

## AWG-LCA 11 AND AWG-KP 13 HIGHLIGHTS: WEDNESDAY, 4 AUGUST 2010

Delegates met in contact groups and informal meetings to exchange views and negotiate on a range of issues. Under the AWG-LCA, meetings were held on shared vision, mitigation, adaptation, and financing. Under the AWG-KP, meetings were held on Annex I emissions reductions, LULUCF, mechanisms and methodological issues.

### AWG-LCA

**SHARED VISION DRAFTING GROUP:** Delegates discussed the Chair's text on shared vision (FCCC/ AWGLCA/2010/8, Chapter 1). On the aim and scope of the long-term vision (paragraph 1), developing countries proposed framing the vision in the context of equity and common but differentiated responsibilities. They also suggested that the shared vision should address all implementation gaps. A developing country proposed text on human rights, including rights of indigenous peoples, women, children and migrants.

On emissions cuts and global temperatures (paragraph 2), one developing country added text stating that action should be "based on *per capita* accumulative historical emissions." One group of developing countries said global temperatures should "stay well below a 1.5°C increase" from pre-industrial levels. However, another developing country sought to remove reference to specific temperature limits. Delegates also proposed text on: special national circumstances; allocating the carbon budget until 2015 based on population and Annex I parties' "climate emissions debt"; and returning atmospheric concentrations as close as possible to pre-industrial levels in the longer-term.

**MITIGATION DRAFTING GROUP:** The group spent several hours discussing nationally appropriate mitigation actions (NAMAs) by developing countries. Parties made numerous textual suggestions to the Chair's text (Chapter 1, paragraphs 28-51), with the text expanding from three to 11 pages. The proposals covered a range of issues, including: new reporting requirements; MRV and ICA; types and scope of NAMAs; national sovereignty; the NAMA registry; support for NAMAs; nationally supported NAMAs; national inventories; and special reporting conditions for SIDS and LDCs. Due to lack of time, many parties could not make their contributions, and the meeting will resume on Thursday morning.

**ADAPTATION DRAFTING GROUP:** Delegates decided to break into two small informal drafting groups to flesh out ideas on institutions (Chapter 2, paragraph 7). Before breaking out into groups, one developing country proposed adding a

paragraph on the creation of an international climate insurance facility. Delegates reconvened in the main drafting group in the afternoon to present their proposals. A group of developed countries suggested focusing on providing guidance and advice, preferably through existing institutions. However, developing countries called for an adaptation committee under the Convention that would not only provide guidance but would also have a role in adaptation projects, providing technical support and advice. The group considered the functional role of the committee and clarified that it would not decide on projects as a whole, but would appraise and approve technical aspects based on COP guidelines.

**FINANCE, TECHNOLOGY AND CAPACITY BUILDING DRAFTING GROUP:** In the morning, delegates exchanged views on financial issues, particularly text on the new fund and proposed new body of the financial mechanism (Chapter 3, paragraphs 8-15).

Delegates expressed diverging views on whether coordination, guidance to the COP and other governance or overview functions would best be met by a new body (paragraph 14). Several developed countries said existing institutions could perform these functions. However, one developing country preferred a new body to perform key overview and coordinating functions. Two parties highlighted the role of a "forum of entities" (paragraph 13), and one suggested that such a forum could carry out some of the functions listed for either a new body or existing institution.

On the operation of the fund, one developed country expressed concern about returning to the same debates from Copenhagen. He also said language on "direct access" to funds needed further clarification and proposed the World Bank as trustee of the Fund.

On the board of the new fund, developing countries preferred nominating members at COP 16 rather than COP 17. Many developing countries supported including specific details on board composition, suggesting 19 members: three from each UN regional grouping; two from SIDS; and two from LDCs. Some developed countries preferred membership that is balanced between net contributors and net recipients. Discussions on these paragraphs continued in the afternoon in a spin-off group facilitated by Burhan Gaffoor (Singapore), where parties further discussed coherence and coordination.

Later in the afternoon, parties discussed sources of funding (Chapter 3, paragraphs 1-7). They reiterated previously-held positions on sources and amount of financing, with specific comments on: the role of the Copenhagen Accord; public versus private financing; assessed contributions by developed countries

as a percentage of GDP; new and additional funding; funding allocation; predictability and adequacy of financing; fast-track financing; operationalization; contributions by developed country parties or all parties after 2013; transparency; conditionalities; the role of the High-Level Advisory Group on Climate Change Financing; and provisions for long-term financing and allocation. The drafting and spin-off groups will reconvene on Thursday.

#### AWG-KP

**“NUMBERS” CONTACT GROUP:** The group focused on impacts affecting the overall level of ambition. Co-Chair Charles spent the remainder of the meeting soliciting party inputs on presentations of estimated ranges based on options emerging from technical negotiations. In particular, views were sought on options to address the implications of these ranges on the scale of emission reductions.

On use of surplus AAUs and carry over, Co-Chair Charles said that based on previous discussions, the range of estimated surplus AAUs is 0.3-0.6 Gt CO<sub>2</sub>/year in 2020, and carry over is a total of 7-11 Gt CO<sub>2</sub>. He identified options to address the implications of this range, including: using existing rules; demand or supply side measures; using a cap or restricting use; or levies.

