna Talks” are, perhaps, best understood in the context of the frenetic round of high-level political developments in the climate change arena that preceded the meeting and that will follow in the run-up to COP 13 in Bali. One senior Convention official described the preceding nine months as “incredible,” given the change of mood and atmosphere around the process.

Indeed the Vienna Talks came on the heels of a series of high-level initiatives (UN Security Council and UN General Assembly debates) and reports (the Stern Review on the Economics of Climate Change and the forthcoming IPCC AR4), culminating in a critical signal from the G8 Heiligendamm Summit.

Clearly the managers of this stage in the UNFCCC process, namely the Secretariat and convenors of the Dialogue and AWG, now work in a much bigger political universe. With the UN Secretary-General’s upcoming climate change meeting for heads of state and government in September and other high-level deliberations planned in the lead-up to Bali, the UNFCCC-sponsored aspects of the climate change debate must now take account of the active involvement of presidents, prime ministers and other heads of state in other fora. For example, senior Convention officers were absent from Vienna, working directly to the UN Secretary-General on preparations for the New York meeting, which will also feature inputs from CEOs and representatives of civil society.

To varying degrees, these parallel and high-level influences have created centers of gravity beyond the UNFCCC process. Some aspects, such as the UN Secretary-General’s high level session, are closely aligned to and poised to serve the ambitions of the Convention’s ultimate objective. However, President

Bush’s Washington initiative for the fifteen major economies (or, as some would phrase it, “major emitters”) is widely regarded as much less predictable regarding its likely impact on the shape of a post-2012 commitment period and the overall UNFCCC process. Some observers view the Bush initiative as too ambitious. For example, the Washington agenda includes a work programme on reporting mechanisms that have taken a decade to develop and refine within the UNFCCC. Others speculated that the “Bush bash” has been designed largely for domestic consumption at a critical moment in the American election cycle. Whatever its influence, the Washington meetings will – like a distant moon – exert an ever-present pull on negotiators’ attention, forcing them, at times, to anticipate the terms of America’s future engagement with emission reductions. At a press conference in Vienna, a senior United States negotiator offered some insight into the White House’s thinking when, asked if he would come forward with a commitment during the Washington process, he responded: “We will come forward with what we believe is our contribution.”

The Climate Action Network’s Washington strategy will be to subvert any attempt by the Bush administration to spoil or hinder the UNFCCC process. Members of the Network have received invitations to the Washington meeting but insist that they do not intend to treat the event as part and parcel of the UNFCCC process. Instead, NGOs plan to use the opportunity to explain their support for the Kyoto Protocol and to call on others – including members of the 15 major economies – to do the same. They say opportunities to engage with other important actors “on the Hill” will not be lost, nor will strategic opportunities to highlight important Congressional bills on cap-and-trade initiatives be overlooked.

### **THE EXHAUSTED MANDATE: AWG 4 (PART ONE)**

From its inception, the AWG’s mandate installed a firewall restricting deliberations to new emission reductions by Annex I parties in the second and subsequent commitment periods under the Protocol. As one UN agency observer suggested, while this restriction was probably an essential condition for the launch of the AWG process, the original mandate has, in some respects, been overtaken by evidence that the ultimate objective of the Convention cannot be achieved by the Annex I parties acting on their own.

With important data drawn from the IPCC AR4, the Secretariat’s technical paper prepared for the Vienna meeting inevitably set up a collision between the AWG’s mandate and the probable role of major emitters in the developing world in meeting a future global reduction objective. The problem came into sharp focus in the IPCC’s lowest stabilization scenario to contain atmospheric GHG concentrations to between 445-490 ppm. Hidden within this scenario – which offers the parties the nearest prospect of meeting the ultimate objective of the UNFCCC – is a set of assumptions about the potential contribution of non-Annex I parties, due to the availability of cost-effective mitigation options in developing countries. In other words, burden sharing and significant investment flows to secure emissions reductions, through technology transfer and expanded use of the CDM, with non-Annex I countries, is integral to the assumptions made in the literature that supports the IPCC Working Group III’s lowest scenario.

Conventional wisdom seems to be taking hold in many capitals – North and South – that major emitters in the developing world will have to contribute directly or indirectly to future global emissions reduction targets. However, the implicit burden sharing dimension associated with the lowest IPCC scenario threatened to bring the firewall down in the AWG's Vienna meeting and introduced what some regarded as a premature stand-off. In the end, there was a trade-off in which Annex I parties agreed to soften language pointing to the need for a role by non-Annex I parties in realizing the commitments implied by the IPCC's lower scenario. In part this was achieved by falling back on a reference to the AWG's agreed language from a previous session, which makes reference to future work on flexible mechanisms such as the CDM. In return, Annex I parties agreed to G-77/China demands for more information on their future commitments.

