

## AWG-LCA 7 AND AWG-KP 9 HIGHLIGHTS: WEDNESDAY, 7 OCTOBER 2009

Throughout Wednesday, various contact groups and informal consultations were held to consider adaptation, mitigation, finance, technology and capacity building under the AWG-LCA, as well as Annex I emission reductions and potential consequences under the AWG-KP.

### AWG-LCA CONTACT GROUPS

#### MITIGATION (sub-paragraph 1(b)(iv) of the BAP):

During the afternoon's contact group on sectoral approaches, the drafting groups on agriculture and on emissions from international aviation and maritime transport (bunker fuels) presented revised texts. URUGUAY explained that the drafting group had convened four times and produced a revised text as well as an agreement on a work programme relating to agriculture. On bunker fuels, CANADA noted that the drafting group had produced consolidated text with different options, in the form of clusters. ARGENTINA, supported by THAILAND and COLOMBIA, and opposed by MALAWI and VENEZUELA, proposed an additional meeting for each drafting group. MEXICO and MALAWI suggested that the text on agriculture should be forwarded to Barcelona.

On bunker fuels, VENEZUELA, opposed by NORWAY and CANADA, proposed introducing their language on bunker fuels as an alternative to the clusters in the text. ARGENTINA stated that the existing consolidated text on bunker fuels would not lead the group to a consensus. SAUDI ARABIA suggested removing clusters and considering the text as individual options. The MARSHALL ISLANDS called for substantive discussion.

Citing a lack of time, and concerns expressed by some parties about their inability to send representatives to a proposed additional drafting group, Facilitator Khan said he would create a new non-paper that will capture the work up to Tuesday, representing all parties' proposals. He said he would include the proposed consolidated text by the drafting groups as a facilitator's text.

#### MITIGATION (sub-paragraph 1(b)(v) of the BAP):

In the contact group on various approaches to enhance cost-effectiveness of mitigation actions, including markets, Facilitator Flores invited parties to comment on the section on the proposed new mechanisms in the non-paper.

The REPUBLIC OF KOREA described their proposal for NAMA crediting, noting that any reductions beyond business-as-usual would be eligible and that, since NAMAs are initiated by developing countries themselves, these countries would not have to wait for investments as in the CDM. The EU outlined their proposal for sectoral crediting and trading, noting many areas of convergence with proposals by the Republic of Korea and New Zealand. NEW ZEALAND explained their proposal for a NAMA crediting and trading mechanism, highlighting its integrated nature.

VENEZUELA requested to put on record her country's objection to any reference to schedules, sectoral crediting or sectoral targets. ARGENTINA said his country was willing to discuss new mechanisms but said that shortcomings experienced under the CDM should be avoided. MEXICO, with KUWAIT, underlined uncertainty over the nature of NAMAs.

Identifying essential elements, COLOMBIA highlighted, *inter alia*, voluntary participation, a country-driven approach and contribution to sustainable development. The EU proposed that an agreement address, *inter alia*, principles and objectives of a new mechanism and how to set reference levels, and said rules and modalities can be developed later. The US suggested that an agreement define a new mechanism and areas for further modalities and procedures. As the key elements of an agreed outcome, NEW ZEALAND proposed, *inter alia*, fundamental parameters, guiding principles for the level of ambition, and directions for further work.

AUSTRALIA noted potential for linkages with REDD and, with NORWAY, underlined the need to include CCS. SOUTH AFRICA said new mechanisms should not be merely offsetting mechanisms and that double counting should be avoided. CHINA, with GRENADA, expressed concern that, by calling for ambitious sectoral targets in developing countries, developed countries are stepping away from their obligation to reduce their emissions. KENYA supported, *inter alia*, the idea of upfront financing, voluntary NAMAs and a country-driven approach, and expressed concern with including CCS. EGYPT said finance and technology support are the main motivators for developing countries.

A new non-paper will be made available on Thursday.

#### MITIGATION (sub-paragraph 1(b)(vi) of the BAP):

Facilitator Muyungi invited parties to continue considering the non-paper. Parties also considered a table reflecting their discussions on Monday.

Several parties clarified their positions regarding specific paragraphs of the non-paper. Argentina, for the G-77/CHINA, stressed the need to ensure that the text respects the Convention's provisions and principles. She highlighted, *inter alia*, the need to include language on "negative" impacts of response measures and to capture the idea that sustainable development is essential for adopting measures to address climate change. Sierra Leone, for the AFRICAN GROUP, proposed adding language on "the broad nature of negative impacts" on developing country parties, particularly those countries whose economies are dependent on producing and exporting agricultural products, and on developed countries reaffirming Convention Article 3.5 (open and inclusive economic systems).

