

AWG-LCA 7 AND AWG-KP 9 HIGHLIGHTS: THURSDAY, 1 OCTOBER 2009

Throughout Thursday, various contact groups and informal consultations convened to consider adaptation, technology, capacity building, mitigation, finance and a shared vision under the AWG-LCA, and Annex I emission reductions and other issues under the AWG-KP.

AWG-LCA CONTACT GROUPS

MITIGATION: Chair Zammit Cutajar invited parties to comment on text on frameworks for action by all parties.

Brazil, for the G-77/CHINA, opposed including the proposals for frameworks as well as the related structural proposals, stressing the distinction between mitigation by developed and developing countries both in magnitude and legal nature.

The US explained that his country's vision is different from the Protocol and builds on the Convention's commitments and obligations that are common for all parties. He called for enhancing action and reporting by all parties, while recognizing that actions would be different for developed and developing countries. He stressed the need for upfront information on countries' actions, noting that national communications convey such information only years after actions have been taken. The US also outlined plans for a legally-binding and economy-wide national system, highlighting a long-term perspective. The RUSSIAN FEDERATION underlined the importance of this discussion as one of the prerequisites to a Copenhagen agreement.

AUSTRALIA elaborated on her country's proposal on national schedules of mitigation commitments or actions, noting that the proposal goes beyond a "pledge and review," takes into account different circumstances and capabilities of parties, and enables transparency and enhancing action over time. She stressed that the proposal is not different from the Protocol as it entails economy-wide targets for developed countries, calling it a "QELRO-plus" approach. She highlighted synergies with proposals on low-carbon development strategies and registries.

The EU called for a collective effort for all to develop low-carbon development strategies. He stressed the need to carry over the "key Kyoto elements" for developed countries, including economy-wide and binding QELROs, robust reporting and accounting consistent with Protocol Articles 5, 7 and 8, as well as the flexibility mechanisms and notions of compliance. He highlighted the need for an architecture that enables developing country NAMAs to go forward, and expressed interest in exploring the idea of schedules.

CANADA noted that the common mitigation frameworks would help to build confidence that collective ambition reaches a necessary level. JAPAN highlighted parties' common

responsibility. Referring to support for action, COLOMBIA underlined that focus should not only be on expectations, but also on the way to fulfill them.

INDIA stressed that the proposals contained in the frameworks conflict with the Convention and the BAP, as they seek to erase the distinction between developed and developing countries and impose new mitigation and reporting commitments on the latter. CHINA opposed the proposals, noting historical responsibility and the clear distinction between mitigation by developed and developing countries, also reflected in subparagraphs 1(b)(i) and 1(b)(ii) of the BAP.

TECHNOLOGY: The contact group met in the morning and afternoon. The EU and AUSTRALIA outlined their low-carbon development planning processes and highlighted them as a way in which all countries could, in the context of appropriate levels of funding, facilitate action on technology transfer. The G-77/CHINA stressed that the discussion should focus on how to enhance the Convention's implementation through meeting developed countries' commitments to provide new and additional financial resources to enable mitigation and adaptation actions.

UGANDA suggested that, in the spirit of learning-by-doing, planning "experiments" should be undertaken in developing countries to see how these would work. INDIA expressed concern that low-carbon development plans constitute a way of seeking international review of non-Annex I NAMAs.

GHANA noted the need to streamline the text on capacity building and highlighted the need for support that enables developing countries to MRV the transfer of technologies by developed countries.

NORWAY suggested a bottom-up approach to developing regional technology centers with some international coordination. The EU supported regional centers with strong operational links to the private sector, academic institutions and other research centers and welcomed a discussion of how the G-77/China's proposal would work in practice. AUSTRALIA recommended road-mapping to identify gaps and said capacity building should respond to needs at sub-national, national and regional levels.

INDONESIA noted the need to include discussion of intellectual property rights (IPR). In the afternoon, delegates concentrated on possible institutional arrangements. The Philippines, for the G-77/CHINA, with VENEZUELA, EGYPT, SAUDI ARABIA and MALAYSIA, stressed that the Group's proposal, which includes the establishment of a strategic planning committee, technical panels and a multilateral climate technology fund, should be retained in the text. AUSTRALIA elaborated on its proposal for a technology advisory panel, which would provide advice on technical aspects, policy and financing.