The AWG will reconvene to continue to develop its work plan in Bali but, some argue, is working with an exhausted mandate, given the assumptions that are written into the IPCC's work on the lowest scenario and the growing governmental and non-governmental constituencies for this scenario to form the basis of ambitious 2012 commitments, if parties are to hold back temperature increases to around 2°C.

#### **THE BALI EQUATION: FROM DIALOGUE TO ACTION**

With the difficulties surrounding the AWG's mandate anticipated for some time in advance of the Vienna Talks, there was an onus on the managers of the process to get the Dialogue right. As one senior official observed at the close of the Talks, it is within the context of a successful evolution or transition from the Dialogue process that the problems within the AWG will be transcended, in time.

The steering of the Convention Dialogue has been described as "masterful," referring to the way in which positions were tabled without the pressure of having to reach a consensus. Instead, the co-facilitators succeeded in engaging participants in an open and, at times, generous round of proposals and exploration.

One of those involved in managing the Dialogue process explained the thinking behind the format of the Dialogue sessions: "There's a trade-off... In a business as usual negotiation the parties retreat to their trenches and we would end up desperately hoping to build agreement by 2009. Or we can take the clever approach and build confidence, a high level of confidence and a sense of purpose. This was the major achievement of the Dialogue. We established a sense of purpose."

Many feel that the Dialogue went a long way towards establishing a near-consensus around the vital building blocks for the launch of what one senior observer described as an "Ad Hoc Group on the Berlin Mandate (AGBM)-type" process. Officials close to the process have variously described the next stage in terms of a "hybrid" or transition by "osmosis" to fully-fledged negotiations and a road map that may entail several meetings a year up to 2009. Having calibrated the Dialogue deliberations to secure a range of constructive proposals, the managers of the process can now anticipate that high-level deliberations

at the Secretary-General's meeting in New York and other intersessional activities will inject further momentum for the launch of formal negotiations at COP 13 in December.

#### **THE BALI EQUATION: AMBITION DELIVERS THE MEANS**

Process and substance are like partners dancing an eternal waltz through the corridors of the climate change regime. The Convention Dialogue managed to identify a clear set of building blocks for a future regime thanks to careful attention to process.

The Vienna discussions on financing issues based on a report by the Secretariat made an important contribution of substance. The UNFCCC Executive Secretary has never tired of rehearsing an equation that, he believes, will unlock the energy and the means for parties to step up to the plate for a new global commitment. Critically, that equation links the ambition of future commitments to the prospect of massive new flows of cash, notably investment in clean and sustainable development in non-Annex I countries. This would involve new and expanded flexible mechanisms and a new level of certainty about the future of the nascent global carbon market.

This explains the importance of what were, at times, far reaching contributions from members of the financial community during the Dialogue session. A former AOSIS negotiator anticipated a time when countries will scrutinize the carbon market in a similar fashion to the role of central banks in monitoring fiscal discipline today. Initiatives related to financing have already begun to take on a life of their own, and will receive an additional boost during parallel sessions involving finance and trade ministries in Bali.

Overall, many feel that the Convention Dialogue's contributions helped to define the building blocks that will be part of future negotiations. These elements will be predicated on building sufficient confidence around convincing levels of investment flows, both private and public, to non-Annex I countries, and unleashed by the adoption by Annex I parties of the most ambitious emissions reduction objectives. The elements may include: innovative financial and investment instruments, including an expanded CDM; better access to clean development projects; more detailed work on spillover effects, including trade impacts; a clearer delineation of the respective roles of public and private finance, notably in the context of adaptation; an integrated approach to mitigation and adaptation, in the context of sustainable development; and new tailored policies and measures (or soft commitments) that may come to define a new system of differentiation within the non Annex I parties. Other issues that will require attention include sectoral approaches, carbon capture and storage, aviation emissions, deforestation, and research and development.

#### **CONCLUSION**

This analysis posed two questions on the achievements of the Vienna Talks and the shape of the Bali roadmap. Having anticipated the limitations of the AWG's mandate, the managers of the Vienna agenda calculated that confidence building and an open discussion under the Dialogue was essential. This was achieved and succeeded in generating a rich discussion on the building blocks that are likely to make up the agenda if – and presumably when – there is a transition from informal dialogue

to formal negotiations similar to an AGBM process or a hybrid variation of this. Moreover, the style of the Dialogue took account of the fact that decision-making on the options available to negotiators no longer lie exclusively within the UNFCCC process.

