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#7

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## CANCUN HIGHLIGHTS: SATURDAY, 4 DECEMBER 2010

On Saturday morning, the SBSTA closing plenary convened along with a number of contact groups and informal consultations under the SBI, SBSTA, AWG-KP and the AWG-LCA. In the afternoon, the COP held an informal stocktaking plenary. In the evening, the COP/MOP informal stocktaking plenary and the SBI closing plenary took place.

### **SBSTA CLOSING PLENARY**

**ORGANIZATION OF WORK:** On elections of officers other than the Chair, SBSTA Chair Mama Konaté (Mali) noted ongoing consultations. Parties agreed that the SBSTA would invite the COP to elect the Vice-Chair and Rapporteur during the closing plenary.

**NAIROBI WORK PROGRAMME ON IMPACTS, VULNERABILITY AND ADAPTATION TO CLIMATE CHANGE (NWP):** Co-Chair Don Lemmen (Canada) reported that parties had decided to continue activities under the NWP and complete the review of the NWP at SBSTA 34. References to “communities” and “peoples” in the conclusions remain bracketed. Parties agreed on language referring to “women, local communities and indigenous peoples.” The SBSTA adopted the proposed conclusions (FCCC/SBSTA/2010/L.20) as amended.

### **METHODOLOGICAL ISSUES UNDER THE KYOTO PROTOCOL:**

On carbon capture (CCS) under the CDM, Co-Facilitator Pedro Martins Barata (Portugal) reported that parties had been unable to agree on whether CCS should be eligible under the CDM, but had agreed on a draft COP/MOP decision containing two options on issues that need to be addressed. He requested that the conclusions be amended to recommend the decision for “consideration” rather than “adoption” by the COP/MOP, noting that a draft decision containing options cannot be adopted. The SBSTA adopted conclusions (FCCC/SBSTA/2010/L.24) as amended. The SBSTA also adopted conclusions on standardized baselines under the CDM (FCCC/SBSTA/2010/L.23) and inclusion of lands with forests in exhaustion under the CDM (FCCC/SBSTA/2010/L.15).

**OTHER SBSTA AGENDA ITEMS:** The SBSTA also adopted the following conclusions:

- Technology transfer (FCCC/SBSTA/2010/L.17);
- Research and systematic observation (FCCC/SBSTA/2010/L.22);
- Matters relating to Protocol Article 2.3 (adverse impacts of policies and measures) (FCCC/SBSTA/2010/L.16);

- Methodological issues under the Convention: Revision of UNFCCC reporting guidelines on annual inventories for Annex I parties (FCCC/SBSTA/2010/L.18) and Emissions from international aviation and maritime transport (FCCC/SBSTA/2010/L.19);
- Activities implemented jointly under the pilot phase (FCCC/SBSTA/2010/L.21).

**CLOSING:** The SBSTA adopted the report of the session (FCCC/SBSTA/2010/L.14).

Australia, for the UMBRELLA GROUP, called for a conversation on how to make the SBSTA more efficient. The EU welcomed advances made on technology transfer, research and systematic observation, and Annex I UNFCCC reporting guidelines, as well as the outcomes on standardized baselines and CCS under the CDM. Yemen, for the G-77/CHINA, called for international organizations to harmonize actions under the NWP to avoid duplication of efforts and urged further country-driven actions.

The Republic of Korea, for the ENVIRONMENTAL INTEGRITY GROUP (EIG), welcomed progress under research and systematic observation and looked forward to the report of the High-Level Taskforce on the Global Framework for Climate Services. The Democratic Republic of the Congo, for the AFRICAN GROUP, highlighted additional issues for consideration, including CDM reform and expansion, and continuation of the CDM after the first commitment period. Lesotho, for the LDCs, urged further progress on research and systematic observation to strengthen institutions in LDCs, SIDS and African countries. He also expressed concern with the lack of progress on the scientific, technical and social aspects of mitigation.

ECUADOR, with SYRIA, SUDAN, CHILE, SIERRA LEONE and EL SALVADOR, drew attention to the linkages between climate change impacts and water. He called for a process under the Convention to address water-related matters, including a SBSTA programme of work on water. The US expressed concern with the proliferation of agenda items and new work programmes. He proposed informal discussions to identify what interests were not being considered under the NWP. SBSTA Chair Konaté noted that since the report had already been adopted, the issue could not be included in the session’s report.