In the context of referencing the Convention, the EU preferred referencing only the Article numbers, or alternatively, using the exact wording of the Convention. AUSTRALIA noted that an increasing number of parties take on mitigation actions and identified the need to consider the impact of response

measures taken by all parties. CANADA highlighted national communications and said establishing a permanent forum to consider response measures is premature.

SAUDI ARABIA, with VENEZUELA and BRAZIL, stressed the need to retain text stating, *inter alia*, that developed countries shall not resort to unilateral measures, including countervailing border measures on developing country imports. BRAZIL proposed adding reference to “tax border adjustments.” SINGAPORE supported retaining the idea while considering specific language.

The US, the EU and AUSTRALIA highlighted their intention to provide specific comments on the non-paper later, with the EU stressing the need to provide the opportunity for such specific comments and to go through the text paragraph-by-paragraph.

Parties then discussed whether to revise the non-paper for the next meeting. The US and the EU said it would be more useful to revise the paper only after all parties have provided their specific comments. SAUDI ARABIA and KUWAIT supported revising the non-paper and adding attributions. After discussion, Facilitator Muyungi suggested, and parties agreed, to proceed based on the existing non-paper while taking into account the work done so far.

**FINANCE:** Parties continued to discuss institutional arrangements based on the non-paper. THAILAND called for establishing a demand-driven financial mechanism, accountable to the COP and ensuring direct access. COLOMBIA proposed that a multi-window financial mechanism should include a funding window for REDD activities. INDONESIA said he had no objection to using existing institutions if they are reformed and, with BANGLADESH, preferred the establishment of a flexible and efficient single fund with multiple windows.

The US said their proposal for institutional arrangements envisaged a simple trust fund structure with balanced governance, which would address the need to expedite access to funds as well as fiduciary responsibility. He said the fund would utilize a variety of financial products and all countries, apart from the LDCs, would be expected to contribute in the form of pledges and replenishments. Observing that the Convention “serves as a floor and not a ceiling,” he said that it did not prohibit any country from making voluntary contributions.

Underscoring flexibility, AUSTRALIA clarified that their proposal for a facilitative platform is not a fund and does not address the scale of financial resources, but is still compatible with other proposals.

Parties then addressed the generation of funds. The Philippines, for the G-77/CHINA, said that developed countries were denying their historical responsibility and their corresponding commitment to provide financial resources and transfer technology. The RUSSIAN FEDERATION said that countries should be incentivized to contribute financial resources and that countries with economies in transition should be eligible to receive funds under certain conditions. He also highlighted the need for an accountability mechanism to track the use of funds. SAUDI ARABIA said some options on sources of funding implied an attempt to renegotiate the Convention. COLOMBIA proposed generating funds from the auctioning of AAUs and from an 8% levy on emissions trading and joint implementation.

**CAPACITY BUILDING:** At the morning contact group meeting, Co-Chair Børsting invited parties to comment on the scope of enhanced action on capacity building. The US, with AUSTRALIA and JAPAN, suggested addressing how discussions on capacity building differ from discussions on support in other contact groups under the AWG-LCA. BRAZIL, TANZANIA, SOUTH AFRICA, Saint Lucia, for AOSIS, SIERRA LEONE, SAUDI ARABIA, CHINA, MEXICO and others highlighted the importance of addressing capacity building needs and, with SWITZERLAND, supported the first option on the scope, which states that capacity building shall be enhanced with regard to the building blocks of the BAP and all aspects of the Convention, as well as emerging needs. TURKEY underlined the importance of COP decisions on capacity building.

In the afternoon, parties focused on implementation of capacity building and associated institutional mechanisms. AUSTRALIA, supported by JAPAN, CANADA, the US and the EU, underscored the importance of institutional arrangements and MRV. They stressed the need to return to the text following discussions on institutional mechanisms under the finance contact group.

BRAZIL emphasized that the finance group is addressing “the how” and that this group must address “what” should be accomplished. The US requested parties to clarify the issues in this section that are not being discussed elsewhere. The EU stressed that a “one-size-fits-all” approach will not capture the diversity of needs.

AOSIS emphasized that if everyone waits for action in other groups, there will be nothing on the table and recommended that the contact group continue work and then make textual adjustments at a later stage to make it consistent with the larger framework. The G-77/CHINA, with BRAZIL, called for addressing capacity building in a stand-alone manner and through recognition of the issue under other building blocks. In response to questions from the US, the G-77/CHINA clarified that the mechanism should empower new and existing institutions in developing countries to take enhanced action on capacity building.

