

SB 32 AND AWG HIGHLIGHTS: MONDAY, 7 JUNE 2010

In the morning and afternoon, contact groups and informal consultations took place on issues including capacity building and decision 1/CP.10 (Buenos Aires programme of work) under the SBI, item 3 (preparation of an outcome to be presented to COP 16) under the AWG-LCA, Annex I emission reductions under the AWG-KP, and scientific, technical and socio-economic aspects of mitigation under the SBSTA.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

ITEM 3 (AWG-LCA): Technology and cooperative sectoral approaches and sector-specific actions in agriculture: During the morning contact group, discussions focused on technology, based on questions by the AWG-LCA Chair (http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/questions_for_technology.pdf). Parties also addressed cooperative sectoral approaches and sector-specific actions in agriculture, based on questions by the AWG-LCA Chair (http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/question_agriculture.pdf), focusing on issues that need to be resolved for COP 16 to be able to initiate work on agriculture.

On agriculture, MEXICO observed that the scope of the work programme needs to be defined and highlighted the relationship between the agriculture sector and livestock. ARGENTINA called for referencing, in the preamble, the relationship between food production and consumption, economic development and sustainability. JAPAN noted that sectoral approaches to agriculture should be implemented according to national circumstances and that COP 16 should encourage further work on this sector. SAUDI ARABIA expressed concern with “fast tracking” some issues like agriculture while other issues remain unresolved, emphasizing that this is contrary to the Bali Action Plan (BAP).

CHINA underscored the importance of agriculture for food security, poverty reduction and sustainable development, and with SOUTH AFRICA, indicated that adaptation is more important than mitigation in this sector. BOLIVIA said that the agriculture policy framework should focus on meeting the interests of local and indigenous communities, and on food

sovereignty, including the right of people to control seeds, land, water use and food production. BRAZIL noted convergence on agriculture issues and URUGUAY welcomed the text on agriculture. PAKISTAN said efforts must be consistent with national priorities and ensure food security. NICARAGUA stressed the need to ensure small farmers’ right to, and control over, seeds, land, water and food production, and called for an adequate financial mechanism to ensure food security. The US supported a work programme on agriculture, but requested deletion of text referring directly to trade-related issues. AUSTRALIA highlighted the need for further work on accounting methodologies for agriculture.

Spain, for the EU, with AUSTRALIA, SWITZERLAND, the GAMBIA and others, called for the consideration of bunker fuels. SAUDI ARABIA pointed to “huge differences” between parties, stressing that these issues should be addressed through the International Civil Aviation Authority (ICAO) and the International Maritime Organization (IMO). SINGAPORE emphasized the expertise of the IMO and ICAO, and encouraged parties to further support their work.

The COOK ISLANDS requested information on how the AWG-LCA Chair intends to consider bunker fuels. NORWAY supported discussion of bunker fuels and suggested using the new submission by the Cook Islands (FCCC/AWGLCA/2010/MISC.2/Add.1) to bridge gaps on this issue.

On technology, the REPUBLIC OF KOREA and CANADA observed that the proposed technology executive committee (TEC) should be under the SBSTA. JAPAN highlighted: public and private partnerships as key to enabling technology development; strict protection of intellectual property rights (IPRs); and a TEC serving as a high-level advisory body. He also said that the climate technology center and network (TCN) should support the development of NAMAs. The EU identified the technology mechanism as an important vehicle for technology and capacity building support for adaptation and mitigation. He also highlighted the important role of a network of centers in the provision of assistance to developing countries for the preparation of country-driven planning and actions on both mitigation and adaptation. He highlighted an advisory role for the TEC in providing recommendations on gaps and needs

for both mitigation and adaptation, and emphasized the need to ensure a proper mandate for the TEC to interact with relevant bodies, organizations and stakeholders to ensure effectiveness.

