

CANCUN HIGHLIGHTS: TUESDAY, 7 DECEMBER 2010

On Tuesday afternoon, the opening ceremony of the high-level segment was held. In addition, a number of contact groups and informal consultations met throughout the day under the COP/MOP, AWG-LCA and AWG-KP.

HIGH-LEVEL SEGMENT

The high-level segment opened on Tuesday afternoon with dancing and music welcoming participants to Mexico.

UNFCCC Executive Secretary Christiana Figueres stressed that parties were at a “crucial stage” and urged them to put short-term national interests aside in order to “get the process back on track.” She urged “conciliation” on key issues and said failure to reach consensus in Cancun will endanger all countries’ long-term wellbeing.

UN Secretary-General Ban Ki-moon expressed concern at lack of adequate progress after many years of negotiations. He stated that while a final resolution on all issues is not essential in Cancun, there should be progress at all fronts.

President Felipe Calderón, Mexico, noted that billions of humans expect a “clear response to climate change that we cannot fail to give” and emphasized important progress over the last week in rebuilding confidence in the multilateral system. He underscored, however, the progress that must be made on a formula to prevent climate change, and to catalyze green economies and development paradigm shifts.

The high-level segment continued throughout the afternoon with statements by heads of state and government, and speakers on behalf of groups. National statements will continue on Wednesday and Thursday. A webcast of all statements is available online at: <http://webcast.cc2010.mx>

CONTACT GROUPS AND INFORMAL CONSULTATIONS

ADAPTATION FUND (COP/MOP): During the morning informal consultations and contact group, parties considered revised draft text on the report of the Adaptation Fund Board and review of the Adaptation Fund.

During the informal consultations, many parties supported the revised text with minor amendments. On the report of the Adaptation Fund Board, differences remained on proposed workshops on accreditation of national implementing entities. Some parties opposed reference to workshops. Others noted, however, that, according to the text, the workshops must be subject to the availability of funds and prior consultation with the Board, thereby ensuring that the workshops would only be held at the appropriate moment.

Subsequently in the contact group, the PHILIPPINES regretted that after a year of negotiations on the issue, agreement had not been reached, while the EU noted that the proposal on holding workshops was recently introduced. Discussions will continue.

COMPLIANCE (COP/MOP): During informal consultations in the morning, parties continued considering Croatia’s appeal against a decision by the Enforcement Branch of the Compliance Committee. Discussions focused on a draft COP/MOP decision proposed by the co-chairs. Parties also addressed a new suggestion by a party on the amendment of the Kyoto Protocol relating to compliance. Consultations will continue.

CHAPTER 1 (Annex I emission reductions) (AWG-KP): In the morning spin-off group on “numbers,” parties attempted to reduce the number of options in the text. Parties agreed to insert a “no change option” to reflect discussions on carryover of surplus Assigned Amount Units (AAUs). Parties also agreed that options on amendment of Protocol Article 3.1 (GHG reduction and limitation commitments), Article 3.7 (calculating assigned amounts in the first commitment period), Article 3.9 (Annex I parties’ further commitments), and Articles 4.2 and 4.3 (joint fulfillment of commitments) be collapsed into single bracketed texts to facilitate political decision-making at the ministerial level.

CHAPTER IV (basket of methodological issues) (AWG-KP): In the informal spin-off group, parties considered text on global warming potentials. They discussed implications of

using either the IPCC Second Assessment Report or Fourth Assessment Report on overall and parties' individual emissions. Some parties highlighted the importance of using methodologies that are consistent with the AWG-LCA. Parties also stressed their interest in considering the addition of new GHGs but divergent views remain on the specific gases. The AWG-KP Vice-Chair will report back to the AWG-KP Chair.

CHAPTER II (LULUCF) (AWG-KP): In the afternoon informal consultations, parties agreed to move forward based on the facilitators' non-paper from Saturday. Parties then discussed harvested wood products, underscoring that bioenergy will be accounted for by the energy sector. Parties also addressed *force majeure* and the challenges posed by accounting for fires. On reference levels, discussions considered the need to reflect both complexity and flexibility in addressing different national circumstances.

