

## AWG-LCA AND AWG-KP HIGHLIGHTS: TUESDAY, 11 AUGUST 2009

Throughout Tuesday, several informal groups under the AWG-LCA and the AWG-KP met to discuss issues, including technology and capacity building, finance, mitigation, Annex I parties' emission reductions, potential consequences, LULUCF and flexibility mechanisms.

### AWG-LCA INFORMAL GROUPS

**TECHNOLOGY:** During the morning's informal session, Facilitator Kumarsingh introduced a table indicating areas of perceived convergence and divergence as a tool for moving forward.

The G-77/CHINA highlighted the benefits of addressing the text's guiding principles. BANGLADESH suggested prioritizing items that can be fast-tracked, and said capacity building and finance in the context of technology should be addressed on a sectoral basis, focusing first on the most urgent needs of countries. The EU called for more precision on technology and capacity building, and highlighted that a deal in Copenhagen would result in a large increase in technology transfer and capacity building.

AUSTRALIA, CANADA, the EU and JAPAN supported establishing small groups to address specific issues, while the G-77/CHINA opposed having smaller groups at this point. The LDCs suggested that the main issues should first be addressed in a large group, while smaller groups could focus on removing brackets at a later stage.

CANADA, supported by JAPAN and the US, stressed that capacity building is a crosscutting issue that is a means and not an end in itself, and JAPAN said an independent section on capacity building was unnecessary. AOSIS suggested devoting three-quarters of the time to technology transfer and the rest to capacity building so as not to confuse the issues. TANZANIA supported a dedicated discussion on capacity building.

Following a short break to allow group consultations, the G-77/CHINA disagreed with some of the areas identified as having convergence. She said objectives and principles should be addressed first, and noted financing as an area of divergence. The US said: TNAs, capacity building and enabling environments should be dealt with separately; more clarification was needed on concepts such as "incentive mechanisms" and "technology information;" no convergence existed on the need for a body to oversee action; and references to finance should be moved to the finance section.

SAUDI ARABIA supported removing text that contradicts the Convention and the Bali Action Plan (BAP). The EU stressed reducing redundancy in the text, and suggested making concrete progress on areas where convergence exists to build trust before addressing areas of divergence. BRAZIL requested clarification on the meaning of divergence and convergence. NORWAY noted main areas of divergence related to, *inter alia*, how to stimulate action, incentives and support from developed to developing countries.

The US noted preference for discussing topics on which progress could be made such as cooperative R&D, TNAs, capacity building, enabling environments and regional technology centers. CANADA underscored that the discussion should be focused on development, deployment and transfer of technology, rather than just technology transfer.

The US opposed any discussion of changes to the IPR regime and any text that sought to undermine or weaken that regime, and requested its removal from the table. GHANA identified IPRs as a problem for developing countries, and, with BANGLADESH, UGANDA, INDONESIA, ARGENTINA and BOLIVIA, stressed that the IPR regime should be modified so that it does not constitute a barrier to technology transfer. Facilitator Kumarsingh said that parties could meet informally if they so wished to discuss pertinent issues.

**MITIGATION:** In the morning, Chair Zammit Cutajar facilitated the informal group on mitigation. The Secretariat presented on the mitigation chapter and Chair Zammit Cutajar explained that he would be seeking guidance from parties on proposals which did not fit into any of the sections.

During the general discussion, Brazil, for the G-77/CHINA, stressed the need to focus on advancing the Convention's implementation without altering its principles and provisions. He stated that developed countries must take on quantified, economy-wide reduction commitments and called for clear mid- and long-term commitments. The G-77/CHINA stressed that nationally appropriate mitigation actions (NAMAs) by developing countries are distinct from quantified mitigation commitments by developed countries and proposals must reflect this, avoiding treatment of mitigation contributions of all parties in a non-differentiated, unified manner.

INDIA proposed that the text should be consolidated, where appropriate, and language not fully compatible with the Convention should be eliminated. He suggested that to avoid

duplication, text derived from the proposed new protocols or implementing agreements should either be considered under the negotiating text or separately during COP 15.

AUSTRALIA said that reference to a global long-term goal should be set out clearly in the shared vision component of the text. The US suggested including a section after the title outlining common actions and strategies for all parties, including monitoring, reporting and verification (MRV) of these actions and strategies. Barbados, for AOSIS, called for keeping the text's structure consistent with the BAP and suggested moving proposals relating to the text's structure to a separate document.

