

AWG-LCA 11 AND AWG-KP 13 HIGHLIGHTS: THURSDAY, 5 AUGUST 2010

Delegates met in contact groups and informal meetings to continue their work. Under the AWG-LCA, there were meetings on shared vision, mitigation, adaptation, financing, technology, capacity building and the form of the outcome. There was also a joint meeting of the adaptation and finance drafting groups. Under the AWG-KP, meetings were held on Annex I emission reductions, LULUCF, mechanisms, potential consequences and methodological issues.

AWG-LCA

SHARED VISION DRAFTING GROUP: Delegates resumed their discussions, proposing many additions to the Chair's text (FCCC/AWGLCA/2010/8, Chapter 1). On emissions cuts and global temperatures (paragraph 2), a developing country proposed limits of 1.5°C and 350 ppm. However, an industrialized country said 2°C, not 1.5°C, had been agreed by leaders under the Copenhagen Accord. He said this goal was intended to inspire and guide, but was not an operational directive to divide rights to the atmosphere based on some formula. A developing country responded that the Copenhagen Accord was not adopted by the COP and is not a legally-binding document, whereas any UNFCCC outcome should be agreed by all parties.

On text dealing with the peaking of global emissions by 2020 (paragraph 3), a developing country suggested changing the deadline to 2015. Several developing countries said the peaking point should relate only to Annex I parties. One developing country said Annex I parties' emissions should have peaked by 2000, according to the Convention.

On text referring to global reductions by 2050 (paragraph 4), a developing country proposed text on "equitable access to global atmospheric resources, based on historical emissions." Some developed countries suggested a goal of "at least 50%" global emission reductions by 2050, and one suggested "around 80%" for Annex I parties collectively by 2050. A developing country proposed text that Annex I parties' 2050 target does "not imply that developing countries will pick up the remainder of the

emission reductions." He said developing countries' contribution will depend on Annex I parties meeting commitments on financing and technology transfer.

MITIGATION DRAFTING GROUP: The group met four times on Thursday: a drafting group in the morning on NAMAs (BAP paragraph 1(b)(ii)); two parallel spin-off groups in the afternoon, one on REDD-plus (paragraph 1(b)(iii)) and one on market mechanisms (paragraph 1(b)(v)); and one drafting group in the afternoon on sectoral approaches (1(b)(iv)). Delegates agreed not to have spin-off groups on mitigation commitments or actions by developed countries (paragraph 1(b)(i)) and NAMAs until all other mitigation issues had been addressed in a drafting group.

NAMAs: Parties continued textual proposals on NAMAs, including on MRV, ICA, categorization of parties, special provisions for SIDS and LDCs, and specification of support. Developing countries introduced text on the establishment of a mitigation mechanism to ensure the provision of financial, technology and capacity building for the implementation of NAMAs.

REDD-plus: The group convened informally with the idea of discussing Chapter 6 of the draft Chair's text, a text coming from Copenhagen that many delegates described as "almost agreed." However, after interventions by some developing countries, the group shifted its focus to the overarching paragraphs 52 and 53 in Chapter 1. Amendments proposed included changes to the scope and activities to be considered by REDD-plus, and a proposal to include "other" activities.

Market Mechanisms: Parties commented on market mechanisms (Chapter 1, paragraph 58, and Chapter 7). A major developing country underscored possible trade restrictions and discrimination, accountability and reporting. He said Annex I parties should exclusively use UNFCCC-sanctioned instruments to fulfill their commitments. Another developing country said market mechanisms are being addressed under the AWG-KP. Comments also focused on: the establishment of new market mechanisms; the role of the private sector; rights of indigenous peoples; the "voluntary" basis of such mechanisms; removal of oil subsidies; lifestyle and consumption

patterns; offsetting; additionality and integrity of reductions and removals; geographic and sectoral balance of the instruments; the use of domestic policies; and development of modalities and procedures.

Sectoral Approaches: During discussions on sectoral approaches (Chapter 1, paragraphs 54-57, and Chapter 9), parties focused primarily on bunker fuels, with some comments on agriculture. Many parties made proposals on the role of the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) in addressing greenhouse gas emissions from international aviation and international maritime transport, respectively, and their relationship with the UNFCCC. Parties stressed: the need to apply the principle of common but differentiated responsibilities to any measures on bunker fuels; potential restrictions and limitations to trade arising from bunker fuel measures; and how to allocate potential revenues such measures could generate. Reporting and overlap with the AWG-KP was also discussed. On agriculture, a developing country suggested text on livestock management.