South Africa, for the AFRICAN GROUP, highlighted the lack of questions from the Chair on IPRs and supported the establishment of a global technology transfer and IPR pool to ensure access by developing countries to technologies protected by IPRs. He explained that the TEC would guide implementation of technology transfer and have an advisory role for the TCN. He noted that the TCN would provide support for project design and implementation of nationally-driven actions.

The US, supported by AUSTRALIA, said the TEC and centers and networks should have equal standing and they would report to the COP through the SBSTA. He noted that the technology bodies should not be operating entities of the financial mechanism.

AUSTRALIA said the TCN and TEC should have operational autonomy and should regularly report to the SBSTA for finance, review and guidance.

Argentina, for the G-77/CHINA, said the TEC should be a stand-alone body and report to the COP. She said the TEC should have a mandate on the TCN and set priorities and technical criteria. INDIA said the technology mechanism should support knowledge management and pilot new technology, and facilitate cooperation for diffusion of technologies. He said the TEC should provide oversight, review proposals for financial support and report to the COP.

NORWAY said the TEC should report to the SBSTA and noted the TEC would be relevant to both adaptation and mitigation. CHINA, supported by SOUTH AFRICA, emphasized that the TEC should be a strong entity with a role in guidance, setting up programmes and raising financial support, and said it should be independent and report directly to the COP.

BOLIVIA stressed that the TEC should be the primary body, linked to a window in the financial mechanism to cover the full incremental costs of technology transfer, and highlighted MRV of technology transfer by developed countries. He emphasized that nothing in the international IPR regime should be implemented in a way to prevent developing countries from addressing climate change and suggested using compulsory licensing to facilitate technology transfer.

Emphasizing that current mechanisms for technology development and transfer are inadequate, TURKEY called for: an effective, dynamic and transparent mechanism; regular and effective information exchange of its bodies; balanced representation of developing and developed countries; consideration of different national circumstances; and cooperation of the mechanism's bodies with the SBs and relevant bodies outside the UNFCCC.

THAILAND urged consideration of the socio-economic impacts of mitigation activities on the food security and livelihoods of small farmers in particular. PAKISTAN suggested that the TEC and TCN be under the authority of the COP, seek to enhance cooperation and remove barriers, and that the TEC should be a stand-alone body, reporting directly to the COP. Suggesting that the "green revolution" provides important lessons on the role of technology transfer in agriculture and that it has contributed to increases in food production, but did not protect small farmers and respect the role of indigenous and local knowledge, GUATEMALA urged considering the

most vulnerable sectors of the society. NICARAGUA said the focus must be on technologies that are useful, clean and socially appropriate, and technologies should be controlled by the public domain rather than by private monopolies.

CANADA said the TEC and TCN should be two separate yet equal components within the technology mechanism that avoid duplication, seek effectiveness as well as synergies and are mutually supportive. He suggested that the TEC and TCN should maximize the effectiveness of the existing institutions and report to the SBSTA.

Measuring, reporting and verification (MRV) of mitigation commitments or actions by developed countries: During the afternoon contact group, discussions focused on MRV of mitigation commitments or actions by developed countries, based on questions by the AWG-LCA Chair ([http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/1b\(i\)_mrv_questions.pdf](http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/1b(i)_mrv_questions.pdf)).

Spain, for the EU, identified the need to discuss legal formalization of emission reduction targets and clarify the pledges, including the covered sources and greenhouse gases (GHGs). With Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP, and Barbados, for AOSIS, he requested that the Secretariat compile information on developed country pledges. The EU requested also compiling developing country pledges in the context of sub-paragraph 1(b)(ii) of the BAP. He called for considering, *inter alia*: LULUCF; the flexibility mechanisms; annual GHG inventories; national inventory systems; accounting for targets; and compliance.

CHINA said that rules on MRV under the Kyoto Protocol should apply to Annex I countries that are not parties to the Protocol. He stressed MRV of Annex I countries' targets as the focus of MRV, highlighting that there is no need for an overall MRV framework or for new MRV institutions.