SHARED VISION (AWG-LCA): In the morning, the drafting group considered a revised text based on Monday's discussions. The text includes new language on, *inter alia*: historical and current global emissions; stabilizing GHG concentrations at well below 350 parts per million; collectively reducing emissions by at least 50% from 1990 levels by 2050; reducing GHG emissions of developed countries by 85-95%, or more than 95%, from 1990 levels by 2050; and respecting human rights.

A number of developing countries opposed "picking and choosing" between parties' submissions. Several developed countries said the text is "not perfect" and omits many options that they support, but that it is "the only way forward" if parties want to forward something to the high-level segment.

Parties also discussed text proposed by a number of developing countries on historical responsibility and implementation gaps. Several countries supported affirming that "climate change is one of the greatest challenges facing mankind" and that parties share a vision that enhances the Convention's implementation, sets an emissions goal rather than a "hard cap," and guides the actions and policies of parties taking into consideration their "different and evolving" circumstances. A number of developing countries emphasized historical responsibility and urged Annex I countries to show leadership, including on finance and technology transfer. Many developed countries stressed that the Convention refers to historic and current emissions.

A request was also made to insert text on requiring Annex I parties to contribute 6% of their Gross National Product (GNP) to finance mitigation and adaptation in developing countries and 1% of their GNP to support forest-related activities as "repayment of their climate debt." Several developed countries suggested using the facilitator's text as a middle ground, while

some developing countries said there was no agreement on whether to proceed, because of the absence of a party-driven text. The facilitators will consult the AWG-LCA Chair.

FINANCE, TECHNOLOGY AND CAPACITY BUILDING (AWG-LCA): Finance: In a morning drafting group, parties were presented with a revised non-paper containing elements for a draft decision on finance. The document included sections and options on fast-start finance, long-term finance, the proposed new fund and a proposed new body under the COP to assist with the financial mechanism and delivery of climate financing. The non-paper also included an annex containing terms of reference for designing the fund.

After a short break to review the text, parties offered their initial reactions. One developed country observed that the text has become increasingly ambitious in scope and detail, and expressed concern that high expectations of an agreement this week may not be met.

On fast-start finance, developing countries said text should provide more details on transparency, including whether the funding is genuinely new and additional, whether it is evenly allocated between adaptation and mitigation, and how much has been disbursed in 2010. One developing country suggested adding another developing country group to those identified as priority recipients of fast-start financing. In addition to LDCs, SIDS and Africa, she added "developing countries with areas prone to droughts, floods and desertification with fragile ecosystems, and facing increased frequency of extreme and catastrophic events and trends linked to climate change."

On long-term finance, developing countries supported the option that developed countries should commit 1.5% of their GDP to support developing countries, rather than text referring to a US\$100 billion commitment annually by 2020. Many developed countries expressed reservations on text indicating that the main or major source of funding will be assessed or indicative contributions from Annex II parties to the Convention. Some developed countries supported reference to the UN Secretary-General's High-Level Advisory Group on Climate Financing.

On the board of the new fund, a number of developing countries insisted that it refer to representation for SIDS and LDCs.

Technology: The drafting group considered technology in a late morning session. Developing countries outlined two possible decisions, one containing the main elements of an agreement, the other setting out a programme of work. Several delegates welcomed progress in this group and in bilateral consultations held earlier in the day. However, some developed countries regretted that the "balance" they seek in the wider negotiations does not yet exist, and said they could not yet

agree to a technology mechanism. Several speakers supported identifying what can be agreed in Cancun and what needs further discussion in 2011.

Capacity building: In the afternoon, the informal drafting group turned its attention to capacity-building. Parties considered a revised draft text paragraph-by-paragraph. Many developing country parties supported retaining the option to establish a technical panel on capacity building in a legally-binding instrument, while many developed countries supported an option affirming that existing institutional arrangements or the proposed ones include capacity-building in their mandate. On references to operating entities of the financial mechanism and reference to the proposed new fund, one party said these could prejudice other parallel negotiations. Different views also remained on text concerning developed country reporting of support provided for capacity building in developing countries, and developing country reporting of progress in enhancing capacity to address climate change, including on the use of the support received. Consultations continued.