Co-Chair Gaye said that a new non-paper based on the discussions would be made available on Thursday.

**ADAPTATION:** The contact group continued their consideration of objectives, scope and guiding principles in the non-paper. AUSTRALIA said the objective of the proposed adaptation framework is to galvanize greater attention and action at all levels in order to minimize the effects of climate change. Under scope, she called for recognizing that adaptation will need to be undertaken by all parties, and proposed the inclusion of a new section on roles and responsibilities. With CANADA, she called for a catalytic and facilitative role for the UNFCCC.

The PHILIPPINES said the definitions and principles need to be consistent with the Convention. ARGENTINA proposed making reference to the vulnerability of highly urbanized areas.

CHINA cautioned against establishing vulnerability criteria based on national circumstances, respective financial and technical capabilities, levels of risk and impacts, as well as levels of poverty. He also drew attention to different interpretations of “country-driven.” CANADA said country-driven adaptation efforts speak to the importance of national governments, identifying and communicating their priorities as well as implementing actions. On scope she also emphasized, with SOUTH AFRICA, that adaptation should not include the consideration of response measures.

SOUTH AFRICA said the objectives should reflect, *inter alia*, the need to: reduce vulnerability and build resilience; and identify linkages and coherence with actions taking place at the international level. BHUTAN proposed including reference to the specific and special circumstances of LDCs. INDONESIA requested clarification of mechanisms to assess vulnerability of developing countries.

The US and NORWAY highlighted integrating adaptation into national planning and policies as a critical element. While acknowledging that adaptation is an additional burden on developing countries, NORWAY cautioned against creating an “adaptation sector.” She highlighted subsidiarity as key to adaptation processes, where adaptation actions are based on, and respond to, needs at the lowest and local levels.

**TECHNOLOGY:** Co-Chair Shimada invited parties to continue discussions of the Co-Chairs’ non-paper and to identify opportunities to streamline and improve it. He proposed commencing with institutional arrangements and moving to activities to be financed. UGANDA, supported by AUSTRALIA, preferred discussing activities to be financed before the necessary institutional arrangements. CANADA, supported by AUSTRALIA, the Philippines, for the G-77/CHINA, BRAZIL, the EU and others, suggested moving into informal consultations.

During informal consultations, parties discussed, *inter alia*, whether to transfer specific paragraphs relating to finance to the contact group on finance, but no agreement was reached. Parties also identified specific actions requiring financial

support. Several parties urged a focus on technologies necessary for mitigation and adaptation activities. Some parties, opposed by several others, suggested also focusing on the technologies necessary for the implementation of NAMAs.

#### AWG-KP CONTACT GROUPS

**ANNEX I EMISSION REDUCTIONS:** In the morning, parties discussed the implications of LULUCF rules for Annex I emission reductions. Co-Facilitator Smith highlighted work done by the spin-off group on LULUCF to consider accounting rules for LULUCF.

Brazil, for the G-77/CHINA, supported by the Federated States of Micronesia, for AOSIS, and TUVALU, called for mandatory inclusion of agreed activities to eliminate the “pick and choose nature” of current accounting and promoted a net-net accounting approach. The G-77/CHINA also proposed caps on LULUCF to ensure other sectors are addressed. NEW ZEALAND, with JAPAN and CANADA, said that caps would create a disincentive for LULUCF mitigation efforts. SWITZERLAND underscored that environmental integrity is the overarching principle of the LULUCF process. NORWAY said a net-net approach could be acceptable. The EU highlighted that agreement is needed on national reference levels, discount factors and whether specific activities would remain voluntary or mandatory for reporting. TUVALU highlighted the need for conformity in reporting for comparability. CANADA and others underscored that the contribution of LULUCF to national targets depends on the rules. NEW ZEALAND and JAPAN stressed that agreement on commitments could not be reached until rules are clarified.

AOSIS expressed concern that some rules could allow for an increase in industrial emissions. Noting that heterogeneity of impacts among countries is unavoidable, the G-77/CHINA said the reference year of 1990 is already established. AUSTRALIA called for the use of a historic baseline and for consistency across sectors. With CANADA and others, the G-77/CHINA called for Barcelona to be “the end of the road” for the LULUCF accounting discussions.

The contact group on Annex I emission reductions reconvened in the afternoon. Co-Chair Wollansky invited parties to focus on proposed Protocol amendments pursuant to Article 3.9 (FCCC/KP/AWG/2009/10/Add.1/Rev.1) and on a compilation of proposals by parties for aggregate and individual figures for Annex I parties (FCCC/KP/AWG/2009/Add.4/Rev.1). She invited suggestions on how to revise and streamline the texts, as well as proposals on content.

