

AWG-LCA 3 AND AWP-KP 6 HIGHLIGHTS: MONDAY, 25 AUGUST 2008

On Monday morning, delegates convened in a contact group on delivering on technology and finance, including consideration of institutional arrangements, as well as informal consultations on the 2009 work programme, under the *Ad Hoc* Working on Long-term Cooperative Action under the Convention (AWG-LCA), and in informal consultations on land use, land-use change and forestry (LULUCF) and “other issues” under the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP). In the afternoon, LULUCF consultations continued, and AWG-LCA contact groups met on mitigation and its associated means of implementation, and on adaptation and its associated means of implementation. The AWG-KP contact group on flexible mechanisms convened in the afternoon and evening.

AWG-LCA CONTACT GROUPS AND INFORMAL CONSULTATIONS

DELIVERING ON TECHNOLOGY AND FINANCE:The contact group, chaired by AWG-LCA Chair Machado, met in the morning. The Philippines, for the G-77/CHINA, proposed a financial mechanism based on the principles, *inter alia*, of: direct access to funding, new and additional resources, and predictability. NORWAY highlighted its proposal to auction emission allowances to fund adaptation. MEXICO proposed a fund to finance mitigation, adaptation and technology transfer, with contributions from all parties based on greenhouse gas emissions, population and GDP. SWITZERLAND noted its submission on a funding scheme based on common but differentiated responsibilities, and the “polluter pays” principle. The REPUBLIC OF KOREA reiterated its proposal for carbon credits for mitigation, noted its similarity to the CDM, and said a share of proceeds could be allocated to finance adaptation.

The EU, suggested several elements to deliver financing: continuing with existing mechanisms such as the CDM levy; enhancing the role of national policies; and using carbon markets and innovative financial instruments.

JAPAN highlighted its Cool Earth Partnership and sectoral approaches as ways of identifying financial needs for technologies on a sectoral basis. INDIA noted the need for financing research and development, collaborating on technology research between developed and developing countries, and removing barriers to technology transfer.

MITIGATION AND MEANS OF IMPLEMENTATION:

The contact group was chaired by AWG-LCA Chair Machado. Australia, for the UMBRELLA GROUP, stated that AWG-LCA discussions should result in new legal obligations for parties. The G-77/CHINA, and Algeria, for the AFRICAN GROUP, strongly opposed any differentiation of parties beyond that of the Convention. SOUTH AFRICA and INDIA noted existing developing country actions on mitigation. BRAZIL highlighted the distinct legal nature of developed country commitments and developing country actions in light of historical responsibility. MALAYSIA and CHINA called for focus on the Convention’s implementation.

JAPAN stated that there is a growing difference among developing country economies, suggesting that the “polluter pays” principle should also apply to major developing country emitters. France, for the EU, called on developed countries to take on reduction commitments of 30% by 2020 based on 1990 levels. He also said countries with limited capabilities, such as LDCs, are not the focus of current discussions. SWITZERLAND emphasized that there is no contradiction between development and climate change policies, and highlighted the role of carbon markets.

The REPUBLIC OF KOREA noted the need for clarifying elements of the Bali Action Plan, such as nationally appropriate mitigation actions. SAUDI ARABIA said the impact of response measures needs to be addressed. NORWAY reiterated its support for regulating maritime emissions.

ADAPTATION AND MEANS OF IMPLEMENTATION:

AWG-LCA Vice-Chair Cutajar invited parties to focus on institutional frameworks for adaptation, as well as streamlining and scaling up financial and technological support. He emphasized links between poverty and adaptation, and the importance of integrating climate impacts into policies that address poverty. Parties highlighted various issues including: the report prepared by the Expert Group on Technology Transfer and its relevance to adaptation; the distinction between adaptation to short-term climate shocks and to long-term climate impacts; the importance of a tool for economic diversification; the benefits of determining adaptation costs sector by sector; the development of specific adaptation technologies for small island developing states; and coherence in funding to optimize resources and maximize effectiveness. Some parties proposed the development of an insurance mechanism to manage climate risk, and of regional centers of excellence to identify financing, technology transfer and capacity building needs.

2009 WORK PROGRAMME: During informal consultations, AWG-LCA Chair Machado observed that the 2008 programme had centered on exchanging ideas, but that the focus in 2009 should be on negotiating. He made three proposals for a Chair's paper to move the process forward in Poznan: a compilation of proposals from parties; a non-paper containing possible elements of a Copenhagen agreement; and a draft negotiating text. Many parties expressed preference for the first option. One party objected to the first proposal, questioning the added value of compiling views that are available on the Secretariat website, while another suggested a combination of the first two options.

Parties proposed workshops on: specific elements of sectoral approaches; mitigation in the agriculture sector; greenhouse gas inventories; impacts of response measures; and developed country mitigation commitments and developing country mitigation actions. Most parties stressed the importance of limiting the number of workshops. Parties considered a proposal to establish a group to address legal issues pertaining to the AWG-LCA, such as the "six-month rule" on the circulation of documents, and amendments to the Kyoto Protocol. Some parties opposed this, and Vice-Chair Cutajar suggested that the need for such a group had not yet arisen.