The US, with TURKEY, called for a separate chapter on MRV. The US supported the use of the 2006 IPCC Guidelines and annual inventories. He called for full national communications every four years with biennial updates on the economy-wide emission reduction targets, also including information on policies and measures, methodologies and use of offsets. He said national communications should also contain information on support for mitigation, adaptation and capacity building in developing countries. Highlighting the need for a "full MRV regime," he noted that the first full communication should contain a low-carbon development strategy. The US also called for biennial reporting from non-Annex I countries on their mitigation actions.

NORWAY noted the need for a common set of rules for MRV and for accounting of emissions in relation to targets. He also: identified the need to report on offsets and trading; expressed willingness to submit national communications more frequently; and suggested strengthening reporting on support to developing countries.

Barbados, for AOSIS, supported, *inter alia*, an international review process and accounting and reporting of emissions and LULUCF, as well as tradable units or offsets.

JAPAN proposed the annual submission of inventories using the 2006 IPCC Guidelines and enhancing the reporting frequency to every two years, with full national communications to be submitted with longer intervals. He noted that biennial communications should be streamlined to present information on

critical elements in a clearer and more focused fashion, with the continuation of verification of national communications by an expert review team.

NEW ZEALAND noted that the current reporting requirements form a good basis for MRV for all countries. On frequency of reporting, he proposed annual inventories, as is the current practice, streamlined biennial communications and periodic full national communications. He also suggested discussion on streamlined biennial communications for all parties.

Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP, emphasized that guidelines for MRV can be found under the UNFCCC and the Protocol, and that MRV should build on national communications. He indicated that the current frequency of annual GHG inventories and national communications is adequate, while suggesting that the need might arise for adding further guidelines and new topics or for adjusting the frequency of reporting. TURKEY said developed countries should report according to existing guidelines for Annex I countries. He highlighted the need for MRV of support for developing countries, including NAMAs, and suggested reporting on the matching of actions with support, geographical coverage and capacity building.

SOUTH AFRICA urged that MRV should cover Annex I countries' aggregate commitments and reiterated the call for a technical panel on comparability of efforts. He stressed the need for a compliance system for Annex I countries that are not parties to the Protocol, and identified the need for reporting on market mechanisms and offsets, and technical and financial support. Emphasizing that the Convention does not specify the format for national communications, he encouraged elaboration of a more streamlined format.

SAUDI ARABIA stressed the need for MRV to cover the impacts of Annex I countries' mitigation policies on developing countries, urging that developed countries should specify their measures in order to minimize these impacts, and cautioned against the use of tariffs and barriers to trade.

Brazil, for the G-77/CHINA, called for a strong compliance mechanism and the application of the Protocol rules to Annex I countries, including LULUCF accounting. He stressed the need for distinct sections on mitigation and MRV for developed and developing countries under sub-paragraphs 1(b)(i) and 1(b)(ii) of the BAP. He also called for strengthening guidelines in different areas, including financial support.

Lamenting that discussions focused on reporting, SINGAPORE suggested that MRV should contribute to ensuring Annex I countries' compliance and urged that the measuring rules for all Annex I countries are comparable and coherent in order to provide a clear picture of emission reductions. AUSTRALIA said MRV should be regular and transparent and include information on targets, reductions, methodologies, the use of offsets and the provision or receipt of technical, financial and capacity building support. He suggested annual GHG inventories by developed countries and biennial national communications by all countries.

VIET NAM highlighted the importance of comparability of efforts and baselines. BOLIVIA underscored the need for Annex I countries to report on the relative contributions of domestic efforts and market mechanisms to meeting their targets and noted the importance of financial penalties or target adjustments

in cases of non-compliance. The PHILIPPINES underscored that MRV is "meaningless without compliance" and called for a technical panel on comparability. Chair Mukahanana-Sangarwe informed parties that spinoff groups on adaptation and market mechanisms would convene.