South Africa, for the AFRICAN GROUP, expressed concern with proposals to link NAMAs with the carbon market and noted that MRV of NAMA support by developed countries requires more consideration. Tanzania, for the LDCs, called for: economy-wide, legally binding commitments by all developed countries; a stricter compliance regime; clear comparability of efforts; and consideration of limits to offsetting. On mitigation by developing countries, he identified means of NAMA implementation, as well as MRV of the means of NAMA implementation, as the key issues.

On mitigation by developed countries, the EU highlighted the need for: comparability criteria to guide the negotiations; MRV that builds on experiences and practices under the Protocol; and a linkage with the AWG-KP discussions. On developing country mitigation, he proposed considering the "lifecycle of NAMAs" and discussing how to formulate effective NAMAs, take technology and financing needs into account, match action with support and evaluate the results.

CANADA identified convergence around certain ideas, including that developed countries must take the lead through mid-term emission reductions, and called for a "holistic view" on the comparability of efforts, taking into account a range of mitigation actions. He highlighted the need for MRV and national inventories to strengthen understanding of global emission trends, and called for a compliance and review system that enables parties to meet commitments and strengthens confidence. GABON stressed the crucial role of trust and confidence for an agreement in Copenhagen.

SAUDI ARABIA and CHINA warned against attempts to renegotiate the Convention and its principles. SAUDI ARABIA stressed that the revised negotiating text must be developed by parties rather than the Chair and Secretariat. He opposed protectionist measures by developed countries on developing country exports.

CHINA said developed countries should take efforts that are comparable in nature and magnitude, including quantified and legally binding targets, and that MRV for developed countries should be based on rules and procedures used under the Protocol. INDONESIA called for legally binding emission reduction commitments by developed countries, highlighting that reducing emissions under domestic legislation is not consistent with the BAP. With CHINA, she stressed that NAMAs should be voluntary and cannot be used for offsetting by developed countries. CHINA proposed that support for NAMAs should be provided through the Convention's mechanisms.

CHILE identified the need to bring all countries together in a joint effort to agree on mid- and long-term targets, and highlighted that NAMAs should be voluntary and supported by finance and technology. BOLIVIA stressed that developed countries have accumulated an atmospheric debt and expressed hope for ambitious reduction targets consistent with the magnitude of the problem.

JAPAN supported setting a mid-term target in the form of quantified emission limitation and reduction objectives (QELROs) for developed countries, as well as NAMAs and low-carbon growth strategies for developing countries. He emphasized that developed country commitments and developing country actions are linked and should be subject to MRV.

**MITIGATION (paragraph 1(b)(iii) of the BAP):** In the afternoon, Tony La Viña (the Philippines) facilitated the informal sub-group on paragraph 1(b)(iii) of the BAP (REDD-plus). He proposed that parties address issues including: objectives and scope of REDD-plus; financing for readiness activities; financing for full implementation; relationship with NAMAs; national reference levels; and subnational REDD-plus actions. He requested a mandate to meet interested parties in individual consultations throughout the week, develop a text and update parties frequently. Parties broadly agreed to this but some expressed concern regarding a lack of transparency, and the need to ensure a multilateral process. NORWAY requested consideration of their complete proposal. TUVALU, BOLIVIA and SWITZERLAND stressed incorporation of indigenous peoples in the deliberations.

Regarding discussion on financing for the readiness activities phase, AUSTRALIA and CANADA proposed addressing commonalities in the objectives. GUYANA and PAPUA NEW GUINEA supported discussion on financing, highlighting the centrality of finance to success. COLOMBIA suggested breaking the discussion into what will be financed by the fund and where finances will come from. INDONESIA, SWITZERLAND and others supported this, calling for initial discussion on what will be financed, though BRAZIL noted the likely complexity of considering rules of eligibility. TUVALU, supported by NORWAY and ZAMBIA, considered financing of readiness activities and implementation to represent a spectrum within a single issue. The PHILIPPINES proposed that parties should learn from existing efforts in REDD implementation. TANZANIA highlighted the role of REDD as an incentive to local communities to continue mitigation activities. NEW ZEALAND questioned whether the details of REDD needed to be negotiated for Copenhagen.