On the compilation of proposals for aggregate and individual figures for Annex I, CROATIA outlined plans to reduce absolute emissions by 33.2 million tonnes of CO<sub>2</sub> equivalent during 2013-2020. She explained that the target amounts to an increase of 6% from their 1990 levels, or a reduction of 5% from the levels agreed in decision 7/CP.12 (level of emissions for the base year of Croatia), and that Croatia would need to invest 1.6% of its GDP to meet this target. JAPAN said their recently announced new target on reducing emissions by 25% from 1990 levels by 2020 should also be reflected when updating the document.

On proposed Protocol amendments pursuant to Article 3.9 (Annex I further commitments), discussions focused on streamlining the various options contained in the document, with some explaining their motivation for proposing the options and others making suggestions on how to improve the text. Several parties questioned the rationale behind the proposal on multiple base years, highlighting the difficulties associated with this. Supported by AUSTRALIA and NEW ZEALAND, JAPAN explained that the different years should not be viewed as base years, but as reference years, and that their inclusion was useful for the sake of comparability and clarity. He added that the idea is to express the QELROs as absolute reductions and use the percentage reductions from the various years as reference points.

**POTENTIAL CONSEQUENCES:** In the AWG-KP contact group on potential consequences of response measures, parties reviewed the work done during this session, noting that progress

had been made on most paragraphs in the text. Parties then discussed areas of convergence and divergence in order to frame outstanding issues for further work in Barcelona.

On a paragraph addressing the review of the guidelines in decision 15/CMP.1, NEW ZEALAND and the EU expressed concern about duplication of work with the existing review process. South Africa, for the G-77/CHINA, emphasized that this review was for the first commitment period and the text reflects review for the second commitment period.

NEW ZEALAND, CANADA and the EU called for avoiding duplication of reference to the need to deepen understanding. The G-77/CHINA clarified that one of the proposed paragraphs reflects what must be done after the information has been collected, including development of ways and means to minimize potential consequences, while the other refers only to the need to deepen understanding.

CHINA, supported by SAUDI ARABIA and ARGENTINA, introduced text stating, *inter alia*, that “Annex I parties shall not resort to unilateral measures against imports from developing countries.” SAUDI ARABIA stressed that this issue lies at the core of the discussions on potential consequences and that Annex I parties must not be allowed to use environmental protection as pretext to impose tariffs or trade barriers. CANADA requested bracketing the proposed text.

Co-Chair Konaté said that the discussions and the revised text would be captured in a document to be used by the AWG-KP Chair to create revised documentation for Barcelona.

#### IN THE CORRIDORS

While the various informal consultations and contact groups continued to meet throughout Wednesday, many delegates seemed to be increasingly aware of the fact that only two full working days remain in Bangkok.

In the evening, the AWG-LCA Chair convened an informal stocktaking meeting. Many delegates reflected on progress made in Bangkok in the various contact groups and mitigation sub-groups under the AWG-LCA, noting that all groups had managed to produce non-papers, and that negotiations had begun in formal and informal settings based on these documents. As one veteran in the process indicated: “Issues are on the table, we are discussing them, and have therefore entered full negotiating mode.”

However, most agreed that the remaining workload before Copenhagen was still considerable. One delegate remarked that the text to be negotiated had not been significantly reduced and calculated that the various non-papers amounted to a “staggering” 177 pages. “We need a radical shift in pace and volume of material,” he indicated. Concerning an updated list of proposed new institutional arrangements under the various building blocks, some parties noted that it contained over 50 proposed arrangements.

On the overall direction and progress of the negotiations, discussions at the informal stocktaking meeting were based on a note that compiled key elements in the issue areas. Several parties expressed dismay at progress made, with many developing countries arguing that they felt like “the train was going in the wrong direction” and that too many of the proposals were inconsistent with the Convention and the BAP. One went so far as to state that: “We are moving farther apart instead of closer together.” Several developed countries maintained, however, that not a single of their proposals was inconsistent with the Convention and the BAP, and one indicated that “if we all had the same understanding of what we adopted in Bali, we would not need to be here now.” “It feels as if two worlds are colliding,” commented one veteran negotiator emerging from the meeting.

Despite the evident divisions and pessimism, optimistic delegates could also be found in the corridors. “There will be a solution, eventually,” said one. “We had a very frank discussion and our positions are clearer. It is now a matter of building trust and getting to our destination.” One delegate said the issues should be revisited after a good sleep: “Morning is always wiser than the night.”



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