The BUSINESS COUNCIL FOR SUSTAINABLE ENERGY urged parties to adopt a decision that establishes a technology mechanism and technology center and network. The INTERNATIONAL INDIGENOUS PEOPLES’ FORUM ON CLIMATE CHANGE called for stronger recognition in the NWP of indigenous peoples’ knowledge of adaptation strategies, and for their full and effective participation in NWP projects and programmes. SBSTA Chair Konaté closed SBSTA 33 at 1:19 pm.

**COP INFORMAL STOCKTAKING PLENARY**

Opening the COP informal stocktaking plenary in the afternoon, COP President Patricia Espinosa underlined the need for political decisions next week, noted that ministers have been arriving in Cancun and that an informal ministerial session will be held on Sunday on the way forward. She underscored her personal commitment to ensure transparency, stressing that “there is no parallel negotiation process and no hidden text.” She explained that ministerial discussions will be held to provide further political guidance on key issues, but highlighted that this will not substitute for negotiations in the AWGs.

AWG-LCA Chair Margaret Mukahanana-Sangarwe (Zimbabwe) said she had prepared a new text (FCCC/AWGLCA/2010/CRP.2). On adaptation, she highlighted progress, particularly on institutional arrangements and functions. On mitigation, she underscored ongoing consultations and additional work needed, saying that a possible outcome could retain options for a political decision next week. Regarding finance, she said agreement was “close” on, *inter alia*, long-term finance and establishment of the proposed fund. Negotiations on technology transfer are “closer to compromise solutions.” On capacity building and a shared vision, she said more work and compromise is needed to deliver an outcome. She urged parties to move forward and compromise.

Many parties thanked the COP President’s “excellent efforts” to ensure transparency. Many parties also thanked AWG-LCA Chair Mukahanana-Sangarwe for her text and efforts.

Yemen, for the G-77/CHINA, said that they could not provide an overview of the new text as it was just delivered. The EU commended the “constructive spirit of compromise,” urged further progress on mitigation and identified the need for a legally-binding outcome under both tracks. Switzerland, for the EIG, recognized the COP Presidency’s efforts to ensure a transparent, inclusive and result-oriented process, and welcomed the AWG-LCA Chair’s new text. Australia, for the UMBRELLA GROUP, highlighted the importance of anchoring developed countries’ economy-wide targets, as well as mitigation actions submitted by developing countries, and urged further work on MRV and mitigation.

Grenada, for AOSIS, with VENEZUELA and others, underscored that the new text lacks sufficient ambition. AOSIS highlighted the text as “a step forward” at this juncture. Lesotho, for the LDCs, emphasized the central importance of adaptation. The Democratic Republic of the Congo, for the AFRICAN GROUP, called on parties to redouble their efforts to reach agreement. Egypt, for the ARAB GROUP, underscored emerging consensus on a balanced package, comprising, *inter alia*, an effective and predictable finance mechanism; an adaptation mechanism; and a delicate balance in mitigation between commitments and voluntary actions.

BOLIVIA stressed that the new text is imbalanced, stated that texts originating from facilitators and the Chair have no official status and urged returning to the “parties’ text” containing all options. ECUADOR underscored that the text does not substitute the AWG-LCA negotiating text. VENEZUELA requested information on the role of the various texts on the table and sought assurance that the role of ministers will not be the same as in the “horrible Copenhagen Summit.” NICARAGUA highlighted the new text as “an informal text,” emphasizing that facilitators cannot be the interpreters of party positions.

COLOMBIA emphasized support for the COP President and the facilitators who have the task to generate texts that attempt to bring countries closer to consensus. PAKISTAN said the consultations have been “frank and deep” and stressed the need for a solution. TUVALU and GUYANA identified the need for parties to take ownership of the text. CHINA called for switching into full negotiating mode. NIGERIA identified the need for the intergovernmental process to continue when the ministers arrive, warning against repeating “a previous situation” where parties

end up in separate rooms. COP President Espinosa stressed a commitment to transparency, underlining that there will be “no hidden text and hidden negotiations” at the conference.