JOINT ADAPTATION-FINANCE DRAFTING GROUP: On Thursday morning, delegates held a joint meeting of the drafting groups on adaptation and on finance, technology and capacity building. Adaptation group facilitator Kishan Kumarsingh said the meeting aimed to provide clarity on the functional relationships between adaptation and the finance mechanisms, as well as technology.

Developing countries said financing of all climate change activities should be under the UNFCCC and governance of the COP. A major developing country reflected on the role of thematic committees, which he said should: provide input to the COP on project eligibility criteria; support countries in preparing projects; and support the review of the proposals. Another developing country urged more funding for adaptation, noting that most funding is currently directed towards mitigation.

One developed country said the thematic committees should provide technical or scientific advice on good practice, but should not provide detailed project assessments or be involved in project approval. A large developing country said the committees should not add an additional phase in the approval process, and one developed country warned against additional layers of bureaucracy.

A developing country group proposed: a mechanism for loss and damage; support for NAPAs for LDCs, SIDS and other interested parties; and support for national institutional arrangements.

FINANCE, TECHNOLOGY AND CAPACITY BUILDING GROUP: Burhan Gafoor (Singapore), facilitated a spin-off group on financing institutions. The discussions picked up on some of the issues discussed in the joint meeting of the adaptation and finance groups (see above).

Developing countries spoke about the value of a new body of the financial mechanism. In addition, two developing countries proposed adding a paragraph on verifying Annex I parties' support through rigorous, robust and transparent reviews. Developed countries mostly favored using existing institutions

rather than a new body, although one developed country said he was open to new institutions "if there is a proven real need." These discussions resulted in an updated document reflecting these inputs.

The wider drafting group then reconvened. Delegates considered a proposal to authorize the Secretariat to compile information on its website on fast-start financing measures from parties for 2010-2012. Parties indicated that they were open to this, although questions arose over whether this was the appropriate time to address it. Developing countries suggested these reports be the subject of a Secretariat analysis. The issue will be taken up again on Friday morning.

The group then considered the section of the Chair's text on capacity building (Chapter 1, paragraphs 66-67, and Chapter 5). Developing countries proposed text establishing a technical panel and performance indicators to measure support for capacity building. Many developed countries questioned the need for a new technical panel, noting that existing institutions could undertake such work. Noting some duplication, a developed country proposed deleting much of the preambular text in Chapter 5 and also streamlining some of the operative text. Developing countries generally preferred retaining much of the existing text and reaffirmed their support for a stand-alone section on enhanced action on capacity building. One developing country proposed new text on national circumstances and priorities. An economy in transition (EIT) noted that EITs also need capacity building support. Delegates agreed that the proposals should be compiled in a document that will be distributed on Friday.

The drafting group then briefly considered the Chair's text on technology transfer (Chapter 1, paragraph 65 and Chapter 4). Chair Reifsnnyder noted three unresolved issues: the relationship between a technology mechanism and a financial mechanism; reporting functions of a technology executive committee; and intellectual property rights. Delegates agreed that finalizing text on the exact role and functionality of the proposed technology executive committee would help expedite further negotiations.

ADAPTATION DRAFTING GROUP: Delegates met informally in the morning and early afternoon, before resuming their work in the drafting group mid-afternoon. Discussions continued to focus on institutional arrangements. Developing countries repeated their position on the need for an adaptation committee, while developed countries maintained a preference for strengthening existing bodies. One developed country said ineffective action on adaptation is not due to the absence of a committee, but because NAPAs and technology funding are lacking. However, developing countries said a new committee could play an important role in technically evaluating and approving projects, with funding decisions taking place elsewhere. One developing country said current institutions often confuse adaptation projects with development projects and argued that a technical committee would help. Delegates agreed that at AWG-LCA 12, parties would focus on what has been done, what is needed, what remains to be done, and how to proceed. Several parties also noted that only institutional arrangements had been addressed up to this point.

CONSULTATIONS ON THE FORM OF THE

OUTCOME: Luis Alfonso de Alba (Mexico) facilitated informal consultations on the form of the outcome. He distributed a non-paper designed to help inform views on the matter, which outlined three possible outcomes: a legally-binding format; COP decisions; or a combination of both.

Many parties said the goal should be a binding treaty, while some defended a combination of binding elements and decisions. A group of developed countries said it preferred a single legally-binding agreement, but is flexible on form, as long as it is legally binding. One developing country stressed the need for a political agreement, suggesting that the legal form will follow. Several developing parties noted that the AWG-LCA cannot decide on the legal form of the AWG-KP's outcome. Others advocated a legally-binding agreement respecting the two track-approach and including all the elements of the Bali Action Plan.

