

SB 28 AND AWG HIGHLIGHTS: TUESDAY, 10 JUNE 2008

On Tuesday, contact groups and informal consultations were held on a range of issues, including long-term cooperative action under the AWG-LCA, the flexible mechanisms and “other issues” under the AWG-KP, carbon capture and storage, review of the financial mechanism, non-Annex I communications, reducing emissions from deforestation in developing countries, and technology transfer.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

AWG-LCA (LONG-TERM ACTION): During the morning contact group, Chair Machado introduced draft text that, *inter alia*: takes note of the views and proposals made at AWG-LCA 2; invites parties to submit textual proposals on the five elements of the Bali Action Plan, considering linkages among them; invites parties to make submissions on the 2008 AWG-LCA workshops; and requests the Secretariat to prepare documentation based on submissions.

Parties provided comments and continued informal consultations in the afternoon. Discussions focused on, *inter alia*: the type and content of submissions; submissions by non-parties; possible prioritization of issues and whether such prioritization would constitute an interpretation of the Bali Action Plan; what the Secretariat will do with the contributions, including information notes, and how and when these will be made available to parties, including through the internet. Delegates also considered deadlines, the negotiation structure, feasibility of workload, input for the Accra workshops and, given the workload, effective participation by all parties, particularly developing countries. The informal session was followed by “Friends of the Chair” consultations on what issues to include in the Secretariat’s information notes. New text will be made available and parties will continue informal consultations on Wednesday.

AWG-LCA (WORK PROGRAMME): Bilateral consultations continued, with parties considering draft text prepared by AWG-LCA Vice-Chair Cutajar. Significant progress was reported. Consultations will continue on Wednesday.

FLEXIBLE MECHANISMS (AWG-KP): In the contact group, Co-Chair Lacasta invited comments on a draft text concerning the relationship between the work of the two AWG-KP contact groups on LULUCF and the flexible mechanisms. South Africa, for the G-77/CHINA, supported the general approach but said she needed more time to coordinate.

On the flexible mechanisms, Co-Chair Lacasta explained that a list of possible improvements had been compiled, containing all proposals by parties. He suggested attempting to classify the proposals at this contact group, and considering clarifications during further consultations on Wednesday.

Parties worked through the list, classifying issues as first and second commitment period ones. Some were marked as requiring further consideration. Discussions focused on the CDM, with the remainder of the list to be taken up on Wednesday.

The G-77/CHINA stated that issues such as privileges and immunities fall under the Article 9 review and are outside the AWG-KP’s mandate. TUVALU stressed that certain proposals would involve opening the Marrakesh Accords and urged marking them as second commitment period issues. The EU stated that changing rules on issues such as additionality at the beginning of the first commitment period would upset the carbon market and be “the worst that one can do as a regulator.”

KUWAIT proposed a glossary that explains what the various proposals mean. SWITZERLAND suggested adding specific proposals, including the consideration of due process issues related to the CDM Executive Board. CANADA opposed Tuvalu’s proposal to classify “removing financial additionality” as a second commitment period issue.

CAN highlighted privileges and immunities; public participation; technology transfer; and moving from projects to top-down approaches to address leakage. He identified the need to consider risks related to sectoral crediting. He also stated that nuclear energy and REDD should not be included under the CDM and JI, and opposed replacing GWPs. The group will continue its work on Wednesday.

OTHER MATTERS (AWG-KP): In the contact group, Chair Dovland invited comments on the draft text, listing items for further discussion. BRAZIL said cooperative and non-Annex I sectoral policies are not related to Annex I commitments and should be deleted.

On greenhouse gases, sectors and source categories, CANADA stressed that the implications of adding a new gas should be explored before such an addition, and NEW ZEALAND suggested that links to ozone depletion be considered.

On emissions from international aviation and maritime transport, SAUDI ARABIA, KUWAIT and QATAR supported deletion of the section, with SAUDI ARABIA stating that Protocol Article 2.2 (aviation and marine bunker fuels) would

have to be amended before discussion on this issue could take place. TUVUVALU suggested considering financial instruments as a tool to fund REDD.

On methodologies for estimation of greenhouse gas emissions, South Africa, for the G-77/CHINA, stated that it is not ready to consider adoption of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, but that a study on the implications of adopting the guidelines would be useful.

On global warming potentials (GWPs), CANADA noted the need for proven methodologies, stating that global temperature potentials (GTPs) are not yet proven. The G-77/CHINA suggested consideration of implications of different time horizons for GWPs and suggested replacing references to GWP with "GWP/GTP." The EU said changes to the project-based mechanisms may need to be considered if GWPs are changed.

In consultations held later in the evening, parties agreed to indicate that possible sectoral approaches should complement, not replace, national targets.

ARTICLE 9 REVIEW (SBI): Progress was reported in informal consultations, with delegates focusing on the scope of the review, an analysis of the share of proceeds issue, the CDM and privileges and immunities. Parties also agreed to hold a preparatory workshop at least one month before COP/MOP 4.