The US outlined his country's proposal for establishing a technology hub, which would provide full-time experts available to parties. ARGENTINA called for allowing countries to decide themselves what support they need and, with UGANDA, suggested a simple institutional framework. JAPAN underlined establishing effective networks of stakeholders, matching technology needs and resources, and utilizing existing arrangements as the key principles. CHINA noted that one of the functions should be the provision of financial resources, primarily from the public sector.

INDIA noted problematic aspects in some proposals such as harmonization of standards, which can impose large costs on developing countries. BRAZIL elaborated on its suggestion for "twinning" centers of excellence as a form of partnership, noting such cooperation can be North-South, South-South and triangular. The EU said institutions should, *inter alia*, deliver advice, enable planning and serve as an information platform.

On IPRs, AUSTRALIA called for greater cooperation with relevant organizations such as the World Intellectual Property Organization and, with the US, noted that IPRs incentivize technology development. The G-77/CHINA reiterated that IPRs represent a barrier to technology transfer. BOLIVIA said strong IPRs increase costs of R&D, and INDIA, with the PHILIPPINES, suggested compulsory licensing.

A further consolidated text will be made available on Friday.

CAPACITY BUILDING: Co-Chair Børsting presented a non-paper on enhanced action on capacity building that included a placeholder for: a preamble; objectives; scope; implementation and institutional arrangements; and MRV. He requested parties to comment on whether their ideas were properly reflected in the paper.

Tanzania, for the G-77/CHINA, supported by Saint Lucia, for AOSIS, called for a better reflection of enhancing the Convention's implementation and said that the scope was too prescriptive. He stressed the importance of a preamble, underscoring the need for capacity building as a stand-alone chapter.

AUSTRALIA highlighted overlap with other chapters, said that the principles already exist in the Convention and, with CANADA, preferred to integrate capacity building into other chapters. The EU said there is no "one size fits all" solution and that capacity building should be based on national institutions and processes. JAPAN underscored that capacity building should be done based on concrete goals.

Responding to Egypt, Co-Chair Børsting said a table of attributions would be distributed and invited parties to submit corrections to the non-paper for the next contact group. The G-77/CHINA identified the need for differentiation between the work in the contact group and SBI work before beginning negotiations.

FINANCE: The contact group met in the morning and afternoon. In the morning, parties considered the section on generation and provision of financial resources.

The Philippines, for the G-77/CHINA, with Nigeria, for the AFRICAN GROUP, expressed concern with language requiring all parties, in accordance with respective capabilities, to report on policies concerning mobilizing public and private financial resources. In the context of private sector funding, INDIA and CHINA drew attention to double counting arising from emission reductions achieved through offset mechanisms.

CANADA said the public versus private sector funding debate was leading to a "false argument" by suggesting that one is more important than the other. Emphasizing that the public sector should be the main source of finance, BANGLADESH said that global markets had failed to deliver and "no place for LDCs and SIDS" had been created. Barbados, for AOSIS, said that financing must meet recipient requirements and should be derived from a combination of public and private sources, with the public sector being the main source. With CAMBODIA, he expressed support for assessed financial contributions from

developed countries. The EU emphasized the importance of the private sector and the carbon markets, while acknowledging the role of public international finance.

SAUDI ARABIA said maritime and aviation emission levies would negatively impact developing country economic sectors. SWITZERLAND highlighted his country's proposal for a uniform global levy of US\$ 2 per tonne of CO₂, except for LDCs. Uganda, for the LDCs, highlighted that developed countries' responsibility under international law to redress damage caused by climate change formed the basis for public funding from those countries.

In the afternoon, parties continued to address the generation or provision of finances. AUSTRALIA emphasized that the private sector does not only exist in developed countries and highlighted the need to improve "readiness" to absorb the anticipated increase in levels of funding. AOSIS and SOUTH AFRICA stressed the immediate need for financing.