Some developed parties said a legally-binding agreement should include all major emitters. One developed country said negotiations seem to be heading towards a pack of decisions and that if a legally-binding agreement is pursued, significant changes to the draft texts would be necessary. A group of developing states said legally-binding agreements would resolve issues of permanence and provide greater leverage to nations to achieve domestic action and implementation. One developing country said discussions should focus on what can be achieved in Cancún, while an Annex II party stressed the importance of addressing the legal form of the final outcome.

Some parties underscored the importance of principles to guide the agreement. Several developing countries said any text should not prejudice the outcomes of the negotiations, for example, regarding the existence of market mechanisms or the use of the term climate "regime." One developing country said the agreement should have strong compliance provisions.

AWG-KP

"NUMBERS" CONTACT GROUP: In the morning, the group concentrated on the number and length of commitment periods, base years or reference levels, scale of emission reductions and translation of pledges into QELROs.

On the length and number of commitment periods and base year, the G-77/CHINA, supported by AOSIS and the AFRICAN GROUP, preferred a single five-year commitment period with a base year of 1990. AOSIS said this would allow for adjustment of targets based on recent science and would avoid locking in "an inadequate level of ambition" for a longer period. She said an eight-year period could be considered if Annex I parties increased their pledges dramatically.

The EU, JAPAN, AUSTRALIA and other developed countries preferred a single eight-year commitment period with flexibility on reference years. NEW ZEALAND supported a five-year commitment period to allow for consideration of the most recent science.

On the scale of emission reductions, AUSTRALIA and NEW ZEALAND said this issue cannot be clarified at this time, as it depends on the legal and methodological context. The G-77/CHINA emphasized a top-down approach, with INDIA noting that it was needed in the absence of adequate pledges.

AUSTRALIA said parties had agreed to an iterative approach, rather than top-down or bottom-up. AOSIS said the 17-25% pledged by Annex I parties would result in effective emission reductions of only 1-7%.

On transforming pledges into QELROs, the G-77/CHINA proposed a mixed approach, with QELROs for countries with emissions higher than the first commitment period QELRO using the QELRO from the first commitment period as the basis for the calculation, and countries with emissions lower than the first commitment period QELRO using their current level of emissions to translate their pledges. NEW ZEALAND, the EU and ICELAND said QELROs are subject to negotiation rather than to a decision on methods to calculate them. JAPAN and the RUSSIAN FEDERATION emphasized that QELROs should be seen in the broader context of AWG-LCA discussions.

In the afternoon, parties worked their way through the Chair's note (FCCC/KP/AWG/2010/6/Add.1) to ensure all proposed changes and options are included in a text that will be made available prior to the next meeting of the AWG-KP in October. In addition to proposals from the floor, previous submissions by parties (FCCC/KP/AWG/2010/MISC.5) and recent submissions (from the EU, AOSIS and Brazil) were also included.

The EU expressed reservations about text relating to EITs, noting the term was coined in the early 1990s and now needed clarification. The RUSSIAN FEDERATION said EITs must be discussed in the broader context of the Convention. BRAZIL said EITs exist only in the context of the Kyoto Protocol.

Delegates discussed various options for amending the Protocol. These include an "Option A" (which focuses on amending the Protocol to establish a second commitment period) and an "Option B" (which also establishes a second commitment period, but includes a variety of other elements such as reference to longer-term goals). The EU, supported by SWITZERLAND, AOSIS, BANGLADESH and INDONESIA, suggested merging Option A and Option B. BRAZIL, with BOLIVIA, opposed stating that Option A includes proposals that are consequential amendments to Protocol Article 3.9 (subsequent commitment periods), while those in Option B are not. He said these options share common elements but are "two totally different and incompatible visions." The options were kept separate in the text. Co-Chair Lefevere said the Chair's note would be reissued to reflect the modifications prior to the meeting of AWG-KP 14 in Tianjin, China, in October.

"OTHER ISSUES" GROUP: The "Other Issues" group held informal consultations and group discussions on LULUCF and the mechanisms.

Flexibility Mechanisms: Parties resumed informal consultations on the flexibility mechanisms (FCCC/KP/AWG/2010/6/Add.3), discussing and proposing text on issues such as: use of CERs from project activities in certain host countries; discount factors; and supplementarity.

LULUCF: During Thursday morning's informal consultations, facilitated by Peter Iversen, delegates considered a non-paper prepared by the co-facilitators based on previous proposals presented by parties. After discussing procedural

matters, some parties observed that there is not full agreement about the content of the text and asked how it would be incorporated in the Chair's text.

