

AWG-LCA 7 AND AWG-KP 9 HIGHLIGHTS: MONDAY, 5 OCTOBER 2009

Throughout Monday, various contact groups and informal consultations were held to consider adaptation, mitigation, finance, technology and a shared vision under the AWG-LCA, as well as Annex I emission reductions and other issues under the AWG-KP.

AWG-LCA CONTACT GROUPS

TECHNOLOGY: Co-Chair Shimada introduced a non-paper reflecting further streamlining of the technology section in the AWG-LCA's negotiating text. He invited general comments aimed at identifying: preferred concepts and elements; issues representing a high level of convergence; and areas requiring clarification.

The Philippines, for the G-77/CHINA, and PAKISTAN said some of the elements contained in the annexes are "fundamental" and should therefore be reflected in the main text. The G-77/CHINA pointed to convergence on establishing a technology transfer mechanism and divergence on concepts. She called for a focus on how to expedite the effective transfer of technology, on the removal of barriers and on financing.

On institutional arrangements, CANADA, supported by AUSTRALIA, said that the discussion on functions should first focus on the results that parties wish to see in the longer term and then consider how to construct the best possible mechanism for realizing them. With NORWAY, she noted the need for clarity on concepts, such as technology action plans. GHANA requested consideration of how technology action plans and NAMAs relate to each other.

Commenting on the structure of the non-paper, the EU and ARGENTINA said the text "was disconnected" and that there was no common understanding on the use of terminology, such as technology action plans and roadmaps for specific technologies. The EU said that although the annexes are useful, the core issues should be captured in the main text. On institutional arrangements, he cautioned against "reinventing the wheel." Making a comparison to the Marrakesh accords, INDIA said many of the operational issues contained in the annexes could be developed after Copenhagen.

On IPRs, Bangladesh called for patented technology to be made freely available to LDCs and SIDS and for compulsory licensing to be reflected in the text.

SHARED VISION: At the morning meeting of the contact group, AWG-LCA Chair Zammit Cutajar invited parties to comment on a long-term global goal for emission reductions.

Antigua and Barbuda, for AOSIS, said that minimizing impacts of climate change on SIDS and LDCs should be the benchmark, and proposed global emission reductions of 85% by 2050 from 1990 levels with peaking by 2020, complemented by reductions by Annex I countries of more than 95% by 2050 from 1990 levels. Mexico, for the ENVIRONMENTAL INTEGRITY GROUP, JAPAN, the EU and the US supported the global goal of halving emissions by 2050, and the EU suggested that developed countries must decrease their emissions by 80-95% by 2050. NORWAY supported a science-driven approach, and called for emissions to peak in 2015 at the latest and global reductions of 85% by 2050. AUSTRALIA supported a global goal of halving emissions by 2050 and a peak in emissions no later than 2020. JAPAN supported peaking emissions between 2015 and 2025. SOUTH AFRICA suggested that Annex I countries reduce emissions by at least 40% by 2020 from 1990 levels and by 80% by 2050. COSTA RICA, also speaking for Guatemala and Panama, said a long-term goal needs to be reflected as a numerical target based on science, and supported stabilizing concentrations at 350 ppm.

The US stressed that a long-term goal should inspire and guide collective effort and communicate this to the outside world. He proposed moving discussions on mid-term mitigation targets, NAMAs and finance to the relevant contact groups. The Gambia, for the AFRICAN GROUP, stressed that the language on a shared vision needs to be substantive and operative, and cover all four building blocks of the BAP. The RUSSIAN FEDERATION supported concise and operationally-oriented language on a long-term goal.

The PHILIPPINES underlined historical responsibility. CHINA said a shared vision needs to consider the four building blocks, as well as sustainable development. SAUDI ARABIA underlined the focus not only on vulnerability to impacts of climate change but also on economic vulnerability. INDIA said a long-term goal should be linked to other goals such as on finance and technology transfer.

