

AWG-LCA 12 AND AWG-KP 14 HIGHLIGHTS: WEDNESDAY, 6 OCTOBER 2010

On Wednesday, various drafting groups convened under the AWG-LCA to consider shared vision, adaptation, mitigation, and finance, technology and capacity building. The AWG-LCA contact group convened in the afternoon to take stock of progress. Contact groups and informal discussions under the AWG-KP addressed potential consequences, Annex I emission reductions and other issues.

AWG-LCA DRAFTING GROUPS

SHARED VISION: Discussions initially focused on the review to be undertaken. Facilitator Turesson invited parties to make textual proposals and encouraged them to limit such proposals to “visionary language” or principles, rather than operative language. Regarding the scope of the review, some parties said this should be limited to a review of the long-term goal, while others said it should also include a review of commitments and actions. On the content, parties proposed reviewing: current emissions, expected emissions trends, economic circumstances and evolving capabilities, and their implications for parties’ Convention responsibilities and obligations; and commitments and actions of both developed and developing countries. Parties also suggested that various issues should be considered when undertaking the review, such as: parties’ national circumstances and specificities; the goal of limiting temperature increase to specific levels; the principles of equity and common but differentiated responsibilities and respective capabilities; the historical responsibility of Annex I parties; developing countries’ need for economic and social development and poverty eradication; and the special circumstances of some groups of countries such as SIDS, LDCs and countries that depend on the production and consumption of fossil fuels. Parties also discussed the timing of the review, as well as what actions should be taken based on the review.

Parties then focused discussions on the shared vision text. On text referring to finance, technology and capacity building, several parties cautioned against pre-empting discussions in the other groups dealing specifically with these issues. Some parties preferred general text referring to these issues, containing, *inter alia*, the principles and vision relating to them. Parties then made various textual proposals for inclusion in the text.

FINANCE, TECHNOLOGY AND CAPACITY

BUILDING: The drafting group met in the morning to discuss finance and capacity building.

On finance, parties considered whether to make reference to fast-start finance in a Cancun decision. Some parties preferred not to make this reference, noting that it is outside the mandate of the AWG-LCA, while others called for a separate

decision on fast-start finance, maintaining that it would provide information such as on channels, sources and the nature of fast-start finance. Several parties expressed flexibility on making a preambular reference to fast-start finance in a Cancun decision. Co-facilitator Gafoor invited parties to consult informally on the issue.

On capacity building, parties discussed: what a Cancun outcome on capacity building might look like; institutional needs; how capacity building is reflected throughout the AWG-LCA text; and the need for performance indicators. Parties generally agreed on the need to reflect capacity building in a Cancun outcome. Some countries highlighted the need for a stand-alone chapter on capacity building to capture emerging needs and issues omitted from other sections of the text, while other parties preferred to integrate capacity building throughout the text. Divergent views on the need for new institutions were expressed, with some highlighting existing institutions and voicing concern with the potential proliferation of institutions. Other parties attributed the gap between capacity building decisions and their implementation partly to the paucity of specific institutions responsible for implementation. On general performance indicators, some parties observed that they are not readily available for capacity building, emphasizing that project-based indicators would be more applicable. Consultations will continue.

ADAPTATION: Parties considered two options on support for developing countries for adaptation. Some parties preferred the option stating that developed countries shall provide developing countries with long-term, scaled-up, adequate, new and additional, predictable and grant-based finance, as well as support for technology, insurance and capacity building to implement adaptation actions. Other parties favored the second option urging developed countries to substantially scale up financial, technological and capacity building support for developing country adaptation efforts. Informal consultations on the issue will continue.

MITIGATION (sub-paragraph 1(b)(i) of the BAP) (developed country mitigation): In the drafting group, parties focused on how to move discussions forward. They addressed the possibility of clustering issues relating to developed country mitigation and discussing these separately in two spinoff groups. It was proposed that one cluster be on the inscription of developed country economy-wide targets or commitments, and include: the relationship to Kyoto Protocol targets and to the final agreed outcome under the AWG-LCA; mid- and long-term targets; the concept of graduation and inclusion into Annex I; and inscription of developed country targets or commitments. The other cluster would be on MRV for enhanced developed country mitigation action, and include: the focus of MRV;

general MRV provisions including the basis and structure of MRV, and comparability of efforts; compliance with targets or commitments; and a work programme on MRV.