CAPACITY BUILDING UNDER THE CONVENTION (SBI): Consultations continued on a draft COP decision, with parties considering the Co-Chairs' text section-by-section. The main area of disagreement was on a reference to the development of performance indicators for the monitoring and review of capacity building in developing countries. However, parties were ultimately able to agree on text for a draft COP decision, and the group concluded its work.

CARBON CAPTURE AND STORAGE (SBSTA): During informal consultations, disagreement persisted over draft text on CCS under the CDM. The Co-Chairs will consult with SBSTA Chair Plume on how to proceed.

DECISION 1/CP.10: Consultations on this issue continued Tuesday, with parties debating, *inter alia*, how to continue consideration of the implementation of adaptation activities, pending the planned review of implementation of Convention Article 4.8 (adverse effects), as mandated by decisions 5/CP.7 and 1/CP.10. Consultations will continue Wednesday.

FINANCIAL MECHANISM (SBI): Informal consultations took place throughout the day. In the morning, Co-Chairs' draft conclusions and a draft decision were distributed. The draft conclusions address assessment of funding necessary for developing countries and the fourth review of the financial mechanism. Parties discussed, *inter alia*, a possible request to the Secretariat to prepare a paper on how multilateral and bilateral financial initiatives conform to the Convention's principles. In the afternoon, parties considered the preamble to the Co-Chairs' draft conclusions, with the role of the private sector being one of the contentious issues. Informal consultations on the operative section of the draft conclusions will take place on Wednesday.

NAIROBI WORK PROGRAMME (SBSTA): During informal consultations, some progress was reported and new text will be available Wednesday morning.

NON-ANNEX I COMMUNICATIONS (SBI): During informal consultations, parties began to consider the mandate and terms of reference for the work of the Consultative Group of Experts (CGE) on non-Annex I national communications. Parties gave their views on the Co-Chairs' draft text, and there was disagreement regarding, *inter alia*, the length of the CGE's new mandate. Informal consultations will continue on Wednesday afternoon.

LEAST DEVELOPED COUNTRIES (SBI): After consultations on Monday during which the contact group agreed on the 2008–2010 work programme of the LDC Expert Group (FCCC/SBI/2008/6), draft conclusions (FCCC/SBI/2008/L.2) were distributed on Tuesday and will be presented for adoption in the SBI plenary later this week.

REDUCING EMISSIONS FROM DEFORESTATION (SBSTA): Consultations held throughout the day focused on updated text on estimation and monitoring, reference emissions levels, national and/or sub-national approaches, and displacement of emissions. A number of parties raised concerns that the original text prejudices outcomes by stating that reference emissions levels be based on historical emissions. Parties were unable to reach agreement on this issue, with a group of Annex I countries stressing the role of historical emissions from deforestation in developing countries in establishing reference levels. Many parties stressed the importance of flexibility in selecting the starting date or period for reference emissions.

Concerns were also raised about dealing with emissions displacement in sub-national approaches. Many parties objected to text on exploring how sub-national approaches can be used in the development of national approaches, stating that this raises national approaches above sub-national ones. Parties did not reach agreement, retaining multiple bracketed paragraphs. Consultations continued into the night.

TECHNOLOGY TRANSFER (SBI): During informal consultations, parties considered revised text, including draft SBI conclusions and terms of reference for the review and assessment by the SBI on the effectiveness of the implementation of Articles 4.1(c) and 4.5 (technology transfer). However, disagreement persisted on a range of issues. Delegates will use the remaining negotiating time to work on the structure of the terms of reference, for use at future negotiations.

TECHNOLOGY TRANSFER (SBSTA): Agreement was reached on the EGTT's terms of reference for developing performance indicators to monitor and evaluate effectiveness of the technology transfer framework, and identifying and analyzing potential new financial resources and relevant vehicles to support technology transfer. The group completed its work on Tuesday morning.

IN THE CORRIDORS

With at least two dozen contact group and informal meetings scheduled, Tuesday was, in the words of one delegate, "a day of organized chaos." There was some method to the apparent madness, though, with progress reported in several groups, including technology transfer under the SBSTA and capacity building under the Convention.

One area where persistent differences were being reported was adaptation, with developing countries and NGOs expressing particular disappointment. "Everyone seems to agree in public on the need to prioritize adaptation, but in the informals we're just not seeing any forward movement," said one delegate. Informal discussions on REDD also disappointed some participants, with negotiations continuing into Tuesday night.

Under the AWG-KP, the group on flexible mechanisms attempted to organize the long "shopping list" by color-coding issues on the overhead screen for short- or long-term consideration. "That was a slightly surreal way of trying to classify issues that could have fundamental implications for the carbon market and the Marrakesh Accords," said one seasoned negotiator as he emerged from the meeting.