ADAPTATION: Co-Chair Agyemang-Bonsu called on parties to start negotiating text on means of implementation. The US, supported by the EU and AUSTRALIA, noted that the text does not contain actions that all parties can take to address adaptation. Tanzania, for the AFRICAN GROUP, and SOUTH AFRICA suggested reflecting in the preamble that all countries

need adaptation actions, but focusing on developing countries in the main text. The US said top-down approaches may not always be appropriate and, with EAST TIMOR, highlighted the need to clarify who the actors are in the text. The Maldives, for the G-77/CHINA, and the AFRICAN GROUP emphasized the need to reflect binding commitments by developed countries, as well as short-, medium- and long-term actions.

The AFRICAN GROUP, supported by Bangladesh, for the LDCs, called for a focus on actions rather than processes. The LDCs proposed a reference to the LDCs in the text and said priority should be on implementation rather than pilot activities. The Cook Islands, for AOSIS, supported by TUVALU, suggested differentiating between enabling activities and implementation, indicating that emphasis should be on actions rather than process or promotion. SOUTH AFRICA highlighted the difference between vulnerability based on science and based on institutions. CHINA expressed concerns with conditionalities in the text. COSTA RICA and INDONESIA highlighted the role of ecosystem services in adaptation.

BRAZIL questioned the role of annexes in the organization of the AWG-LCA's negotiating text. EAST TIMOR asked for parts of the annexes to be integrated into the main body. Parties also considered a proposal by the Co-Chair to establish a drafting group on implementation, and a drafting group on objectives and scope, with the final decision to be taken later.

MITIGATION: Parties first considered the placement of certain proposals and whether they should be considered by the overarching mitigation contact group or by some of the sub-groups. EGYPT and SAUDI ARABIA stressed the need to avoid duplication. JAPAN preferred discussing their proposals on policies and measures, MRV and review in the overarching contact group on mitigation. Chair Zammit Cutajar said Japan's proposals would be considered by the overarching mitigation group. He noted Australia's preference to keep their proposal on national schedules in relation to developing countries in the sub-group on 1(b)(ii) of the BAP, while saying the sequence of discussions should be considered to avoid duplication.

After a brief discussion, Chair Zammit Cutajar said he would prepare a non-paper to further re-order text on the introductory material to the mitigation section.

He then highlighted overlap between numbers in the sections on a shared vision and mitigation. BRAZIL, SOUTH AFRICA, CHINA, INDIA, VENEZUELA and others preferred considering them under a shared vision, while BARBADOS and TUVALU stressed that mitigation goals are fundamental to mitigation action, preferring to discuss them under both building blocks. Chair Zammit Cutajar suggested discussing goals under shared vision without excluding the possibility of including results of that discussion in the mitigation outcome. He identified shared vision as "the most important political element of the outcome" and stressed it as "serious stuff" that frames the content of cooperative action as requested by the BAP.

The US outlined plans to introduce new text on MRV in the form of an appendix, highlighting the need for "good insight into the efforts by parties." He explained that the proposal builds on the existing frameworks, and would introduce enhanced reporting, as well as a technical review by experts, also identifying a possible role for the SBI. He said that financial support would be provided for countries that are not capable of

meeting the cost, and said that the "sub-elements" of the broad framework would be different, for instance, for LDCs and for developing countries that have more capacity and responsibility.

MITIGATION (sub-paragraph 1(b)(i) of the BAP): In the afternoon, Facilitator Macey explained a possible approach to further consolidating the sections on MRV and compliance. Parties then briefly reflected on suggested changes and on what should remain in the text. The EU, with AUSTRALIA, asked for keeping the new sub-section on LULUCF in the text.

Parties also discussed a proposed technical paper on pledges for mid-term emission reductions by Annex I countries. The EU, with NORWAY, reiterated that this information is necessary and useful to discuss the collective level of ambition by developed countries. BRAZIL, with SAUDI ARABIA and BOLIVIA, highlighted the need to include other elements, such as adequacy of pledges in relation to historical responsibility and level of ambition in the mid- and long-term. SOUTH AFRICA suggested that the paper also address the question of capability. The Marshall Islands, for AOSIS, supported preparing a paper, and VENEZUELA noted it should include historical cumulative emissions. The US proposed the paper be viewed within a larger and more comprehensive framework, and address not only pledges but also actions to support them.