Many parties supported clustering and addressing issues in this manner. Others objected, noting the cross-cutting nature of some of the issues and the difficulty of discussing them separately. Several parties preferred to discuss all the issues in a single group to ensure coherence. Some parties also objected to some of the issues listed for discussion. Consultations will continue.

MITIGATION (sub-paragraph 1(b)(ii) of the BAP)

(developing country mitigation): Parties focused on how to structure discussions, specifically on whether to establish spinoff groups, and the number and focus of these groups. Parties discussed the possibility of clustering issues into: issues relating to a registry and a mitigation mechanism, covering support for the design, preparation and implementation of NAMAs, MRV of supported actions and MRV of support, and recognition of mitigation actions; and MRV, covering national communications, GHG inventory and ICA. While some parties supported establishing two spinoff groups to discuss these issues separately, others preferred to discuss all the issues in a single group. Objections were also raised on discussing some of the identified issues. Parties were eventually able to agree on holding discussions in a single group.

MITIGATION (sub-paragraph 1(b)(iii) of the BAP)

(REDD+): Following discussions on how to move forward on options in the text, Co-Facilitator Rosland invited parties that had made new textual proposals in August to present their ideas. Parties discussed: how to address the issue of forests more holistically, including ecosystem services; the need for REDD+ to contribute to adaptation; and concerns that a REDD+ mechanism would create a new system of offsets. Parties then discussed the extent to which the earlier text addressed these concerns. Parties also presented views on the extent to which REDD+ should consider adaptation based on the BAP. Some expressed concerns over upholding sovereign rights to forests and several highlighted the importance of maintaining the environmental integrity of any market mechanism associated with REDD+. Co-facilitator Rosland noted that other parties' proposals would be considered in subsequent drafting group meetings.

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

(sectoral approaches and sector-specific actions): During discussions, a general framework for cooperative sectoral approaches and sector-specific actions to enhance the implementation of Convention Article 4.1(c) (technology transfer) was supported by some parties, who noted that it should be voluntary and consistent with the provisions and principles of the Convention. Several parties objected to this text, stating that it could constrain mitigation actions. Alternative text was proposed by some parties, outlining that sectoral approaches and sector-specific actions may be useful for parties to explore further. Facilitator Watt urged parties to undertake informal consultations in order to agree on compromise text.

AWG-LCA CONTACT GROUP

In the afternoon stocktaking contact group, drafting group facilitators reported on progress in their respective groups. AWG-LCA Chair Mukahanana-Sangarwe reported on consultations on countries with economies in transition and other countries with special circumstances. She said a possible way forward could be a decision specifically addressing the capacity building and financing needs of such countries and that she would prepare a draft decision reflecting this.

Chair Mukahanana-Sangarwe then presented a paper on "possible elements of the Cancun outcome," including shared vision, adaptation, mitigation, and finance, technology and capacity building, and invited parties to outline what Cancun can deliver and how to realize these objectives.

PERU, for a number of Latin American countries, outlined three key outcomes for Cancun, including a decision on legal form confirming the legally-binding nature of an AWG-LCA outcome, substantive decisions on "mature issues," and decisions on a programme of work for addressing unresolved issues. JAPAN called for extracting elements of the Copenhagen Accord for a balanced set of decisions. AUSTRALIA noted that progress on elements of a balanced package has "not been balanced." She underscored limited progress on mitigation, MRV and ICA.

EGYPT noted that results on elements such as bunker fuels and markets might not be achievable. PAKISTAN said elements should stem from the party-driven process rather than "exclusive consultations." VENEZUELA, with SOUTH AFRICA, emphasized that balance cannot be achieved without an outcome under the AWG-KP. CHINA underscored the importance of fast-start finance as a deliverable from Cancun and emphasized the importance of guidelines for reporting and operational elements to enable distribution of funds.

SOUTH AFRICA said a possible outcome in Cancun could include an overarching decision on legal form of the outcome identifying elements of a comprehensive legally-binding agreement, as well as a set of substantive decisions to test implementation or readiness in areas where progress has been made, such as REDD+. He said part of the package must be a decision under the COP/MOP either adopting amendments to Annex B of the Kyoto Protocol or reflecting a commitment by Annex I parties to a second commitment period. He stressed that the outcome in Cancun must be framed in a way that advances elements of the BAP as building blocks towards a comprehensive legally-binding agreement to be adopted at a future date.

