

AWG-LCA 3 AND AWP-KP 6 HIGHLIGHTS: FRIDAY, 22 AUGUST 2008

On Friday morning, the in-session workshop on cooperative sectoral approaches continued under the *Ad Hoc* Working Group on Long-term Cooperative Action under the Convention (AWG-LCA). In the afternoon, a workshop on policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries (REDD), and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries was also held under the AWG-LCA. Throughout the day, the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) convened contact groups on land use, land-use change and forestry (LULUCF), the flexible mechanisms, and “other issues” comprising: greenhouse gases, sectors and source categories; approaches targeting sectoral emissions; methodological issues; and spillover effects.

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WORKSHOP ON SECTORAL APPROACHES AND SECTOR-SPECIFIC ACTIONS: Delegates reconvened in the workshop, where they continued to present their views. AUSTRALIA outlined the advantages of sectoral approaches, including development and deployment of low-carbon technologies, lower transaction costs, and capacity building. NORWAY noted that sectoral approaches could be useful in a transitional period to engage developing countries and promote technology transfer. The Philippines, for the G-77/CHINA, with the ALLIANCE OF SMALL ISLAND STATES, said technology transfer and financing should be a basis for discussions. The REPUBLIC OF KOREA said it would announce its mid-term target next year, and, with INDIA and MEXICO, called for incentive-based sectoral approaches. QATAR supported sectoral approaches in principle but highlighted concerns such as lack of relevant expertise in most developing countries. France, for the EU, linked sectoral approaches to carbon markets and cautioned against bottom-up approaches.

SAUDI ARABIA pointed out that the Convention provides parties the flexibility to decide where, how and in which sectors to reduce emissions. The US said he did not see Article 4.1(c) (cooperation in reducing greenhouse gas emissions in all sectors) as a target-setting exercise, but supported reference to sectoral approaches in an agreed outcome. CHILE said that emissions from bunker fuels should be regulated taking account of the

Convention's principles. CHINA observed that the mandate of the AWG-LCA is not to establish mitigation goals but to promote the Convention's implementation.

JAPAN suggested building on progress made on sectoral approaches, emphasizing that goals can be differentiated among countries but there should be common metrics. SWITZERLAND underlined the need for additional analytical work on sectoral approaches. NEW ZEALAND and TIMOR-LESTE called for a clearer definition of sectoral approaches.

WORKSHOP ON REDD, CONSERVATION AND SUSTAINABLE FOREST MANAGEMENT: AWG-LCA Chair Luiz Machado opened the workshop and SBSTA Chair Helen Plume presented on progress made during SBSTA 28 and the outcome of the recent UNFCCC Workshop on Methodological Issues Relating to REDD.

Chunfeng Wang, China, described the challenges of developing policy approaches and positive incentives. He called for: flexible and rigorous methodologies; increased financial and technical support for developing countries; integration of sustainable development strategies into approaches and incentives; support for early action; and enhanced coordination among international organizations. Thelma Krug, Brazil, underscored the need to bear in mind the ultimate objective of the Convention. She stated that forestry activities should receive financing under the Convention and that the treatment of forest mitigation activities should not be differentiated from non-forest mitigation activities under the Convention. With regard to conservation, she said it is important to consider efforts in light of whether they alter the land-use change flux.

Brice Lalonde, EU, stressed consistency, simplicity, and encouragement of early action and suggested consideration of conservation and enhancement of forest stocks. Robert Bamfo, Ghana, outlined state initiatives for reducing deforestation, describing the role of NGOs and the private sector. He underscored equitable benefit-sharing and the need for sufficient and consistent financial incentives. Jagdish Kishwan, India, stated that conservation and sustainable forest management should be recognized. Concerning financing, he suggested that a market approach, incorporating upper and lower ceilings on REDD credits, could be used for carbon stocks that undergo changes, and that a non-market approach could be applied for maintaining baseline stocks.

Nur Masripatin, Indonesia, discussed her country's REDD efforts and called for transparency, fair distribution of resources, bilateral engagement and increased private sector engagement. Leonel Iglesias Gutierrez, Mexico, stressed broad country participation in REDD and suggested grouping countries with

similar characteristics to pursue similar objectives. He stated that the AWG-LCA should recognize the importance of carbon markets for REDD promotion, and underscored the provision of positive incentives.

Bryan Smith, New Zealand, observed that there is no technical or methodological impediment to developing a REDD mechanism. Stating that a market-based approach is more durable and efficient than a fund, he stressed that deforestation will not be curtailed until appropriate financial incentives are in place, and that funding for REDD should not be restricted to Annex I countries.

Audun Rosland, Norway, described the Norwegian Climate and Forest Initiative, which aims to initiate early REDD action in developing countries through pilot projects and national strategies, and develop national capacity for measuring, reporting and verifying. He stated that the Initiative strives to protect biodiversity and secure rights of indigenous peoples, and will build partnerships with UN agencies, donor countries, foundations, and civil society. Kevin Conrad, Coalition of Rainforest Nations, discussed a category-based REDD system that begins with a country-led voluntary stage, focusing on capacity building and demonstration projects, and eventually moves to a market-based approach, while maintaining environmental and market integrity.