**MITIGATION (paragraph 1(b)(iv) of the BAP):** In the afternoon, Farrukh Khan (Pakistan) facilitated the informal sub-group on paragraph 1(b)(iv) of the BAP (cooperative sectoral approaches and sector-specific actions). He noted that certain areas in the text required further clarity, and requested parties focus on questions, including what cooperative sectoral approaches should and should not do, what they should do for Annex I parties and non-Annex I parties, and what should they do for all parties.

JAPAN emphasized the potential of sectoral approaches to reduce emissions in both developed and developing countries, and noted that they help promote technology transfer and capacity building in developing countries. Brazil, for the G-77/CHINA, said proposed actions in sectors should be voluntary and compatible with an open international economic system. SAUDI ARABIA said sectoral approaches should enhance implementation of Convention Article 4.1(c) (development, application and diffusion, including transfer, of technologies). He said they should not be used to set sectoral goals or targets or compare sector-specific actions between countries or regions. INDIA said all proposals must relate to Convention Article 4.1(c), and opposed harmonization of sectoral standards.

The EU said opportunities to increase efficiency and sustainability through sectoral approaches should not be ignored, and said the shipping and aviation sectors should be included in a global agreement. NORWAY and SINGAPORE suggested that the International Maritime Organization (IMO) and the International Civil Aviation Organization (ICAO) update the group on recent activities, while SAUDI ARABIA said this was not the venue for observer organizations to give reports. INDIA said they should explain how these proposals embody common but differentiated responsibilities, and how they relate to Convention Article 4.1(c). The IMO noted 75% of ships in international trade are registered in non-Annex I countries, implying massive technology transfer for these ships, and said that funds generated under market-based approaches would be used for climate change purposes in developing countries. ICAO reported on the programme of action on aviation and climate change.

Algeria, for the AFRICAN GROUP, said sectoral approaches were best applied at the national level, and, regarding the aviation sector, said additional constraints or incremental costs should not be imposed on developing countries.

AUSTRALIA said sectoral approaches can assist parties in meeting obligations, but that they should not replace economy-wide commitments or be imposed on countries. The US noted that expertise resides at the sectoral level, which provides a good vehicle to promote cooperation, and noted overlap with sections on technology, adaptation and mitigation.

TUVALU said the section on sectoral approaches could be simplified and should not be too prescriptive or highlight specific sectors, with the exception of bunker fuels. CANADA noted duplication and called for coherence with the section on technology. Facilitator Khan said a paper structuring proposals and ideas on objectives, scope and policy guidelines around the five questions will be made available by Thursday.

**FINANCE:** In the afternoon AWG-LCA Vice-Chair Luiz Machado (Brazil) facilitated the informal group on finance. He requested that the Secretariat prepare a table reflecting areas of convergence and those requiring further discussion. He suggested addressing guiding principles, including access and dispersal, while postponing discussion on mobilization of funds. He also listed for discussion: questions of accountability, equity and balanced representation of all parties; coherence and coordination of funding sources; approaches for access and dispersal of funds; and addressing the needs of vulnerable developing countries.

The Philippines, for the G-77/CHINA, highlighted the accountability of the financial mechanism to the parties, the requirement to mobilize financial resources and the principle of equity.

BANGLADESH emphasized the need for a financial architecture under the UNFCCC, in conformity with the BAP, providing easy and direct access to resources especially for the most vulnerable countries. Barbados, for AOSIS, underscored the need to increase resources to fight climate change, provide funding for implementation of development plans and develop direct and simplified access to finance especially for SIDS and LDCs.

The US highlighted a number of domestic developments including his country's first contributions to the LDC Fund and the Special Climate Change Fund. On sources of funding, he stressed the role of private sources in generating the scale of financing needed. CANADA highlighted the need to catalyze private financial flows and investment and called for prioritizing the needs of the poorest and most vulnerable countries, as well as maximizing the effectiveness of existing institutions, frameworks

and networks. AUSTRALIA said all sources of funding are important, including public and private funds, as well as the carbon market, and called for a decentralized approach in order to facilitate access to funding.