The EU asserted that levies are the most complicated option. SAUDI ARABIA wondered how to link these discussions to those in other AWG-KP groups. NEW ZEALAND underscored the possible disproportionate impacts of the different options on certain parties.

On LULUCF, Co-Chair Charles said the estimated use of LULUCF credits ranges from 5-8%, or possibly lower, depending on selection of certain options under negotiation. He said the following options could address implications for actual emission reductions: using existing rules; limiting use of, or removing, LULUCF credits from the system; removing the surplus where it includes LULUCF credits; or not using the LULUCF provisions of Protocol Article 3.7 (translating QELROs into AAUs).

BRAZIL, with CHINA, NORWAY and the RUSSIAN FEDERATION, said including experts from the LULUCF group would improve the discussions. ICELAND said LULUCF should not be seen as a loophole. NEW ZEALAND said forests should be characterized as stocks rather than flows.

On mechanisms, Co-Chair Charles said the estimated size of CDM CERs demand is 5-6 Gt CO<sub>2</sub>. He emphasized that the implications on emission reductions could be addressed through using current rules and introducing new mechanisms, strengthening the additionality of CERs, or imposing a cap on mechanisms and complementarity. The EU noted that these options are well refined within the current text on mechanisms and, with NEW ZEALAND, said they require a political decision.

Following these discussions, Co-Chair Charles noted the need for a detailed outline of options on surplus AAUs, that options for LULUCF would benefit from joint discussions with the LULUCF contact group, and that additional discussions on mechanisms would be useful.

**“OTHER ISSUES” GROUP:** The group held informal consultations and group discussions on LULUCF, the mechanisms and a “basket” of methodological issues.

**“Basket of Issues” consultations:** In the afternoon, informal consultations on the basket of methodological issues moved issue-by-issue through the Chair’s note (FCCC/KP/AWG/2010/6/Add.4). Delegates addressed new gases and common metrics. Vice-Chair Macey encouraged parties to refine their ideas, resolve issues amongst themselves, and submit these to the Secretariat for inclusion in a new draft.

**Flexibility Mechanisms:** Parties met for informal consultations on the flexibility mechanisms (FCCC/KP/AWG/2010/6/Add.3) facilitated by AWG-KP Vice-Chair Macey. Issues discussed included: CCS under the CDM; nuclear energy under the CDM; standardized baselines; CERs; co-benefits of CDM; discount factors; joint implementation (JI); co-benefits of JI; carry over; share of proceeds for CERs issuance; emissions trading; new market mechanisms; and complementarity.

Noting the high transaction costs of project-based mechanisms and the increasing complexity of baseline determinations, one developed country said that the CDM could be improved and supplemented with sectoral mechanisms. AWG-KP Vice-Chair Macey noted that there was not much scope for further improvements to the text at this time, since the text already has clear options set out.

**LULUCF:** Co-Chair Rocha introduced harvested wood products (HWP), explaining to the contact group that the Chair’s note on LULUCF (FCCC/KP/AWG/2010/6/Add.2) includes options on developing a set of rules on HWPs under LULUCF or excluding the HWPs section.

NEW ZEALAND supported making progress on HWPs and considering principles of environmental integrity and transparency. He proposed including emissions accountability for HWP-producing countries, accountability measures to avoid gaps, and provisions for the sustainable use of HWPs. BELARUS and SINGAPORE noted concerns with avoiding double emissions accounting, tracking information and potential implications for other sectors. TUVALU supported further work on New Zealand’s proposal, emphasizing the need for clarification on, *inter alia*, defining forests and the potential perverse incentives for the conversion of natural forests into productive ones.

CHINA requested clarification on potential implications for forestry and other sectors. BRAZIL raised concerns about HWPs in the context of the CDM, particularly relating to additionality. SUDAN suggested including text on sustainably-managed forests, while the EU proposed making forest management mandatory and said methodological issues should be further addressed to avoid double counting and improve consistency.

During informal consultations in the afternoon, parties presented four proposals on: accounting for forest management; *force majeure*; use of HWPs; and a proposal on including reference levels. Co-Chair Rocha said these proposals would be incorporated in a non-paper to be submitted to the AWG-KP Chair for his consideration. Parties will resume their discussions on Thursday morning.

#### IN THE CORRIDORS

“A text explosion” is how one delegate described the proliferation of proposals in several negotiating groups on Wednesday. With negotiators getting down to the business of reviewing draft text, some parties were quick to add their ideas, priorities and bargaining chips to the texts. The mitigation group witnessed a three-page document mushroom to 11 pages in three hours, while text also expanded rapidly in the group addressing shared vision.

“Wasn’t this precisely what the AWG-LCA Chair asked us not to do?” said one delegate. “I can’t believe we’re really going through this same procedure again—I feel like I’ve stepped back in time 12 months,” said another.

However, the news was more upbeat from the adaptation group, with some participants “optimistic” following discussions on institutional arrangements.