Switzerland, for the EIG, expressed support for the Chair's paper proposing elements of a possible outcome, stating that it reflects the elements of the BAP. He urged focusing on the issues identified in the paper in the remaining time in Tianjin. The EU urged more progress on issues such as mitigation commitments and pledges. Grenada, for AOSIS, called for a legally-binding agreement that would sit alongside a Kyoto Protocol second commitment period, stressing that "Cancun must not compromise the future." She welcomed the Chair's paper, expressing satisfaction with some elements of it, such as elements on adaptation.

TUVALU called for clarity on the purpose of the text on shared vision and said a Cancun outcome must make explicit reference to a mandate to reach a legally-binding agreement. CUBA stressed that the shared vision goes beyond a long-term goal. On finance, he said the reference to "mobilization of long-term finance" is an "empty concept" and said it should reiterate the language in the BAP on provision of new, additional and predictable financial resources. NORWAY expressed satisfaction with "mature" elements such as REDD+, technology and finance in the Chair's paper and called for more progress on mitigation and associated MRV.

SAUDI ARABIA lamented the "pick and choose" approach of the paper, said it does not reflect the elements of the BAP and highlighted the party-driven nature of the AWG-LCA process. NEW ZEALAND expressed willingness to work with the Chair's paper, noting that some elements require further elaboration, such as establishment of a new fund and details of ICA. The RUSSIAN FEDERATION described the Chair's paper as a useful starting point for extracting elements for decisions in Cancun. Noting that Cancun would not be the "final word," BRAZIL called for simple decisions that capture the essence of the different issues.

The US underlined that an agreement already exists which addresses most of the issues being discussed, and called for discussions to be based on the Copenhagen Accord. He said issues such as mitigation and transparency require further discussion in spinoff groups, while issues such as technology, which have almost been agreed on, do not need to be taken up in spinoff groups. The US also emphasized that its commitment is not contingent on movement of domestic legislation.

INDIA stressed that the possible elements of a Cancun outcome should emerge from ongoing discussions in the drafting groups and that efforts to make progress should consider these discussions. SINGAPORE underscored that a Cancun outcome must: address the legal form and the need for a legally-binding agreement; and not hasten the “demise” of the Kyoto Protocol, but rather send a clear political signal regarding its continuation. MEXICO said a Cancun outcome must be able to deliver immediate action for implementing the Convention and Protocol, and should constitute a building block towards reaching a legally-binding agreement. Several parties highlighted the need for reference to the legally-binding nature of an AWG-LCA outcome.

VENEZUELA proposed that parties discuss the Chair’s paper in their regional groups and provide feedback to the drafting group facilitators in order to reach a consensual party-driven list. COLOMBIA said the Chair should work with the drafting group facilitators to prepare draft decision texts to facilitate discussions. AWG-LCA Chair Mukahanana-Sangarwe invited parties to continue working towards a compromise in their various drafting groups.

AWG-KP CONTACT GROUPS

POTENTIAL CONSEQUENCES: In the morning, Co-Chair Buendía requested parties to focus on options in the text to either create a permanent forum to address potential consequences or use existing channels, such as national communications.

ARGENTINA emphasized that establishing a forum is fundamental to address compliance by Annex I parties with their obligations under Protocol Articles 2.3 (adverse impacts of policies and measures) and 3.14 (adverse effects). SAUDI ARABIA said the forum is necessary because Annex I parties have not reported on potential consequences in their national communications, while NEW ZEALAND underscored that Annex I parties were not required to report on potential consequences until their fifth national communications, which have just been completed and reviewed. In response, SAUDI ARABIA stressed that Annex I parties were obligated to report on potential consequences from their first national communications.

SUDAN said the forum would also provide a platform for operationalizing what is reported in national communications. NEW ZEALAND noted that information reported in national communications is already operationalized because Annex I parties are reporting on the ways they are implementing their policies to avoid potential consequences. On the review function of the proposed forum, she emphasized that the SBI already has a mandate to review national communications.