The G-77/CHINA said that funding pledged outside the Convention did not fulfill developed countries' commitments under the Convention. The US noted that many mitigation challenges were in fact investment opportunities and highlighted the ten-fold increase in funding to vulnerable countries by the US Congress. He also observed that many countries that are not in Annex II of the Convention have the capacity to contribute financially. He said that the US domestic system limits consideration of levies and taxes, and noted that as the US is not a party to the Protocol, it could not participate in auctioning of AAUs. JAPAN highlighted his country's intention to provide more financial and technical assistance than in the past, in accordance with the progress of international negotiations.

COLOMBIA supported extending the share of proceeds to emissions trading and Joint Implementation. VENEZUELA voiced objection to proposals seeking to "market the atmosphere," which he said amounted to "who pays may pollute."

NORWAY highlighted the difficulty of "selling financing" to donors and said a better perception of good governance and improved cost analyses for adaptation in developing countries would simplify this task. CHINA said estimates concerning how much finance the private sector and markets could generate had been exaggerated.

SHARED VISION: Chair Zammit Cutajar introduced a non-paper, which consolidates and reorders text on shared vision. SAUDI ARABIA expressed reservations with the way the text has been consolidated, noting missing proposals and elements.

Parties then discussed proposals relating to review. Antigua and Barbuda, for AOSIS, elaborated its proposal that, *inter alia*: builds on existing mechanisms; safeguards vulnerable countries, including LDCs and SIDS; and reflects changing scientific information. She identified the need to review both: the long-term global goal, which would be triggered by science; and implementation arrangements agreed to in Copenhagen on the four building blocks.

BRAZIL noted that the long-term global goal, defined in terms of a global temperature increase, should be updated, taking into account scientific developments.

The EU proposed three types of reviews, focusing on: the long-term goal itself; whether parties are on track to meet the goal; and a comprehensive review of actions under the various building blocks. He explained he was not necessarily proposing three processes, but that reviews could be undertaken through the same process. SUDAN said every review should have a process attached. Explaining his country's proposal, JAPAN noted reviews should be undertaken in light of the best available scientific information.

SOUTH AFRICA asked what kind of mechanisms are anticipated and how reviews would be carried out. AOSIS responded that the COP would make a decision on that, and that lessons learned from past review processes should be taken into account. The EU suggested building on existing

review mechanisms in the Convention and expressed interest in exploring the “schedules” approach. AUSTRALIA stressed the need for flexible review mechanisms to allow for taking into account changing circumstances. SUDAN identified the need to define the long-term goal before deciding the timing and nature of the review.

ADAPTATION: Co-Chair Agyemang-Bonsu invited parties to continue providing guidance on the process of streamlining text. The G-77/CHINA, supported by Ghana, for the AFRICAN GROUP, presented suggestions for streamlining the section on institutional arrangements, and called for lessons to be drawn from the Protocol. The AFRICAN GROUP highlighted a desire to avoid creating bureaucratic institutions, with MALAWI calling for arrangements that make adaptation funds more accessible. Bangladesh, for the LDCs, underlined the importance of national, regional and international adaptation centers and highlighted that, while adaptation on the ground should be recognized, parties should avoid creating a burdensome mechanism for MRV of adaptation activities. BOLIVIA, supported by the AFRICAN GROUP, underscored that the language should reflect a “fulfillment of the commitments of developed countries,” rather than “contributions.”

The US noted the relationship between risk reduction and adaptation, and proposed, with the EU, consolidating the section on risk. The EU suggested that parties address institutional arrangements within clusters of issues and avoid being overly prescriptive. He highlighted agreement on the importance of strengthening the Nairobi work programme on impacts, vulnerability and adaptation. SAUDI ARABIA called for adaptation text to address the impact of response measures, with the Cook Islands, for AOSIS, and NORWAY opposing.

AWG-KP CONTACT GROUPS

OTHER ISSUES (flexibility mechanisms): On improving access to the CDM by specified host parties, Senegal, for the AFRICAN GROUP, and Ethiopia, for the LDCs, supported a geographically balanced system of quotas. MEXICO, KUWAIT and others requested more information on this. The EU, JAPAN, NEW ZEALAND and others highlighted that a quota system would be problematic for the market, with the EU noting it would undermine cost-effectiveness. The PHILIPPINES said a quota system would be a disincentive for projects in areas with large potential. The EU highlighted their proposal on sectoral crediting, which would move a number of developing countries from the CDM.