Facilitator Macey noted divergence in views on the technical paper and encouraged parties to continue consulting on this. A non-paper with further consolidated text will be made available on Tuesday.

MITIGATION (sub-paragraph 1(b)(vi) of the BAP): The sub-group on potential consequences considered a new non-paper introduced by Facilitator Konaté.

Argentina, for the G-77/CHINA, stressed that certain ideas must be clear in the text, including that developed countries must: minimize the consequences of response measures; cooperate in advancing further understanding of the consequences of response measures; exchange information; and take effective action to reduce negative consequences. She also emphasized the importance of a strong institutional arrangement.

Sierra Leone, for the AFRICAN GROUP, supported by the US, AUSTRALIA and Malawi, for the LDCs, suggested that paragraphs related to deforestation and forest degradation are better addressed under discussions on REDD. He also emphasized retaining reference to the particular circumstances of the LDCs and Africa.

The US, supported by CANADA, AUSTRALIA, and JAPAN, emphasized that work on response measures should not hamper effective mitigation efforts. She underscored that the GDP per capita of economies benefiting from fossil fuel extraction "is well within the range of developed countries" and that discussions should focus on the most vulnerable. With JAPAN, CANADA and the RUSSIAN FEDERATION, she supported deletion of text that relates to establishment of a permanent forum under the SBI. Deletion was opposed by the G-77/CHINA, SAUDI ARABIA, KUWAIT, VENEZUELA and OMAN. CANADA noted that national communications already provide a channel for information exchange and that it is premature to establish a new permanent forum on negative consequences.

SAUDI ARABIA, supported by KUWAIT, OMAN, BRAZIL, CHINA, INDIA and ALGERIA, stressed that all developing countries are affected by negative consequences of response measures and that efforts to "sub-divide" developing countries

are inconsistent with the Convention. The LDCs, with Saint Vincent and the Grenadines, for AOSIS, the AFRICAN GROUP and BANGLADESH, emphasized that the special circumstances faced by African countries and the LDCs are referenced in the Convention and stressed the importance of reflecting this in the text. AOSIS proposed adding reference to SIDS. The EU emphasized that balance must be struck between mitigation and maintaining economic development, and that focus should be placed on those with the least capacity to deal with negative consequences.

CAPACITY BUILDING: Co-Chair Gaye explained that the group would not consider text relating to financing for capacity building, noting agreement reached during informal consultations by the AWG-LCA Chair on Saturday that all elements relating to how activities would be financed would be moved to the section on finance in the AWG-LCA's negotiating text and discussed by the contact group on finance.

The US suggested bracketing the paragraphs on objectives, guiding principles and scope, preferring to focus on the operative text. Saint Lucia, for AOSIS, and Tanzania, for the G-77/CHINA, highlighted the importance of these paragraphs. The EU proposed including reference to capacity building being a joint effort between developed and developing countries. SAUDI ARABIA proposed including reference to the priorities of developing countries arising from the impact of climate change and the impact of response measures. The EU noted that such language would limit the countries that would receive capacity building assistance.

GUATEMALA, also speaking for some other Latin American countries, said reference to local and indigenous knowledge should be expanded to read: "seek, enhance, support and promote local and indigenous knowledge and techniques which have been experienced worldwide historically and successfully." BOLIVIA underlined that traditional or indigenous knowledge could be obtained worldwide and said the text should reflect this. The G-77/CHINA suggested that text proposed by parties or groups should be retained in its original form.

FINANCE: Vice-Chair Machado introduced a non-paper reflecting further streamlining of the finance section in the AWG-LCA's negotiating text. He invited parties to focus their comments on institutional arrangements.

The US highlighted their proposal for a global fund for climate. He said the new arrangements envisaged the continuation of the Global Environment Facility (GEF) as an operating entity of the financial mechanism. He explained that specific issues, such as priorities and eligibility criteria, would be determined by the COP, and that the fund would be consistent with Convention Article 11 (financial mechanism). The US elaborated that governance arrangements for the new fund would be structured to give a balanced representation of net contributors and net recipients, and indicated that all parties, except the LDCs, would contribute to the fund in line with capabilities but that contributions would not be mandatory. He also noted the need for simplified access procedures and highlighted that the proposal envisaged the use of a range of instruments.