MITIGATION (various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions) (AWG-LCA): The morning drafting group continued consideration of revised text, prepared on the basis of the AWG-LCA Chair's note. Parties continued streamlining the options.

Reacting to the nature of the textual proposals from some parties, several parties objected to textual insertions into options that appeared to "negate" the substance of the options. A number of parties also suggested that parties should only make textual proposals concerning their own options. However, others disagreed, asserting that all parties retain the right to make insertions into any option. In response, a number of parties acknowledged that right, but urged others to refrain from proposing text that is contrary to the essence of the options. Parties then continued making textual proposals to the text. Consultations will continue.

MITIGATION (developed countries and developing countries) (AWG-LCA): In the morning drafting group, parties focused on new draft texts on developed country mitigation and developing country mitigation prepared by the facilitators, based on the AWG-LCA Chair's note and parties' views. General comments were invited on both texts.

Many parties expressed satisfaction with the fact that the texts contain decision language, while highlighting various omissions. Many parties perceived a lack of balance between the texts and also between the texts and other work by the AWG-LCA. Several parties lamented the lack of operational language with regard to, *inter alia*, mitigation actions, reporting commitments and the development of guidelines for accounting and other rules.

Parties continued to express diverging views on the purpose and scope of the proposed registry, with some stating that it should contain all NAMAs by developing countries, while others said all NAMAs should be inscribed in an annex to a decision and the proposed registry should be restricted to NAMAs seeking support. Parties also differed on the frequency and nature of reporting, as well as the body that should decide these matters (whether it should be the AWG-LCA or the SBI).

A number of parties also commented on whether developed countries should take on mitigation "actions" or "commitments," the level and legal nature or framework of such actions or commitments, and their relationship with the Kyoto Protocol. Some parties highlighted the need to address the issue of comparability of actions or commitments, both among developed countries and between developed and developing countries. A number of parties also suggested that all countries' pledges be anchored in an annex to a decision in Cancun. However, others opposed this suggestion. "Informal informal" consultations will continue.

MITIGATION (sectoral approaches and sector-specific actions) (AWG-LCA): During informal consultations in the morning, parties reported on discussions held on the general framework and on agriculture.

On agriculture, discussions addressed both expectations regarding a work programme and the identification of key elements for the sector, including trade, adaptation, food security and indigenous peoples' involvement. Many parties expressed flexibility to work based on different existing texts provided that key elements are included.

On the way forward, disagreement persisted, with many parties preferring to address the general framework and then specific sectors, while others supported discussing bunker fuels and agriculture. Finally, agreement was reached on addressing an overarching general framework paragraph and then discussing possible provisions for "framing" each sector, with many noting that the agriculture text is complete enough as it is.

Parties also discussed the key elements to be considered within the general framework, such as: reference to Convention Article 4.1(c) (technology transfer); the usefulness of taking a sectoral approach; a reference to the principles of the Convention; and the voluntary nature of sectoral approaches. Divergent views remained on the two last elements, with many countries supporting the need for consistency with the provisions and principles of the Convention and the inclusion of a reference to the principle of common but differentiated responsibilities. Some parties disagreed with the consideration of this principle in the context of bunker fuels, but one party noted that the International Civil Aviation Organization has already recognized differences among countries. Different opinions were

expressed on whether the principle of common but differentiated responsibilities should apply to technical and operational matters under the International Maritime Organization.

In the afternoon drafting group, divergent views were expressed on using the Copenhagen or Tianjin text, or combination of the two texts. Parties also discussed whether to give the facilitator the mandate to make changes to be reflected in the upcoming AWG-LCA Chair's text. Discussions then focused on the consideration of trade in the agriculture text with parties making proposals for compromise text. Discussions continued into the evening on a framing paragraph, bunker fuels and what can be reflected in a revised text.