The EU, NORWAY and AOSIS raised concerns over environmental integrity and opposed proposals that would exempt projects from the requirement of additionality. JAPAN supported further simplifying the additionality test for small-scale projects rather than exempting additionality. AOSIS proposed considering improved access to the CDM by building on elements in the text related to positive lists of project activities and on text on financing validation, verification and certification of projects in certain host parties. NORWAY, with SWITZERLAND, suggested examining whether exemption from the share of proceeds could be further enhanced. NEW ZEALAND proposed addressing standardized baselines and positive lists, together with technical assistance and capacity building. BANGLADESH highlighted the high cost of operationalizing CDM projects, including the registration fee and validation by a Designated Operational Entity, calling for exemptions for LDCs.

On promoting co-benefits for CDM projects, CANADA said projects with co-benefits receive a premium from the market and proposed including in the project documents a place for listing co-benefits. She also suggested considering the timing of the registration fee. BRAZIL supported postponing payment of the registration fee until the first issuance of Certified Emission Reductions, saying the CDM Executive Board could take prompt action.

ANNEX I EMISSION REDUCTIONS: Co-Chair Wollansky asked parties to discuss whether it was possible to use 1990 as the base year with multiple reference years. AUSTRALIA supported using a single legally binding base year with multiple reference years. CANADA stressed that their pledge used 2006 as the base year. He recommended using a table with base years as defined by individual countries in their pledges, as well as columns comparing 1990 and other common base years.

The EU, ICELAND, SWITZERLAND, and the RUSSIAN FEDERATION supported a single base year of 1990, with multiple reference points that could be used for communication or policy purposes. The G-77/CHINA, NORWAY, CHINA, AOSIS, BRAZIL, SAUDI ARABIA, INDIA and the AFRICAN GROUP called for retaining 1990 as the base year for the sake of simplicity, comparability and transparency.

The G-77/CHINA emphasized that a common internationally binding base year would not preclude countries from translating their commitments into other reference years for domestic purposes. The EU expressed concern that using multiple base years would require a Protocol amendment, as several provisions, including Protocol Articles 3.5 and 3.7, refer to “1990” rather than to “base year.” AUSTRALIA noted that multiple base years present challenges in the calculation of AAUs. JAPAN stressed that while their new pledge is relative to a 1990 base year, there should be flexibility to choose other base years to facilitate the participation of the broadest number of countries.

IN THE CORRIDORS

With stocktaking plenaries under both AWGs scheduled for Friday, many delegates were overheard exchanging views on where things stand after four days of negotiations in Bangkok. Few, however, seemed to have a clear idea of how to characterize the pace of the negotiations. “I must confess I am a bit confused,” said one: “Sometimes it feels like we’ve made a lot of progress - and at other times it seems like there will not be enough time to finish everything that needs to be done before Copenhagen.” Another questioned whether the consolidation exercise under the AWG-LCA had actually led to any shortening of the text, with parties insisting on keeping their proposals in the document. “Well, we’ve indeed clarified our positions but this does not mean we’ve created any space for compromise, rather we’ve further illuminated our differences,” he said pessimistically.

Many of those emerging from the morning’s mitigation contact group under the AWG-LCA were willing to admit that positions had been clarified - with some also conceding that “important differences” between developed and developing countries had been elucidated. Nevertheless, others were optimistic. One developed country delegate characterized the discussions as a “fundamental breakthrough,” noting that, for the first time, proposals for mitigation architecture were discussed in a formal setting and parties provided “starker relief” of their proposals and expectations.

Emerging from the room, some delegates also remarked on Thursday’s events in the US, including the introduction of the Boxer-Kerry climate bill in the Senate and the regulation of greenhouse gases by the Environmental Protection Agency under the Clean Air Act, wondering how these would impact the negotiations.

Discussions also took place in the corridors and meeting rooms concerning the overall legal architecture and the Protocol’s future. Some commented on new support for the proposal made by Tuvalu earlier in the week to consider the legal implications that would arise if the Protocol was subsumed under a new agreement in Copenhagen and how this would affect the Protocol’s rules, institutions and mechanisms. “There seems to be growing acknowledgment that this needs to be discussed - somewhere,” said one party.



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