AUSTRALIA introduced their proposal for the post-2012 financial architecture, comprising a facilitative platform operated by the UNFCCC Secretariat, which would link funding to different actions and enable contributors and recipients to navigate new funding arrangements. CANADA highlighted the notion of fostering least-cost approaches by using existing

institutions as much as possible, reforming them to the extent necessary and exploring new institutional arrangements where gaps exist.

The Philippines, for the G-77/CHINA, said the US proposal does not address the problems with the current financial mechanism. On Australia's proposal, she questioned its relevance to the discussions under the AWG-LCA since reference had been made to "the post-2012" financial architecture. Responding to the US proposal, TANZANIA suggested using the structure in place under the Protocol's Adaptation Fund to address issues of governance and access. BANGLADESH described the US proposal as a "better packaging" of the proposal by Mexico for a green fund. PAPUA NEW GUINEA, supported by ANTIGUA AND BARBUDA, underscored the need to consider a formalized process to refine the scale of financial resources required, including a regular adjustment process.

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ANNEX I EMISSION REDUCTIONS: Co-Chair Wollansky invited parties to discuss the implications of the flexibility mechanisms on Annex I parties' targets. Vice-Chair Dovland summarized discussions in the group on other issues, highlighting proposals to: improve the CDM and joint implementation; create new mechanisms such as NAMA crediting and sectoral crediting; and include nuclear activities and carbon capture and storage (CCS) under the CDM.

CHINA called for focusing on targets and the percentage of emission reductions that Annex I countries would be allowed to achieve through offsetting, saying a discussion of the detailed rules was premature. SOUTH AFRICA emphasized that the use of offsets is a "zero-sum game" and suggested: first setting Annex I parties' targets for domestic emission reductions and then adding a percentage that could be achieved through offsetting; or setting aside a proportion of Assigned Amount Units (AAUs) for the mechanisms. He also noted that achieving 50% of targets through offsets "is way beyond complementarity."

Supported by SWITZERLAND and others, the EU stressed that it is not possible for Annex I countries to set targets without first knowing the rules. The EU emphasized the importance of a "robust" carbon price for investment decisions and the role of the EU Emissions Trading Scheme in achieving this during the first commitment period. He explained that while sectoral crediting would increase the supply of credits, the main objective of the EU proposal was to extend the carbon price signal to new sectors and actors. On complementarity, he identified "a strong wish" to limit the CDM, noting a cap on CDM credits in the EU's post-2012 climate and energy package. He also highlighted the potentially "immense impact" of surplus AAUs in the second commitment period, as well as the potential impact of proposals on LULUCF under the CDM.

TUVALU asked where the carbon price signal would come from if the Protocol does not exist in the post-2012 period and how to ensure robustness in terms of issues, such as expert review teams and compliance. He noted that sectoral crediting mechanisms "will flood the markets" and urged considering their environmental implications.

CANADA welcomed discussions on policy issues, including on how much developed countries should do domestically. He stressed that appropriate design rules can be used to ensure that offsetting does not amount to a "zero sum game" but noted that this discussion should take place in the other issues group. He h

said that discussions relating to the use of mechanisms, such as setting a cap on supplementarity, should take place in the contact group on Annex I emission reductions.

BRAZIL proposed a cap on offsetting, which he said should be well below 49%. He noted that increasing the scale of markets through, for example, sectoral crediting, would negatively impact the carbon price by increasing supply without increasing demand.

AUSTRALIA stressed the impact of "broader and deeper" carbon markets for the level of ambition. He supported retaining the CDM and noted the possibility of additional new mechanisms such as REDD and sectoral mechanisms. Highlighting her country's "unique circumstances," NEW ZEALAND said they expect to meet up to 70% of their target through non-domestic reductions, and that restrictions on the use of offsetting would result in their target changing. ETHIOPIA said science, not access to mechanisms, should determine emission reduction targets, underlining the need to first agree on targets before discussing means of achieving the targets.

OTHER ISSUES (basket of methodological issues):

The contact group on other issues focused on the basket of methodological issues, proceeding with a technical discussion on adding new greenhouse gases. The Secretariat presented information on global warming potentials (GWPs), current uses and likely future uses of the possible new greenhouse gases or classes of gases.