ANNEX I EMISSION REDUCTIONS (AWG-KP):

Parties focused on the relationship between the scale of Annex I emission reductions and LULUCF rules. Reporting on the spinoff group on LULUCF, Co-Facilitator Iversen outlined the options and proposals for the treatment of LULUCF in the second commitment period. He highlighted a proposal to include wetland management and noted that the largest impact on emissions would be from forest management. He also noted that it was difficult to provide "absolute numbers" regarding the impacts of the different options but highlighted that the methods used will affect the qualitative impacts of the various options.

Co-Chair Charles invited parties to consider: how LULUCF can help fill the gap between Annex I parties' level of ambition and the IPCC ranges; the possible contribution of LULUCF to meeting parties' QELROs, and whether such contribution should be open-ended, capped or vary according to parties' discretion; and what additional information is required regarding the role of LULUCF to enable agreement on Annex I targets.

The FEDERATED STATES OF MICRONESIA stressed the need to ensure that LULUCF rules do not lead to a decrease in the level of ambition and to understand the implications of each option on environmental integrity.

The EU made a presentation showing the impact on all Annex I countries' emissions of using: the existing LULUCF rules, under which most parties would receive mostly non-additional credits and which would provide "no real incentive to take additional action"; the discount rates option, under which parties would get non-additional credits of similar magnitude to the current rules, with minor incentives to take additional action; the reference levels option, under which most countries would get zero crediting for business-as-usual, depending on the reference level chosen; and a historical reference year set at 1990, under which some countries would get large credits or debits, arbitrarily distributed, mostly relating to forest management.

Brazil, for the G-77/CHINA, noted preference for a net-net approach, with a cap on the use of LULUCF. TUVALU said the impacts should be shown with absolute tonnage rather than percentages and also requested clarity on the assumptions used in the presentation. UGANDA asked whether countries' forest management methods and the nature of forests in each country were taken into consideration. The EU acknowledged the possibility of setting a cap, but stressed that such a cap must not be too restrictive and must still provide an incentive for taking further action.

NORWAY underscored the need for incentives to take action. The RUSSIAN FEDERATION said her country anticipates a significant contribution from LULUCF in the next commitment period, noting their pledged reduction of 25% with LULUCF or 15% without LULUCF. Noting that countries have said they will adjust their targets depending on the rules adopted, TUVALU highlighted the importance of ensuring that LULUCF rules are the tightest possible to meet the environmental integrity requirements and not give countries too much flexibility to make adjustments to their pledges. AUSTRALIA said her country's pledge envisages the use of LULUCF "as fully as possible" and

objected to setting a cap on the use of LULUCF. Papua New Guinea, for the COALITION FOR RAINFOREST NATIONS, supported setting rules before agreeing on numbers, and called for: reference levels that allow crediting for mitigation actions and that avoid business-as-usual credits; and accounting for forest removals and emissions. The EU supported mandatory forest management accounting.

BOLIVIA noted that the EU's presentation shows that the impact of the various options would be between -1.2% and -2%, stressed that this range is very small and said parties can discuss Annex I aggregate emission reductions, since the potential impacts of the various LULUCF options are known. In response, the EU explained that the various options would have significant impacts on different countries' individual targets, even though they will have small impacts on the aggregate target. BRAZIL urged Annex I countries to accept the mandatory application of Protocol Article 3.4 (land management activities), stressing that these are generally source activities and leaving them out would impact the integrity of LULUCF as a whole.

DECISION 1/CP.10: A contact group on progress on the implementation of decision 1/CP.10 (Buenos Aires programme of work on adaptation and response measures) convened briefly in the morning and parties agreed on draft SBI conclusions forwarding the annexed draft decision text to SBI 33.

CAPACITY BUILDING UNDER THE PROTOCOL (SBI): During the morning contact group, parties focused on a draft COP/MOP decision, going through the text paragraph-by-paragraph. Tanzania, for the G-77/CHINA, opposed a reference to the private sector addressing a range of priority needs, stressing lack of evidence of the private sector's contribution to capacity building. JAPAN highlighted that the private sector in his country is engaged in capacity building and supported retaining the reference.