In response to the second question, many predict that sufficient work has now been done to contemplate a high-level endorsement before or during COP 13 for the launch of formal negotiations. With further elaboration and confidence building around finance, investment and compelling new reasons for differentiated levels of engagement by non-Annex I parties, alongside the provision of more detailed information demonstrating leadership and intent by Annex I parties, even the problems of the AWG may give way to a hopeful new stage in negotiations.

In valedictory comments, Norway's Harald Dovland, called on negotiators to: "Promise me one thing....do your job in Bali." The Vienna Talks and all that preceded them...and all that will follow during the intersessional period, give every reason to believe that parties across the board will honor that promise. Negotiators departed Vienna in no doubt that the means for early and cost-effective action, consistent with a science-led response to the ultimate objective of Convention Article 2, are readily available. Ambition can deliver the means.

## UPCOMING MEETINGS

### THIRD INTERNATIONAL CONFERENCE ON

**CLIMATE AND WATER:** This conference, hosted by the Finnish Environment Institute, will take place in Helsinki from 3-6 September 2007. For more information, contact the Finnish Environment Institute; tel: +358-20-490-123; fax: +358-20-490-2190; e-mail: [esko.kuusisto@ymparisto.fi](mailto:esko.kuusisto@ymparisto.fi); internet: <http://www.environment.fi/default.asp?contentid=232206&lan=EN>

### WORKSHOP ON ADAPTATION PLANNING AND PRACTICES UNDER THE NAIROBI WORK

**PROGRAMME:** This workshop will take place from 10-12 September 2007, in Rome, Italy. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); internet: <http://www.unfccc.int>

### EXPERT GROUP MEETING: CARBON CAPTURE AND STORAGE AND SUSTAINABLE

**DEVELOPMENT:** This meeting will take place from 10-11 September 2007, at United Nations headquarters in New York. Discussions in the Commission on Sustainable Development and other forums have underlined the importance attached to carbon capture and storage (CCS) technology for climate change mitigation. This meeting will seek to bring together experts from academia, industry, and government agencies working to advance our knowledge of CCS options. The primary objective is to elaborate and explore the contribution of CCS to sustainable development, in particular energy for sustainable development and climate change. For more information, contact: DSD Secretariat; tel: +1-212-963-8102; fax: +1-212-963-4260; e-mail: [dsd@un.org](mailto:dsd@un.org); internet: [http://www.un.org/esa/sustdev/sdissues/energy/op/ccs\\_egm/ccs\\_egm.htm](http://www.un.org/esa/sustdev/sdissues/energy/op/ccs_egm/ccs_egm.htm)

**CLIMATE CHANGE AND DESERTIFICATION: MONITORING, MODELING AND FORECASTING:** This meeting, hosted by the Université de Genève, will be held from 10-13 September 2007, in Wengen, Switzerland. The meeting will review (1) where we were and what we have learned about desertification processes over the last three decades, (2) the current state of the art in this and related fields (monitoring, modeling, integration of natural and social sciences, historical background, etc.), and (3) where we are heading, given the high likelihood of significant climate changes in the coming decades. For more information, contact: Organizing Committee; tel: +39-33278-5567; fax: +39-33278-9960; e-mail: [wengen@jrc.it](mailto:wengen@jrc.it); internet: <http://www.unige.ch/climate/Workshops/wengen07.html>

**NINETEENTH MEETING OF THE PARTIES TO THE MONTREAL PROTOCOL:** MOP-19 will take place from 17-21 September 2007, in Montreal, Canada, marking the Protocol's 20th anniversary. It will be preceded by the 39th meeting of the Implementation Committee from 12-14 September 2007. For more information, contact: Ozone Secretariat; tel: +254-20-762-3850/51; fax: +254-20-762-4691/92/93; e-mail: [ozoneinfo@unep.org](mailto:ozoneinfo@unep.org); internet: <http://ozone.unep.org/>

**CLIMATE CHANGE: SCIENCE, POLITICS AND THE MANAGEMENT OF UNCERTAINTY:** This conference will take place from 17-23 September 2007, at Merton College, Oxford, United Kingdom and will address the linkages of science and politics, within a context of uncertainty, and the difficulties of making policies to address the problems of global warming. The conference will review lessons learned in recent years, from the Kyoto Protocol to initiatives at the level of state governments, cities and communities. It will attempt to define what approach or combination of approaches is most likely to bring the best ecological, social and economic outcomes. For more information, contact: 21st Century Trust; tel: +44 (0)20-7323-2099; fax: +44 (0)870-056-7163; e-mail: [trust@21stcenturytrust.org](mailto:trust@21stcenturytrust.org); internet: <http://www.21stcenturytrust.org/2007.html#1>