BRAZIL, BOLIVIA, VENEZUELA and others lamented the lack of an option in the text on developed country mitigation on a second commitment period under the Kyoto Protocol. PAKISTAN, ECUADOR and others stressed that progress under the Convention is linked to progress under the Protocol. NIGERIA underscored the need to continue the Kyoto Protocol and NICARAGUA said this is essential to achieve balance. SAUDI ARABIA identified the need for new text under the Protocol track. IRAQ and many others called for establishment of the second Kyoto Protocol commitment period.

BOLIVIA lamented that the text lacked adequate options on: a target of 1 or 1.5°C or lower; human rights; indigenous peoples; impact of war and war industries on climate change; and rights of Mother Earth. He opposed creating new market mechanisms. ECUADOR lamented the “rather unambitious goals” and identified the need to represent the rights of nature. VENEZUELA stated that the wording on the temperature goal is “worse than in the Copenhagen Accord.” PANAMA stated that an “agreement that is perfect for everyone is going to be imperfect and cruel for the planet.”

The US stated that movement is only possible with balanced package and highlighted the need to improve text on subparagraph 1(b)(ii) of the Bali Action Plan (mitigation by developing countries). AUSTRALIA urged incorporation of further details on: the relation between developing and developed countries mitigation and the registry, MRV and ICA.

SAINT LUCIA expressed concern with the absence of reference to the 1.5°C goal and legally-binding agreement under the AWG-LCA. With TUVALU, she lamented a weakening of language on a mechanism to address loss and damage. BENIN said the text must address the fundamental concern of LDCs regarding limiting temperature increase to 1.5°C. PERU said that financing and mitigation require further work, calling for a more constructive discussion on the numbers and MRV.

GUATEMALA called for a clear distinction between fast-track and long-term finance. TAJIKISTAN, supported by BHUTAN, stressed the need to reflect needs of mountainous, landlocked developing countries. SAUDI ARABIA underscored the importance of including text on adaptation to the impacts of response measures. BANGLADESH stated that many issues that are important for LDCs are missing. BARBADOS raised concern over the text on adaptation, highlighting institutional issues and a mechanism to address loss and damage. SYRIA called for reference to droughts, storms, dust and sandstorms. MALAWI and the GAMBIA requested special consideration for vulnerabilities, capacity building, technology transfer and capacity building needs of the LDCs, SIDS and Africa.

ARGENTINA regretted that the new text does not reflect parties’ views on poverty eradication issues. COSTA RICA highlighted the need for: clarity on the legal nature of the AWG-LCA’s outcome; a decision under the AWG-KP on emission reductions; and progress on technology transfer, financing, capacity building, REDD+ and adaptation. PAPUA NEW GUINEA said the text provides a good basis for work towards a substantive REDD+ decision to be agreed in Cancun. SENEGAL highlighted a standing committee as the “missing link” under finance. INDONESIA said the shared vision section of the text must be consistent with the Bali Action Plan.

Chair Michael Zammit Cutajar (Malta) reported that the contact group on parties’ proposals under Convention Article 17 (protocols) had considered six proposals. He noted that most parties envisaged a legally-binding outcome, but divergent views remain regarding the legal nature and substantive content of such an outcome and its relationship to the Kyoto Protocol. He specified that views include: a COP 16 decision; a process during the intersessional period to determine the legal form; assigning the task to the AWG-LCA or to a separate subsidiary body to

be established; and that the AWG-LCA's current mandate is adequate for considering the legal form. He said many observed that the legal form is an important element of the broader package that could emerge from Cancun.

COP President Espinosa proposed that Luis Alfonso de Alba (Mexico) conduct informal consultations to clarify further work that could be undertaken on legal form at COP 16. Opposed by INDIA, Grenada, for AOSIS, called for continuing discussions on the legal form in the contact group. The contact group will continue meeting with the participation of de Alba.