CANADA expressed concern about increasing the reporting burden and highlighted potential commercialization of these chemicals as a means of determining which ones to include. The EU suggested three criteria for choosing which new greenhouse gases to include, namely: availability of GWPs; availability of methodology from the IPCC; and whether the gases have a significant current or future impact. JAPAN supported use of four criteria for determining inclusion of new gases: specified usage and sources of the greenhouse gases; whether they are already commercialized; the availability of a clear methodology; and the availability of substitutes.

The EU emphasized that adding entire classes of gases embodies the precautionary principle since it is difficult to predict which individual gases will become commercially important.

BRAZIL, countered by NORWAY and the EU, stressed that GWPs do not adequately capture the lifetime of a greenhouse gas in the atmosphere, that many of the new gases have short lifetimes, and therefore that GWP overestimates the actual radiative forcing of these chemicals.

The FEDERATED STATES OF MICRONESIA underscored the need to "capture what the atmosphere sees" and opposed the availability of substitutes as a criterion for determining which gases to include. AUSTRALIA, with SWITZERLAND, said that inclusion of specific gases should be based on the principle of maximum coverage. BRAZIL emphasized that the group does not have a mandate to amend Annex A of the Protocol.

Vice-Chair Dovland then requested an update from the informal group working to consolidate the options from Australia, the EU, and Brazil under guidelines for national reporting. AUSTRALIA reported that the group had met several times, identifying differences on the current role of the SBSTA process and how to reference the 2006 IPCC Guidelines for

National Greenhouse Gas Inventories, but expressed confidence that the group would be able to provide improved, albeit bracketed, text.

On common metrics to calculate the carbon dioxide equivalence of emissions by sources and removals by sinks, AUSTRALIA, with NEW ZEALAND, stressed coherence with concurrent negotiations underway in the AWG-LCA, and the US urged Protocol parties to avoid creating inconsistencies between the two negotiating tracks in this respect.

IN THE CORRIDORS

As the Bangkok Climate Change Talks continued on Monday, a lively demonstration took place outside the UNESCAP building as a reminder to delegates of the rapidly approaching Copenhagen meeting and the growing interest in their work outside the walls of the conference center.

Inside the building, work resumed through various formal and informal meetings. Many of the day's meetings under the AWG-LCA were characterized by some participants as "technical." The AWG-LCA contact group on overall mitigation issues, for instance, focused on organization of text and work, and the contact group on mitigation under sub-paragraph 1(b)(i) of the BAP held a short meeting on the consolidation of the negotiating text. While the contact group on finance also held a rather technical discussion on a new non-paper, several delegates coming from the room were heard commenting on the new US proposal on finance. "What I think is positive about the proposal is that it would be scaling up financial resources," said one delegate. Another skeptical one commented: "I'm not sure how the mechanism would be different from the existing framework. It seems like the same game with a different name."

Under the AWG-KP, the morning's meeting on the relationship between Annex I parties' "numbers" and the market mechanisms proved so popular that an additional meeting had to be scheduled on the topic. After the discussions on issues such as environmental integrity, the impact of market mechanisms "as the atmosphere sees them," the need for investment signals in the form of a carbon price and the role of "hot air," many of those emerging from the room characterized the discussions as "interesting," "positive" and "useful." One developed country delegate explained: "Developed and developing countries still have different views on whether targets should be defined before the rules on other issues, or vice versa, and we definitely need to discuss this more. This was just the beginning." "Our views are still far apart, but it was a relatively good discussion," said another.

Many informal groups also convened during the day, including on: a shared vision and sectoral approaches under the AWG-LCA; and on LULUCF and potential consequences under the AWG-KP. Emerging from the informal meeting on the scope of a shared vision, delegates were cautiously optimistic. One said: "We had remarkably similar positions on the need for a long-term global goal to be at the center of a shared vision." Another commented: "While the form of the outcome is still up in the air and parties had diverse ideas on how a shared vision will be presented in the agreed outcome, there was new support for the idea that we are not going to Copenhagen just to create an aspirational and inspirational political declaration."