ITEM 3 (Annex I further commitments) (AWG-KP): In an evening contact group, AWG-KP Chair John Ashe (Antigua and Barbuda) highlighted a revised version of the Chair's text (FCCC/KP/CRP.4/Rev.1) and subsequent meetings by the spin-off groups. AWG-KP Chair Ashe described the appointment of ministers from the UK and Brazil to conduct ministerial consultations on "key political questions." BRAZIL then provided an overview of these consultations with negotiating groups and countries. He identified challenges in relation to establishing a second commitment period under the Kyoto Protocol and interlinkages with the AWG-LCA's mitigation discussions. Luis Alfonso de Alba (Mexico) reported that COP/MOP President Espinosa would meet with ministers to consider the way forward and that a COP/MOP stocktaking plenary would convene early on Wednesday morning.

On LULUCF, Co-facilitator Iversen (Denmark) reported that the spin-off group had been unable to reduce options on forest management but that text on harvested wood products had been clarified.

On the flexibility mechanisms, AWG-KP Vice-Chair Adrian Macey (New Zealand) noted a proposal to continue the Kyoto mechanisms beyond the first commitment period, as well as discussions on regional distribution of CDM project activities and co-benefits.

On the basket of methodological issues, AWG-KP Vice-Chair Macey noted clear options on new gases and global warming potentials and said that these issues could be resolved in Cancun.

Co-facilitator Leon Charles (Grenada) reported that the "numbers" group had continued consideration of carryover and surplus of AAUs, and that it had also considered how to streamline the textual proposals. He explained that, despite a lack of consensus, there was a desire to address surplus and carryover of AAUs. He added that the group could benefit from more time to address this issue.

On potential consequences, AWG-KP Chair Ashe said he was conducting bilateral consultations and would report to parties at a later stage. He then informed parties that a revised version of his text would be made available on Wednesday morning.

IN THE CORRIDORS

On Tuesday afternoon, the high-level segment began in Cancun, with a vibrant presentation of Mexico's beauty aimed at reminding delegates of what is at stake in efforts to address climate change. At the same time, various informal negotiations took place at the Moon Palace throughout the day, with experts and ministers attempting to refine texts in preparation for the next phase of negotiations.

The mood remained constructive in some informals groups, while in others, some parties reported "a complete lack of progress." Many participants having attended the AWG-LCA drafting group addressing texts on developed and developing country mitigation seemed satisfied that they now had decision text and appeared to be set to move to "full negotiating mode." "Finally!" exclaimed one delegate. Others cautioned, however, that the existence of decision language does not necessarily indicate progress, with one stating, "Let's just wait and see. My impression from the meeting is that parties will simply add their options back into the text, which they have already started to do!" Delegates attending the "various approaches to mitigation, including market mechanisms" drafting group noted "a near-stalemate," and a couple of delegates emerging from the technology discussions said they were "frustrated."

Given slow progress on many issues expected to be among the key Cancun outcomes, concerns were beginning to surface about whether and how all the necessary elements of the overall package will fall into place. One negotiator worried that the process might get bogged down in "an attitude of no progress on anything until we have progress on everything." Many seasoned negotiators acknowledged that it will be difficult "to close the gaps," although there were some indications that negotiators were starting to identify where trade-offs could work between the different negotiating blocks, and some also began to contemplate "Plan B" scenarios.

For example, some REDD+ negotiators were seen working on strategies to ensure that if a comprehensive decision cannot be reached, a simpler agreement to move forward on REDD+ could be ensured as a basis for the ongoing initiatives in many developing countries. One veteran delegate noted: "Eager parties are redoubling efforts in an attempt to ensure agreement on REDD+ is not held hostage to other issues and they are simultaneously attempting to accommodate different philosophical views on markets and safeguards."

While most delegates began the journey back to their hotels after the AWG-KP's evening contact group ended at around 9 pm, some others, including the Secretariat, were preparing for a long night. "Revised AWG-LCA and AWG-KP texts will be released tomorrow and I have to be here for the early morning COP/MOP stocktaking plenary," explained one delegate rushing back to her computer.