#### **COP/MOP INFORMAL STOCKTAKING PLENARY**

On Saturday evening, COP/MOP President Espinosa convened the COP/MOP informal stocktaking plenary. AWG-KP Chair John Ashe (Antigua and Barbuda) highlighted progress on: base and reference years; length and duration of commitment period; and carryover of surplus AAUs. On "numbers," he drew attention to ongoing consultations by de Alba on behalf of the COP Presidency, saying some of the ideas presented needed further consideration. AWG-KP Chair Ashe said that a text reflecting progress made would be issued (FCCC/KP/AWG/CRP.4/Rev.1). He also noted that ministerial consultations would be undertaken to seek political guidance on numbers, LULUCF, the flexibility mechanisms and methodological work. He emphasized that these consultations would not supersede the work of the AWG-KP.

Responding to parties' questions on the role of ministers, Ashe noted that he cannot say whether ministerial meetings will involve drafting. COP/MOP President Espinosa said plenary text will have to be confirmed through working groups but would benefit from ministerial guidance.

Yemen, for the G-77/CHINA, stressed that a second commitment period is the cornerstone of a successful outcome. Lesotho, for the LDCs, urged balance between the two tracks. Australia, for the UMBRELLA GROUP, underscored the need to consider all parties' mitigation targets and actions. He identified an opportunity to improve rules on greenhouse gases, LULUCF and common metrics. The EU expressed willingness to commit to a second commitment period as part of a global, binding framework. Switzerland, for the EIG, highlighted the need for political decisions and flexibility. Grenada, for AOSIS, called for an ambitious and balanced new text focusing on emission reduction targets.

MALAYSIA and others stressed the continuity of the Kyoto Protocol must not be linked to mitigation actions by developing countries. INDIA stressed the Convention's principles, including historical responsibility. VIETNAM, PERU and BENIN stressed that the Kyoto Protocol is the cornerstone of the regime to address climate change.

NORWAY expressed willingness for a second commitment period as part of a balanced outcome. JAPAN said since not all major emitters are part of the Kyoto Protocol, a second commitment period is neither fair nor effective. AUSTRALIA supported the adoption of a single treaty, but said that to address developing countries' concerns, his country could agree on outcomes under both tracks.

BOLIVIA welcomed a new Chair's text if it reflects parties' views, urged progress on "numbers" and called for negotiations to take place in official meetings rather than informally. TUVALU called for tightening LULUCF rules to avoid creating new subsidies for the forest industry and introducing new "hot air" into the Protocol. EGYPT called for clarity on LULUCF, AAUs and other issues. PAPUA NEW GUINEA called for the inclusion of REDD+. CHINA urged for a balanced outcome, which would not be achieved without a second commitment period agreement under the Kyoto Protocol.

In response to a request by Tuvalu, SBI Chair Robert Owen-Jones (Australia) reported on work by the SBI on privileges and immunities. COP/MOP President Espinosa called on parties to pursue areas of understanding and remain actively engaged in negotiations.

#### **SBI CLOSING PLENARY**

**ORGANIZATION OF WORK:** On elections of officers other than the Chair, SBI Chair Robert Owen-Jones (Australia) noted ongoing consultations. Parties agreed that the SBI would invite the COP to elect the Vice-Chair and Rapporteur during the closing plenary.

**CONVENTION ARTICLES 4.8 AND 4.9: Progress on implementation of decision 1/CP.10 (Buenos Aires programme of work):** SAUDI ARABIA, supported by the UNITED ARAB EMIRATES and QATAR, noted that the issue had been pending for "a very long time" but requested that reference linking a workshop on 1/CP.10 to a workshop on Protocol Articles 2.3 and 3.14 be deleted. AUSTRALIA, with the EU and the US, noted that they had agreed to consider a workshop on Protocol Articles 2.3 and 3.14 on the understanding that it would be a "joint" workshop with 1/CP.10, but that it could be worded as either a workshop where the issues were "considered together" or "back-to-back." SAUDI ARABIA underscored that distinct issues should not be linked.

Following informal consultations, AUSTRALIA proposed, and parties supported, holding a workshop promoting risk management approaches to address impacts of response measures and that it be held back-to-back, if possible, with other workshops relevant to developing country concerns surrounding impact of response measures. The SBI adopted conclusions (FCCC/SBI/2010/L.34) as amended.

**Matters related to the LDCs:** Bangladesh, for the G-77/CHINA, welcomed the extension of the LEG and requested parties support the LEG in its efforts to enhance the capacity of LDCs to implement NAPAs.