On a paragraph referring to key needs to enable developing countries, particularly the LDCs, Africa and SIDS, to participate in the CDM, Panama, for the CENTRAL AMERICAN INTEGRATION SYSTEM, opposed by the EU, suggested including reference to the most vulnerable regions and countries.

Regarding reporting on the effectiveness and sustainability of capacity building programmes, the G-77/CHINA, opposed by the EU, opposed reference to national communications. UGANDA proposed a formulation referring to "appropriate mechanisms, such as national communications." Informal consultations will continue.

PROTOCOL ARTICLES 2.3/3.14 (SBI/SBSTA): During the joint SBI/SBSTA contact group on Protocol Articles 2.3 (adverse impacts of policies and measures) and 3.14 (adverse effects and impacts of response measures), Saudi Arabia, for the G-77/CHINA, emphasized that issues under Protocol Articles 2.3 and 3.14 do not require symmetrical treatment. Spain, for the EU, with CANADA and AUSTRALIA, called for symmetry and balance. The EU said the priority is first to increase understanding of adverse effects through exchange of information, before substantive debate on addressing them.

CANADA and AUSTRALIA questioned the need for extra informal consultations on the issue. SAUDI ARABIA, noting the number of substantive issues to be addressed, with QATAR,

INDIA and CHINA, said that extra time would be "extremely useful." AUSTRALIA proposed assessing the need for a second informal meeting after the first one.

Parties then considered draft SBI conclusions on Protocol Article 3.14 paragraph-by-paragraph. SAUDI ARABIA emphasized that developed countries have the obligation to strive to minimize adverse impacts of response measures on developing countries and that this should be clearly reflected in the text. The EU underscored that adverse impacts are faced by all countries and that the consideration of these impacts should focus on the poorest countries and those least able to address the impacts on their own. INDIA said the focus should be on impacts affecting all developing countries, but that consideration could initially focus on the poorest and most vulnerable countries. CHINA stressed that "poorest and least able" is not a concept included in the Convention. SAUDI ARABIA rejected new categorizations. Informal consultations will continue.

SCIENTIFIC, TECHNICAL AND SOCIO-ECONOMIC ASPECTS OF MITIGATION (SBSTA): In informal consultations on scientific, technical and socio-economic aspects of mitigation, parties discussed draft SBSTA conclusions. Many parties noted that a balance among sectors should be reflected in the conclusions and a number of parties underscored the need to reach consensus on defining specific areas for future work. Informal consultations will continue.

IN THE CORRIDORS

As negotiations resumed on Monday, one of the main topics on delegates' tongues was the question of "common space" for the two AWGs to meet and discuss certain issues. An informal meeting on the topic took place in the morning and resulted in an "insurmountable lack of consensus," according to one disappointed developing country delegate. According to delegates present in the meeting, different views persisted on the topic within the G-77/China, with AOSIS and certain Latin American countries strongly supporting the "common space," and some other G-77/China countries continuing to oppose it. Many also felt that there was little indication from the US that it was going to soften its resistance to joint discussions with Protocol bodies. Several developed and developing country delegates expressed their "extreme disappointment" at this continued resistance. While many were skeptical, there were rumors that attempts were still being made to find a "common space." "This is what we would need to make any progress," one delegate analyzed.

With a focus on LULUCF in two AWG-KP contact groups within the last two days, LULUCF negotiators have been receiving unusually high attention. The G-77/China presented a common position on reference levels and parties began to open up on their reference constructions. "At least some Annex I parties appear to be moving towards transparency in their LULUCF accounting," said one developing country delegate. "I'm not sure that transparently hiding emissions, with countries setting their reference level at the projected levels, is really what we should be looking for in order to achieve environmental integrity," said one disheartened participant.