South Africa, for the AFRICAN GROUP, said that it would not support text stipulating that all parties must contribute financial resources nor an approach suggesting differentiation among developing countries on access to financial resources. On the scale of finance, she stated that the African Group would not accept an agreement on finance without a financial commitment of one percent of global GDP. UGANDA, for the LDCs, highlighted difficulties in implementing national adaptation programmes of action (NAPAs) due to inadequate resources. On sources, he said that funds should be largely public and the mobilization of resources should take into account equity proportional to historic contributions to climate change.

SAUDI ARABIA emphasized that text requiring financial resources from developing countries would contravene the Convention's principles and stressed that finance should be based on public funding rather than from taxes that would impact exports from developing countries. CHINA said that the increasing emphasis on the private sector as a source of finance would lead to unpredictable funding, stressing that finance should be provided by the public sector and constitute at least 0.5-1% of developed countries' GDP. The G-77/CHINA and other developing countries emphasized the importance of MRV to successful mobilization of financial resources as well as providing the COP with direct control over governance.

Using a hybrid car as an analogy, MEXICO noted that a hybrid set of financial mechanisms was needed with "different sets of engines that can be coordinated to ensure the vehicle is moving at the proper speed."

#### **AWG-KP INFORMAL GROUPS**

**POTENTIAL CONSEQUENCES:** In the morning, Mama Konaté (Mali) and Andrew Ure (Australia) co-chaired the informal group on potential consequences. Co-Chair Konaté recommended that delegates work through the text forwarded by AWG-KP 8 (FCCC/KP/AWG/2009/9). Several countries noted that it is premature to determine the form of the outcome at COP/MOP 5 and that discussion should focus on making progress on the text. Parties agreed to move bracket-by-bracket through the text in annex I of the document.

Parties discussed language on issues including: basis of the AWG-KP's consideration of potential consequences; relevant COP/MOP decisions and articles of the Protocol; and framing of the work. Regarding the basis, developing countries recommended removing reference to the Convention, noting that the text is specifically in reference to the Protocol. South Africa, for the G-77/CHINA, expressed concern that the current formulation of the paragraph on the basis would introduce conditionalities and standards.

Regarding framing of the work, several developed countries underscored the repetitiveness of the current formulation, while the G-77/CHINA said that, although they recognize positive consequences, the text should emphasize minimizing negative consequences for developing countries. NEW ZEALAND noted that the text captures three separate ideas: striving to reduce negative consequences; that there are positive and negative consequences of mitigation actions; and that the focus of work is on the negative impacts in developing countries.

**OTHER ISSUES (LULUCF):** In the morning, Marcelo Rocha (Brazil) and Bryan Smith (New Zealand) co-facilitated the sub-group on LULUCF. Co-Facilitator Rocha proposed to focus

the week's discussions on data submission, CDM-related issues and natural disturbance and forest management, respectively. He explained that due to concerns expressed by several parties, small groups would not convene and he suggested bilateral discussions.

TUVALU, supported by COLOMBIA, noted the need to consider how LULUCF fits into the proposed new protocols, while the EU, CANADA and AUSTRALIA expressed concern with discussions of legal issues in this group. PAPUA NEW GUINEA called for also addressing land-based accounting. Parties agreed to take these issues up at one of the subsequent meetings.

Co-Facilitator Smith outlined key questions on data submission. Parties agreed on the utility of data submission with some noting that data increases transparency and clarifies the implications of LULUCF proposals on targets. GUYANA called for Annex I countries to provide data on the contribution of LULUCF to their targets. Many suggested that data submission would ideally occur before AWG-KP 9 in Bangkok, while noting the practical challenges of assembling data. SWITZERLAND highlighted the need for raw data that could be used under a variety of rule scenarios. On whether LULUCF rules are needed before countries submit data, CANADA suggested that two types of data were being discussed: basic data that is readily available; and scenarios and projections, which require more information and are not likely to be available for Bangkok. NORWAY, supported by the EU, PAPUA NEW GUINEA, CANADA and others, noted the need for general guidance on data submission requirements to realize consistency among countries.

**ANNEX I EMISSION REDUCTIONS:** During the technical exercise focusing on possible targets submitted by parties, the Secretariat introduced the note compiling information relating to possible QELROs as submitted by the parties. Parties then clarified explanations of the assumptions underlying their numbers. On their proposed reduction target of 10 to 20% below 1990 levels by 2020, NEW ZEALAND highlighted that it assumed continuation of current LULUCF rules, as well as full recourse to carbon markets and flexibility mechanisms due to the high cost of domestic mitigation. In response to questions, she said that action by advanced and major developing countries should be determined on a country-by-country basis, using a variety of factors including GDP *per capita*, composition of the economy and mitigation potential, amongst others.