The SBI adopted conclusions (FCCC/SBI/2010/L.28 and Add.1) and forwarded the draft decision to the COP for adoption.

**FINANCIAL MECHANISM: The GEF's report and guidance to the GEF:** The Philippines, for the G-77/CHINA, requested, and parties agreed, referring only to additional guidance to the GEF in the title of the decision text. The SBI adopted the conclusions and draft decision (FCCC/SBI/2010/L.39 and Add.1) as amended.

**Assessment of the SCCF:** The EU and NORWAY requested, and parties agreed, to remove reference to economic diversification as no economic diversification activities had been undertaken. The SBI adopted conclusions and a draft decision (FCCC/SBI/2010/L.40 and Add.1) as amended.

**ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS:** The SBI adopted conclusions (FCCC/SBI/2010/L.31). MEXICO, Bangladesh, for the G-77/CHINA, BINGOs, INDIGENOUS PEOPLES ORGANIZATIONS, LOCAL GOVERNMENTS and CIVIL SOCIETY welcomed the outcome. MEXICO highlighted the workshop to be held to explore means to enhance observer participation, suggesting the creation of a new government constituency for parliamentarians and legislators.

SOUTH AFRICA requested guidance on future intersessional meetings. SBI Chair Owen-Jones indicated that he will report back to the Bureau after conducting consultations during the next week.

**ANNEX I NATIONAL COMMUNICATIONS:** On the agenda sub-item on national GHG inventory data for 1990-2007 and 1990-2008, BOLIVIA welcomed the outcome but regretted that consensus was not reached to include text on countries whose emissions increased. The SBI adopted conclusions (FCCC/SBI/2010/L.35).

**OTHER SBI AGENDA ITEMS:** The SBI also adopted:

- a draft COP decision on Convention Article 6 (education, training and public awareness) (FCCC/SBI/2010/L.26);
- conclusions on Technology transfer (FCCC/SBI/2010/L.25);
- conclusions (FCCC/2010/L.36), a draft COP decision (FCCC/SBI/2010/L.36.Add.1) and a draft COP/MOP decision (FCCC/SBI/2010/L.36/Add.2) on Annex I national communications, covering the sub-items on: the fifth national communications; submission of the sixth national communications; and Convention Article 12.5 (frequency of national communications);
- conclusions on Protocol Annex B parties' annual compilation and accounting reports for 2009 and 2010 (FCCC/SBI/2010/L.32);
- in relation to non-Annex I national communications, conclusions on the CGE (FCCC/SBI/2010/L.33); and Financial and technical support (FCCC/SBI/2010/L.37);
- conclusions on Protocol Article 3.14 (adverse effects) (FCCC/SBI/2010/L.23);
- conclusions on Capacity building (Convention) (FCCC/SBI/2010/L.29);
- conclusions on Capacity building (Protocol) (FCCC/SBI/2010/L.30);
- conclusions on Matters related to the LDCs (FCCC/SBI/2010/L.28);
- conclusions and a draft COP decision on the Fourth review of the financial mechanism (FCCC/SBI/2010/L.38 and Add.1);
- conclusions and a draft COP decision on the LDC Fund (FCCC/SBI/2010/L.27 and Add.1); and
- conclusions and draft COP and COP/MOP decisions on Audited financial statements for the biennium 2008-2009, budget performance for the biennium 2010-2011, and continuing review of the functions and operations of the Secretariat (FCCC/SBI/2010/L.24 and Add.s 1-2).

The SBI agreed to continue consideration of the following issues at SB 34:

- Privileges and immunities;
- Protocol amendment with respect to compliance; and
- Further implementation of Convention Article 12.5.

**CLOSING:** SBI 33 adopted the report of the session (FCCC/SBI/2010/L.22). The EU highlighted progress made in, *inter alia*: the LEG's mandate; review of the LDC Fund; fourth review of the financial mechanism; assessment of the SCCF; and national communications and GHG inventories for Annex I and non-Annex I parties.

Yemen, for the G-77/CHINA, underscored the Adaptation Fund as a successful example of direct access to funding and called for further progress in key issues, including: funding for national communications for non-Annex I parties; the establishment of a technology transfer mechanism; and capacity building needs in developing countries. He requested that a sufficient budget be allocated for the AWG-LCA and AWG-KP work in 2011 to achieve an outcome in South Africa.