### UNITED NATIONS HIGH-LEVEL MINISTERIAL

**MEETING ON CLIMATE CHANGE:** A high-level ministerial meeting will take place on 24 September 2007, at UN headquarters in New York. The purpose of the event is to promote dialogue, highlight priority issues within four broad thematic areas, and mobilize support at the highest level for a strong political signal to the UN Climate Change Conference in Bali that governments are ready to accelerate work under the UNFCCC. For more information, see <http://www.un.org/climatechange/2007highlevel/index.shtml>

**US-HOSTED MEETING OF MAJOR ECONOMIES ON ENERGY SECURITY AND CLIMATE CHANGE:** US President Bush has issued invitations to major economies to attend this meeting from 27-28 September 2007, in Washington, DC, USA. The invitee list includes the European Union, France, Germany, Italy, the United Kingdom, Japan, China, Canada, India, Brazil, South Korea, Mexico, Russia, Australia, Indonesia, South Africa and the United Nations. For more information, see <http://www.whitehouse.gov/news/releases/2007/08/20070803-7.html>

**SECOND INTERNATIONAL CONFERENCE ON TOURISM AND CLIMATE CHANGE:** This conference will take place from 1-3 October 2007, in Davos, Switzerland, organized by the UN World Tourism Organization (UNWTO) together with the UN Environment Programme, and with support from the World Economic Forum (WEF) and the Swiss Federal Government. This meeting will seek to set in place the research and policy measures that will enable tourism to respond to the challenges of climate change and at the same time reduce the industry's own contributions to global warming. For more information, contact: UNWTO; tel: +34-91-567-8100; fax: +34-91-571-3733; e-mail: omt@unwto.org; internet: <http://www.unwto.org/climate/index.php>

**TECHNICAL WORKSHOP MEETING ON EMISSIONS FROM AVIATION AND MARITIME TRANSPORT:** This workshop, organized by Norway with the assistance of the European Environment Agency (EEA), will take place in Oslo, Norway, from 4-5 October 2007. For more information, contact: European Environment Agency; tel: +45-33-36-7100; fax: +45-33-36-7199; e-mail: [Bitten.Eriksen@eea.europa.eu](mailto:Bitten.Eriksen@eea.europa.eu); internet: <http://www.eionet.europa.eu/training/bunkerfuelemissions>

**WORKSHOP ON FUTURE CLIMATE CHANGE RESEARCH AND OBSERVATIONS:** This workshop, organized by the Global Climate Observing System and the World Climate Research Programme, will be held in Sydney, Australia, from 4-6 October 2007. For more information, contact: World Climate Research Programme; tel: +41-22-730-8111; fax: +41-22-730-8036; e-mail: [sydney07@wmo.int](mailto:sydney07@wmo.int); internet: <http://wcrp.ipsl.jussieu.fr/Workshops/Sydney2007/index.html>

**TOURISM MINISTERIAL SUMMIT ON CLIMATE CHANGE:** This meeting will take place on 13 November 2007 in London, United Kingdom, and will consider the results of the Second International Conference on Tourism and Climate Change (1-3 October 2007, Davos, Switzerland). For more information, contact: UNWTO - World Tourism Organization; tel: +34-91-567-8100; fax: +34-91-571-3733; e-mail: [omt@unwto.org](mailto:omt@unwto.org); internet: <http://www.unwto.org/climate/davos/en/davos.php?op=1>

**THIRD WORKSHOP ON FINANCE AND INVESTMENT TO ADDRESS CLIMATE CHANGE:** This meeting will take place on 31 October 2007, in Bonn, Germany. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); internet: <http://www.unfccc.int>

**27TH SESSION OF THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE:** IPCC-27 will take place from 12-16 November 2007, in Valencia, Spain, and will focus on the adoption of the IPCC's Fourth Assessment Report. For more information, contact: Rudie Bourgeois, IPCC Secretariat; tel: +41-22-730-8208; fax: +41-22-730-8025; e-mail: [IPCCSec@wmo.int](mailto:IPCCSec@wmo.int); internet: <http://www.ipcc.ch/>