JAPAN then explained its national target of reducing emission by 15% from 2005 levels by 2020, stressing that it included only domestic efforts without flexibility mechanisms and LULUCF. Responding to questions, he noted that a single base year is not appropriate for all parties and that targets should not be set by individual countries taking into account their own national mitigation potential. He also underscored that Japan's target for the first commitment period was very ambitious compared to other countries.

**OTHER ISSUES (MECHANISMS):** In the afternoon, parties continued considering elements of draft COP/MOP decisions on the mechanisms (FCCC/KP/AWG/2009/10/Add.3).

The LDCs, the G-77/CHINA, the REPUBLIC OF KOREA, JAPAN and others supported retaining text on improving access to CDM projects by specified host parties, while the EU preferred taking no decision. He listed alternatives for addressing regional distribution, including programmatic CDM, standardized baselines and sectoral mechanisms.

On promoting co-benefits for CDM projects, BRAZIL, INDIA, the PHILIPPINES and others supported taking no decision, while JAPAN, SAUDI ARABIA, KUWAIT and others

supported addressing co-benefits. Several parties supported deleting text on requiring each CDM project to demonstrate specified co-benefits, while retaining text on support for projects that demonstrate specified co-benefits.

On multiplication and discount factors under the CDM, JAPAN, CHINA, KUWAIT, INDIA, BRAZIL and others preferred no decision. CHINA and BRAZIL stressed the subjective nature of such factors and KUWAIT, JAPAN, SAUDI ARABIA and others highlighted the need to avoid complexity. The EU argued that it would be difficult to establish standardized baselines without discount factors but opposed multiplication factors. The REPUBLIC OF KOREA supported either discount or multiplication factors, and ARGENTINA expressed support for multiplication factors.

On modalities for treatment of CDM projects upon graduation of host parties, CHINA, BRAZIL, the PHILIPPINES and others supported no decision. BRAZIL stressed that the proposal would require an amendment to the Protocol and the REPUBLIC OF KOREA emphasized that it falls outside the AWG-KP's mandate. The EU, JAPAN, AUSTRALIA and NEW ZEALAND supported addressing the issue, with the EU stressing the need to decide what happens to CDM projects in EU members that are non-Annex I parties. The EU and others, opposed by JAPAN, suggested deleting text on converting CDM projects into joint implementation projects.

On carry-over (banking) restrictions on Kyoto units, UKRAINE, the RUSSIAN FEDERATION and others supported no restrictions on banking beyond the second commitment period, while the LDCs, AOSIS, SUDAN and others preferred extending current restrictions to the subsequent commitment periods.

### IN THE CORRIDORS

Tuesday was an extremely busy day for many delegates with numerous informal groups and sub-groups meeting throughout the day. Feelings on the process and progress seemed mixed. "Some negotiators seem confused as to whether the informal session constitutes a further exchange of views, or a negotiating session aiming at consolidation of the text," sighed one and continued: "Some parties appear not to be committed to advancing the text in the absence of a formal session." Others, however, were optimistic: "This is exactly how I expected it to be at this stage – this is part of the process that we must go through to get to the next level."

As delegates dove deeper into the issues on the AWG-LCA side, the Chair also convened a session of informal consultations on the legal form of the outcome in the evening to continue discussions that began at Bonn II. Some, especially larger developing countries, continued to argue that the "form should follow function" and reiterated difficulties in agreeing on the legal form before knowing what the outcome will look like, suggesting the futility of continuing the informal group before Copenhagen for this very reason. Others, however, seemed frustrated that the conversation had not advanced since Bonn II, and that parties still seemed to be a long way off from reaching agreement on the issue. Some delegates commented on some shifting positions with some developing countries for the first time verbalizing their desire for a legally binding instrument. Certain developed country delegates, in turn, were heard contemplating ways to have a single new protocol, building the AWG-LCA's outcome on the existing legal architecture. Some developing country negotiators seemed concerned. "One thing is for sure – this question is still far from being resolved," stated one.