AWG –KP CONTACT GROUPS AND INFORMALS

FLEXIBLE MECHANISMS: In the afternoon and evening, Co-Chairs Figueres and Lacasta convened two contact groups to discuss the Chairs' draft text. Co-Chair Figueres requested that parties focus on whether the descriptions of listed improvements to the flexible mechanisms were consistent with parties' submissions, and urged delegates not to discuss the merits, or suggest deletions, of any listed item. She requested that parties first consider items that do not require amending the Kyoto Protocol and then turn their attention to those that do. TUVALU requested that all brackets be removed to clarify that the document was not a decision text.

Concerning the CDM, on the issue of nuclear activities, South Africa, for the G-77/CHINA, presented an option based on the relevant Marrakesh text. On differentiating the eligibility of parties through the use of indicators, INDIA suggested that reference also be made to Annex I parties. On defining co-benefits, the G-77/CHINA requested that energy efficiency be included; COLOMBIA, with BOLIVIA, suggested that social benefits be included; INDIA called for poverty alleviation to be added; and SENEGAL requested that mention be made of negative spillover effects and sustainable development. BOLIVIA requested that text be added allowing host countries, rather than Designated Operational Entities (DOEs), determine co-benefits.

Under both project-based mechanisms, NEW ZEALAND requested reference to cost effectiveness, administrative feasibility and perverse outcomes when discussing preferential treatment of project activities based on co-benefit criteria. On JI, TUVALU requested that these factors be included when determining the environmental integrity and additionality of project types.

On emissions trading, the G-77/CHINA said all listed items required amendments to the Kyoto Protocol. The group decided to delete reference to improving the basis for linking national or regional trading schemes across Annex I parties.

On other possible improvements to the flexible mechanisms, INDIA proposed an item on adding revised criteria for DOE accreditation.

Discussion focused on whether the status quo option should be listed under every item, and Co-Chair Figueres stated that the next draft would consider this issue.

After the contact groups, a "friends of the Chair" group met to discuss strategy, as well as the mandate of the group.

LULUCF: During informal consultations, parties discussed the new Chairs' text on possible options for amendments to LULUCF definitions, modalities, rules and guidelines and began to draft conclusions. The new text elaborates five options, each with, *inter alia*, different versions of forest management accounting under Article 3.4 (additional activities).

Many parties maintained that the five options should not be considered as "packages," but as "classes of options" from which elements may be drawn. Parties also stressed the importance of future discussion of non-forest-management land-use activities under Article 3.4.

One negotiating group stressed that the principles of decision 16/CMP.1 (LULUCF) should be retained without amendment. A developed country party expressed concern with the absence of "land temporarily out of accounting" from the options, and, opposed by others, proposed removal of text specifying that activities under Article 3.4 be compulsory if they were accounted for in the first commitment period. Another party proposed removing caps on Article 3.4 activities from all options.

Though some parties proposed deleting the option involving a single-year baseline for net-net accounting, the Chairs preferred not to remove options at this point so that each could be further elaborated.

On the conclusions, parties discussed whether to retain reference to Annex IV (options and issues for consideration) of the last AWG-KP report (FCCC/KP/AWG/2008/3). The Chairs will incorporate comments and draft a new text for consideration on Tuesday.

OTHER ISSUES: Parties met in informal consultations to discuss draft conclusions prepared by AWG-KP Chair Dovland. On greenhouse gases, sectors and source categories, no consensus was reached on the inclusion of new HFCs and PFCs in Annex A of the Kyoto Protocol. Parties decided to request more information on the gases, but differed on whether or not to include the study of sources in non-Annex I countries.

In discussions on relevant methodological issues, parties considered the continued use of global warming potentials with a 100-year time horizon, but did not reach agreement, instead requesting further work on appropriate metrics.

On spillover effects, parties agreed to submit views to be compiled by the Secretariat for consideration at the resumed sixth session in Poznan.

IN THE CORRIDORS

As delegates resumed discussions after a day off, the conference center was buzzing, with new faces in town for the last half of the meeting. In spite of this, the mood in the contact groups and informals on the fourth day of negotiations was characterized as lackluster. One delegate commented, "with all we have to do, I'm surprised at the lack of urgency in here." Others were not surprised at all, noting that "discussions are very much still in the collecting and clarifying mode." Emerging from the adaptation contact group, some delegates said that convening the group in the plenary hall encouraged a more formal setup that was less conducive to discussion. Others complained that some parties read prepared statements that were not entirely relevant to the specific issues being discussed.

At the same time, much was happening in offline discussions. Contentious issues, such as carbon capture and storage under the CDM, as well as differentiation of mitigation actions by developing country parties, heatedly discussed in the AWG-LCA contact group on mitigation, were at the focus of attempts to broker a way forward outside of the formal process.