Parties exchanged general views on the non-paper, focusing on reference levels and highlighting definition, establishment, the review process, accounting gaps and baseline years. Many developing countries expressed concern over the means to determine reference levels, observing that the current reference levels "diverge from historical levels." Some developing countries urged standards for the review process and transparency. Some developed countries said details on standardization and establishment of the review process needed further discussion.

On Thursday afternoon, delegates engaged in additional informal consultations focused on "cleaning" the text. Parties made reference to the need for consistency in accounting for carbon in the establishment of reference levels. They also removed an option on the review of reference levels already covered in another part of the text.

LEGAL ISSUES CONTACT GROUP: On the possible gap between commitment periods, the AFRICAN GROUP said the Secretariat's paper contained possible solutions. He declared that "the Kyoto Protocol without an Annex B is a dead body" and urged adoption of provisions considering the provisional application of an amendment. MEXICO observed that although a gap may not legally impede the mechanisms, economic considerations might. He therefore urged analysis of economic factors. NEW ZEALAND and AUSTRALIA called for further consideration of implications of provisional application of provisions. AUSTRALIA said a gap would not prevent the continuation of key elements of the Protocol, such as the CDM and JI. The EU said 80% of global emissions trading is based on the EU's emissions trading scheme, which will continue operating regardless of a gap. BANGLADESH requested clarification on the future of the Adaptation Fund in case of a gap. The EU responded that the Fund will continue based on agreed commitments.

SAUDI ARABIA, with BRAZIL, MEXICO, GHANA and CHINA, called on parties to reaffirm their commitment to a second commitment period and finish the AWG-KP's work in a timely manner. SWITZERLAND said a positive signal should be sent to reassure stakeholders that the consequences of a gap would not be as bad as some may fear. JAPAN proposed including parties' views on this issue in the Secretariat's paper. AUSTRALIA, opposed by the RUSSIAN FEDERATION, noted possible convergence on some issues. An oral report will be presented in plenary to the AWG-KP Chair.

POTENTIAL CONSEQUENCES CONTACT GROUP: Discussions in this contact group focused on the question of establishing a permanent forum or use existing channels, including national communications.

Brazil, for the G-77/CHINA, said a permanent forum is necessary to report, evaluate and address the specific needs and concerns of non-Annex I countries. He said some information could come from national communications but that a forum would also utilize information from other documents and reports.

NEW ZEALAND and the EU said this might duplicate the work of the SBI in reviewing national communications. The EU expressed concern that "evaluation" by a permanent forum would infringe on parties' sovereign rights. Noting proposals for new forums on potential consequences under the SBI, SBSTA and AWG-LCA, the EU and NEW ZEALAND recommended joint discussions to ensure language in the texts is not contradictory.

The EU suggested that developed countries face a dilemma, because it is unclear what the consequences of their policies are on developing countries. He noted that information needs to come from both developing and developed countries, and said the issue should be addressed under SBI and SBSTA.

IN THE CORRIDORS

The mood in several groups seemed to turn sour on Thursday, with some suggesting things were "moving backwards" or moving only "at a glacial pace," especially in the AWG-LCA groups. With texts still growing and tempers occasionally fraying in several groups, at least one chair had to ask delegates to refrain from political rhetoric that was creeping back into some discussions. "The texts will keep us busy in Tianjin," observed one negotiator dryly.

The mood was not helped by some confusion about where and when some groups were meeting. Several delegates were complaining that they had missed the REDD informals, while others were seen shuttling back and forth from one room to another, in search of the consultations on form of the outcome. "I hope this isn't a metaphor for the process, but right now no one seems to know where we're going!" joked one delegate.

Meanwhile, talk continued in the corridors about shifts in various groups' approaches to the negotiations. Several delegates were also detecting a more "assertive" and "forthright" approach from Japan, particularly with regard to the Kyoto Protocol. "I can understand their position, but it will be interesting to see how it is received by developing countries in Tianjin and beyond," said an old hand in the process. For their part, Japanese negotiators felt their position had actually been very consistent over the past year, suggesting that gradual shifts in some other parties' positions might simply have thrown Japan's views into stark relief.

Some participants were also noting the relatively low-key role of NGOs. Indeed, many NGOs were notable more by their absence. "Our priorities are not in this process right now," acknowledged one civil society representative. "We may step things up closer to Cancún," she added.

ENB SUMMARY AND ANALYSIS: The *Earth Negotiations Bulletin* summary and analysis of the Bonn climate change talks will be available on Monday, 9 August 2010 online at: <http://www.iisd.ca/climate/ccwg11/>