SWITZERLAND underlined that Annex I parties’ obligation is to “strive” to minimize impacts of policies and measures and that a process imposing restrictions on how sovereign countries create and implement policies is unadvisable. He noted the lack of a clear mandate or terms of reference for the proposed forum.

LULUCF: AWG-KP Vice-Chair Macey described progress on discussions on reviewing reference levels, *force majeure* and harvested wood products (HWPs), as well as agreement on deleting the option of including HWPs under the CDM. On forest management accounting, TUVALU presented an option on net-net accounting relative to an average over the previous commitment period or periods. The EU said this proposal would reduce long-term incentives for actions. NEW ZEALAND and INDIA expressed concern that averaging over a commitment period does not reflect long-term forestry cycles.

BELARUS said the proposal is helpful for estimating whether parties are reaching a target. AUSTRALIA underscored the central importance of transparency regardless of which option is chosen. CLIMATE ACTION NETWORK preferred a historical baseline and said projected baselines allow parties to hide increased emissions from forest management, though this could be improved with the use of historical harvest rates. TUVALU questioned whether “we are reflecting what the atmosphere sees or creating incentives for industry.”

On the base year for additional activities, PAPUA NEW GUINEA noted the challenge of using 1990 due to inadequate data and the EU said that incentives will depend on whether the reference level is fixed in time or is tracked through periods. He highlighted that a single base year is not politically feasible. NEW ZEALAND supported a 1990 base year for all activities. BELARUS underscored that the reason for a base year is to reduce perverse incentives.

On accounting for wetlands, BELARUS noted an upcoming IPCC workshop on wetlands that will report to the SBSTA. BRAZIL cautioned that if accounting is voluntary, parties with net-draining will not account for wetlands while parties with rewetting will. TUVALU expressed concern about accounting crossover between wetlands, cropland and grazing land, and the EU cautioned against the potential for double counting. BELARUS said these concerns are addressed under the definitions. CLIMATE ACTION NETWORK called for addressing data quality so that wetland accounting can become mandatory. BELARUS and SWITZERLAND said voluntary accounting is better than not accounting for wetlands at all. BRAZIL questioned how non-CO2 emissions from wetlands will be considered. SWITZERLAND underscored that parties are moving toward full carbon accounting.

AWG-KP INFORMAL GROUPS

ANNEX I PARTIES’ FURTHER COMMITMENTS: In the morning informal consultations, parties continued discussion on the carryover of surplus AAUs. Parties addressed in detail the options in the Secretariat’s paper on options for addressing carryover of surplus AAUs to the second and subsequent commitment periods, as well as other party proposals, such as: raising ambition; not carrying over surplus AAUs; capping AAU carryover; and imposing a levy on carryover of AAUs.

OTHER ISSUES (Basket of Methodological Issues): In the afternoon informal consultations, parties discussed proposals for reporting on new gases, the relevance of including existing gases in the text and consistency with Annex A of the Kyoto Protocol. One party highlighted differences between reporting on actual versus potential emissions. On options for supplementary LULUCF methodologies based on IPCC good practice guidance, some parties suggested addressing this in the LULUCF group and several noted the risks of not agreeing rules prior to a commitment period. Parties also discussed streamlined text on base years.

IN THE CORRIDORS

A frenzy of activities characterized Wednesday, with delegates rushing between meeting rooms, as drafting groups under the AWG-LCA met in the morning and afternoon. This buzz, according to one observer, did not appear to result in much movement, with most of the deliberations centering on “discussing how to discuss.” “Nothing is happening and there are now more political games than real actions,” she noted. “I wish that we could just all open our eyes to what we need to do,” opined another negotiator going on to draw an analogy between the descending smog over Tianjin and the lack of clarity regarding the trajectory towards a constructive outcome in Cancun.

Others were more sanguine as they exited the AWG-LCA stocktaking contact group, despite many delegates lamenting a lack of progress. “Some elements of a deal are now emerging and it was useful to see how parties expect all of the essentials to fit together,” remarked one delegate.

On the AWG-KP side, delegates commented on “constructive discussions” during informals on the basket of methodological issues and in contact groups on LULUCF and potential consequences, while others expressed frustration with the numbers discussions, lamenting that they seemed to be “going around in circles.” “We know we are getting to crunch time when key political decisions will have to be made,” commented one determined negotiator, “so we need to forge ahead.”



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