Ian Fry, Tuvalu, proposed an international REDD fund that would finance REDD activities without an offset mechanism. He described several possible arrangements for generating new funds, including: a levy on international aviation and maritime transportation; auctioning of allowances under a cap-and-trade regime for international transportation; a pledged percentage of auctioned national emissions trading allowances; and a percentage of auctioned assigned amount units. Rafael Rebolledo, Venezuela, described the country's "Projecto Bosque" effort and described its methodology for measuring forest cover changes. He called for enhanced technology transfer.

In the ensuing discussion, BRAZIL objected to proposals in which REDD projects simply offset further Annex I emissions. GUYANA and others urged incentives for conservation and sustainable forest management. SAUDI ARABIA said that the industry exacerbating the problem should help solve it, and proposed a levy on the logging and timber industry. AUSTRALIA and SENEGAL stressed private sector involvement. CLIMATE ACTION NETWORK said REDD should apply exclusively to natural forests and, supported by the INDIGENOUS PEOPLES' FORUM ON CLIMATE CHANGE, stressed respect for the rights of indigenous peoples.

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LULUCF: Co-Chairs Rocha and Smith chaired the contact group on LULUCF. Co-Chair Rocha stated that the goal in Accra should be to define clear packages of options for discussion in Poznan. The Co-Chairs presented a chart summarizing aspects of the accounting options being discussed, proposed focusing first on forest management, and elaborated multiple options for gross-net and net-net accounting.

During the ensuing discussion, parties expressed their willingness to use the chart to structure discussions, and began to point out ways to refine it. The UK stressed the feasibility of implementing the various options. BRAZIL urged parties to clarify assumptions associated with procedures for factoring out, and, along with TUVVALU, noted that caps or discount factors could be applied to different accounting strategies.

The Co-Chairs said they will compile an updated version of the chart for parties to consider prior to Saturday's meeting.

FLEXIBLE MECHANISMS: The contact group, co-chaired by Figueres and Lacasta, met twice on Friday. Co-Chair Figueres explained that the focus of the group's work would be Annex

II of document (FCCC/KP/AWG/2008/3), containing parties' views on means available to Annex I Parties to meet their emission reduction targets. She proposed that the group focus on those items in Annex II, which could have a significant impact on Annex I Parties' reduction targets.

Co-Chair Figueres suggested categorizing the items as either "big ticket" or "non-big ticket," and beginning consideration of the big ticket items. AUSTRALIA, NORWAY, the EU, CANADA and others supported this approach. South Africa, for the G-77/CHINA, opposed this strategy, stating that some of the items enumerated in Annex II are beyond the group's mandate, as they would require amendments to the Kyoto Protocol. He proposed dividing the issues into: items being considered elsewhere, such as under SBSTA; items which would require amendments to the Kyoto Protocol; and rule-based items, which he said are within the group's mandate. Co-Chair Figueres proposed using both approaches, which the group accepted. Parties carried out the classification, and the Co-Chairs undertook to prepare a document reflecting these categorizations.

OTHER ISSUES: The group, chaired by AWG-KP Chair Dovland, discussed the inclusion of new gases and relevant methodologies. Regarding new gases, parties agreed on a basket approach. AUSTRALIA suggested the following differentiation among gases: those with sufficient information to warrant inclusion; those still requiring additional information; and those included under the Montreal Protocol. SOUTH AFRICA and JAPAN highlighted the need for a scientific assessment of new gases. The EU and NORWAY supported inclusion of HFCs and PFCs. The US called for comprehensive coverage and consistency between the Protocol and Convention, and the RUSSIAN FEDERATION cautioned against inclusion of insignificant gases.

On relevant methodological issues, BRAZIL pointed out that the IPCC does not prescribe the use of global warming potentials (GWPs). The EU, AUSTRALIA, NORWAY and JAPAN supported the continued use of GWPs, and NORWAY proposed that the IPCC provide additional information on other metrics.

The group will reconvene on Saturday morning to discuss spillover effects.

IN THE CORRIDORS

Many delegates left the conference center pleased with the level of discussions, which they characterized as having moved away from procedural to substantive issues. This was especially true of the REDD workshop, where concrete suggestions were finally put on the table. One NGO representative said that the REDD discussions could "potentially transform the governance of the climate change regime" by bringing voices concerned with indigenous rights, biodiversity and poverty into the spotlight for the first time. Many were upset that the presentations started late, leaving precious little time for interventions, especially in light of the lack of designated time to discuss REDD issues later in Accra.

One observer was delighted with the Korean intervention made at the workshop on sectoral approaches which announced the country's intention to declare a mid-term target next year. In the contact group on mechanisms, several parties appeared relatively satisfied that some progress had been made, with one saying that discussions at first appeared to be "getting out of hand," but that the Co-Chairs had done a good job of keeping the group on track. There was, however, some frustration with one party who appeared to be slowing the work of the group, and was being, in the words of one participant, "too emotional."