**THIRTEENTH CONFERENCE OF THE PARTIES TO THE UNFCCC AND THIRD MEETING OF THE PARTIES TO THE KYOTO PROTOCOL:** The thirteenth Conference of the Parties to the UNFCCC and third Meeting of the Parties to the Kyoto Protocol will take place in Bali, Indonesia, from 3-14 December 2007. These meetings will coincide with the 27th meetings of the UNFCCC's Subsidiary Bodies and the *Ad Hoc* Working Group on Further Commitments from Annex I Parties under the Kyoto Protocol. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); internet: <http://www.unfccc.int>

## GLOSSARY

AOSIS	Alliance of Small Island Developing States
AR4	IPCC Fourth Assessment Report
AWG	<i>Ad Hoc</i> Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol
CAN	Climate Action Network
CDM	Clean Development Mechanism
COP	Conference of the Parties
COP/MOP	Conference of the Parties serving as the Meeting of the Parties
Dialogue	Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention
GHG	greenhouse gas
IPCC	Intergovernmental Panel on Climate Change
LDC	Least Developed Countries
ppm	parts per million
SB	UNFCCC Subsidiary Body
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change

"Your Meeting" Bulletin

# IISD REPORTING SERVICES now at your meeting



**A Daily Report from the International Conference for Renewable Energies**

Published by the International Institute for Sustainable Development (IISD)

DAILY REPORTS AND WEB COVERAGE AT [HTTP://WWW.IISD.CA/SD/REN2004/](http://www.iisd.ca/sd/ren2004/)  
VOLUME 95, No. 5, MONDAY, 7 JUNE 2004

**SUMMARY REPORT OF THE INTERNATIONAL CONFERENCE FOR RENEWABLE ENERGIES - RENEWABLES 2004: 1-4 JUNE 2004**

The International Conference for Renewable Energies (*renewables 2004*) took place from 1-4 June 2004, in Bonn, Germany. Approximately 3600 participants from 154 countries attended the Conference, including several Heads of State, 121 Ministers and representatives from governments, intergovernmental organizations (IGOs), non-governmental organizations (NGOs), the scientific community and the private sector.

The *renewables 2004* programme consisted of nine Plenary Sessions, including a Multi-Stakeholder Dialogue and a Ministerial Segment. The Multi-Stakeholder Dialogue addressed: the value of, and opportunities for, renewable energy - policy frameworks and regulatory certainty; and promoting renewable energy - finance and capacity for the future. Other Plenary Sessions addressed best-practice examples and success stories.

The Ministerial Segment included three Ministerial Roundtables that considered policies for renewable energy market development, financing options, and strengthening capacities, research and policy



Members of major groups and delegations in the main plenary room.

developing countries, and the mobilization of financial resources for new and renewable sources of energy. However, it was only following the 1992 UN Conference on Environment and Development (UNCED) that renewable energy issues began to feature more promi-

*"IISD proved to be as professional as their reputation is. The group covered all events taking place at the conference venue itself as well as many side events which were located in the vicinity of the conference hall.*

*IISD produced a well-designed bulletin including informative text and pictures of all important meetings, discussions and results of the main conference events. This bulletin was very useful for participants to follow events they could not attend or were also interested in.*

*IISD also published plenty of information and photos on their web site. This service was a real added value to our own conference coverage. The services of IISD, being an independent organization, were especially appreciated by the conveners of the conference, ie the Federal Ministry for Economic Cooperation and Development and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety"*

**Dr. Heinrich Schneider**  
Conference Secretariat  
International Conference for  
Renewable Energies, Bonn 2004

This product was developed in 2003 specifically for large conferences that include both substantive discussions and side events. Building on the success of the *Earth Negotiations Bulletin* and *ENB on the Side*, "Your Meeting" Bulletin was created as a conference daily report. IISD Reporting Services was hired to publish in this format at the World Forestry Congress, Renewables 2004 and the IUCN World Conservation Congress.

"Your Meeting" Bulletin is a 4-6 page daily report and summary issue that includes coverage of policy discussions and/or negotiations, and extensive reporting from side events and special events during the conference.

For further information or to make arrangements for IISD Reporting Services to cover your meeting conference or workshop, contact the Managing Director:

**Langston James "Kimo" Goree VI**  
212 E 47th St. #21F, New York  
NY 10017 USA  
Phone: +1 646-536-7556  
Fax: +1 646-219-0955  
[kimo@iisd.org](mailto:kimo@iisd.org)



Visit our website at [www.iisd.ca](http://www.iisd.ca) to find all of the information you need.  
Subscribe free-of-charge to our publications at: [www.iisd.ca/email/subscribe.htm](http://www.iisd.ca/email/subscribe.htm)  
To view the IISD Reporting Services archives go to: [www.iisd.ca](http://www.iisd.ca)