Australia, for the UMBRELLA GROUP, highlighted, *inter alia*, the outcome on the LEG, and regretted lack of agreement on capacity building. Mexico, for the EIG, highlighted observer engagement and agreement on the workshop to consider this issue. Lesotho, for the LDCs, stressed the importance of the LDC work programme and welcomed the decision to extend the LEG's mandate. Benin, for the AFRICAN GROUP, highlighted funding. Grenada, for AOSIS, noted a number of important outcomes on: Convention Article 6; adaptation in the context of decision 1/CP.10; the Adaptation Fund and its review; and LDCs.

SBI Chair Owen-Jones closed SBI 33 at 11:11 pm.

#### **CONTACT GROUPS AND INFORMAL CONSULTATIONS**

**CHAPTER I (numbers) (AWG-KP):** Parties continued consideration of the carryover of surplus AAUs. Many parties supported continuing discussions and requested technical experts to provide scientific input on the options. Parties also

heard a proposal to give countries that take on voluntary targets the option to purchase units to meet those targets, to create an integrated carbon market.

**CHAPTER II (LULUCF) (AWG-KP):** Parties discussed a new non-paper by the facilitators and considered whether this could be forwarded to ministers. Some parties said the text should not be used as the basis for political decisions and called for a return to Friday's non-paper. Others questioned the process, highlighting that all proposals had not been negotiated. Parties were unable to agree on text to be forwarded to the informal COP/MOP stocktaking plenary.

**CHAPTER III (flexibility mechanisms) (AWG-KP):** Parties considered a proposal regarding the continuation of the CDM. Many supported the continuation of the CDM, but disagreement remained on whether an explicit signal is needed on the CDM's continuation and on the nature of such a signal. Parties agreed that given more time, further progress can be made on the flexibility mechanisms in general.

**CHAPTER IV (basket of methodological issues) (AWG-KP):** Parties heard a report from the informal group considering new GHGs and common metrics to calculate GHG equivalence. Parties exchanged views on the need for a SBSTA work programme on common metrics and its purpose. Informal consultations will continue.

**COMPLIANCE (COP/MOP):** Parties considered issues relating to Croatia's appeal against a decision of the Compliance Committee's Enforcement Branch. Parties considered what constitutes due process in the context of the appeal, whether this is limited to issues of procedure or whether it also includes the fact that the Enforcement Branch found that it did not have the competence to address some aspects of Croatia's appeal. Parties also considered whether it can address those aspects of Croatia's appeal that the Enforcement Branch lacked the competence to consider, and whether conclusions or a decision could be adopted, or whether to simply acknowledge that those aspects were discussed. Informal consultations will continue.

**MITIGATION (sectoral approaches) (AWG-LCA):** Parties were unable to reach agreement on how to move forward with a proposed note prepared by the facilitator. Commenting on the note, some parties expressed concern with references to trade and many opposed the consideration of hydrofluorocarbons under sectoral approaches. Others called for considering agriculture and bunker fuels separately. Parties will continue to consult.

#### **IN THE CORRIDORS**

On Saturday afternoon, the corridors and the main plenary hall were full of delegates carefully studying the "eagerly awaited" AWG-LCA Chair's new paper. The reaction to the language was mixed. "This is terribly weak," lamented some developing country delegates. One observer, however, said that important progress had been made. Many parties seemed to agree that there was limited time to react to the range of issues raised, although as one "street-wise" delegate put it, "you can be sure we will have loads of comments when we have fully digested the details." On the AWG-LCA paper, one seasoned negotiator noted "is it a good text? No, but it's really our only option for moving forward." The AWG-KP text should be available coming early Sunday morning. Getting ready for a transition in the process, some delegates appeared anxious to move past the unofficial spin-off and consultative groups of the first week and into formal negotiations within and between the two tracks.

The arrival of Ministers in Cancun was another hot topic. Some participants noted that parties were already discussing what issues should be taken before Ministers and how this should be done. An informal dinner on Saturday night, hosted by COP President Patricia Espinosa, and an informal plenary for Ministers on Sunday morning will map out the process for the week.