

CANCUN HIGHLIGHTS: WEDNESDAY, 8 DECEMBER 2010

On Wednesday morning, the COP and COP/MOP held informal stocktaking plenary sessions. In addition, contact groups and informal consultations met throughout the day under the COP, COP/MOP, AWG-LCA and AWG-KP. Meanwhile, the high-level segment continued with statements from heads of states, governments and delegations. A webcast of all statements is available online at: <http://webcast.cc2010.mx>

COP INFORMAL STOCKTAKING PLENARY

In the morning informal stocktaking plenary, COP President Espinosa highlighted the atmosphere of inclusiveness and the open and transparent process in Cancun. She welcomed ministerial consultations to address political issues. AWG-LCA Chair Mukahanana-Sangarwe said her revised Chair's note (FCCC/AWGLCA/2010/CRP.3) reflects advances on REDD+ and adaptation, a clear set of options on MRV and finance, and a lack of movement on technology. She suggested that political guidance is needed on mitigation by developed and developing countries, MRV of commitments and actions, long-term finance, a long-term global goal and equity. Chair Mukahanana-Sangarwe noted that the new paper calls for extending the work of the AWG-LCA. COP President Espinosa underscored that there would be no overlapping or parallel processes and stressed the need for the outcome of the AWG-LCA to be ready by Friday morning.

COP/MOP INFORMAL STOCKTAKING PLENARY

In the COP/MOP informal stocktaking plenary, AWG-KP Chair Ashe stressed the need for political decisions to forge a deal that is comprehensive and balanced. He described the consultations by Luis Alfonso de Alba (Mexico) on political issues and "numbers," and underscored the need to forward the list of key issues to the COP/MOP. He introduced the revised proposal by the Chair (FCCC/KP/AWG/2010/CRP.4/Rev.2). COP/MOP President Espinosa highlighted parties' signals to continue their mitigation efforts beyond 2012 and called on parties to raise the collective level of ambition. She noted that consultations would begin on the texts in the afternoon.

CONTACT GROUPS AND INFORMAL CONSULTATIONS PARTIES' PROPOSALS UNDER CONVENTION

ARTICLE 17 (protocols) (COP): During informal consultations, a group of developing countries introduced a draft COP decision for consideration by parties. The text recognized

the "complementary, interrelated and mutually supportive" nature of the AWG-KP and AWG-LCA, and the need for "comprehensive and legally-binding instruments for all parties from the work of both *Ad-Hoc* Working Groups." The text also asked the AWG-LCA to continue its work and present a legally-binding instrument for adoption at COP 17. Additionally, the text indicated that the instrument will be based on the Bali Action Plan, the work of the AWG-LCA to date, COP 16 outcomes and decisions, and parties' proposals under UNFCCC Article 17 (protocols).

Responding to the text, a group of developed countries and a number of other developing countries endorsed it. Several developing countries suggested that it was premature to speak about the legal status of an instrument before the substance of the instrument is clear. One developed country said discussions could continue in parallel, while another indicated that discussions on form should follow a clear political signal.

One developing country proposed additional text "recalling and respecting the provisions of the Kyoto Protocol and acknowledging its crucial and ongoing role in contributing to the ultimate objective of the Convention." A developed country expressed reservations about this proposal. Parties also discussed the legal status of COP decisions, with most indicating that they do not consider them to be legally-binding.

The Chair will report to the COP President and seek guidance on how to move forward.

CDM (COP/MOP): During informal consultations, parties continued discussing the draft COP/MOP decision on further guidance relating to the CDM. Regarding the eligibility of new technologies and scopes under the CDM, parties continued to hold diverging opinions. Several pointed out that this issue is being addressed by the SBSTA and cautioned against prejudging conclusions.

MITIGATION (sectoral approaches) (AWG-LCA): In the morning, parties considered new draft text by the facilitator. They initially considered the facilitator's note as a basis for moving forward with discussions. After some substantive discussion on bunker fuels, agriculture and general framing, parties could not agree to continue with the facilitator's note. Some developing countries noted that the text under the general framework and on international aviation and maritime transport did not reflect what parties agreed in Tianjin, and some preferred that the general framework only have one option. Many suggested bringing general framework text from Tianjin into the facilitator's note. A number of parties expressed disappointment with the proliferation of options that represent "either/or"

decisions, while others suggested that the options could represent a starting point for ministers to find middle ground. In the incorporation of additional language from Tianjin, some parties requested that their options be retained in the facilitator's note.

Many parties expressed support for the agriculture text. Some suggested that agriculture be discussed separately from bunker fuels and the general framework. However, others disagreed with this proposal. Parties agreed to hold "informal informal" consultations on agriculture in the evening.

ADAPTATION FUND (COP/MOP): During the morning informal consultations, parties were invited to comment on revised draft text relating to proposed regional workshops aimed at familiarizing parties with the process and requirements for accrediting national implementing agencies. Developing countries expressed a preference for organizing up to four workshops, while some developed countries favored three, emphasizing their flexibility on this since they would have preferred a decision on the workshops to be postponed until next year to allow more experience to be gained with direct access. Discussions were then suspended to allow parties to consult on these issues. They were not able to reach agreement and the informal consultations were suspended until Thursday.

CHAPTER I ("numbers") (AWG-KP): In the afternoon, the informal AWG-KP drafting group on "numbers" continued discussions on how to clean up text in Option B (consequential Protocol amendments). Parties focused on consequential amendments to Protocol Article 3.9 (Annex I parties' further commitments) related to establishment of commitments for a third or subsequent commitment periods, including how long before the end of the second commitment period such negotiations should begin. The Chair's text remained largely unchanged.

CHAPTER II (LULUCF) (AWG-KP): In the afternoon informal consultations, parties agreed to address the five options on accounting for forest management in order to streamline text, and ensure consistency and clear options. Parties discussed option 1 on reference levels, with many proposing amendments, including on a footnote addressing the setting of forest management reference levels. Divergent views remained.

Parties then addressed option 2 on baselines and agreed to apply the amendments already agreed to in option 1 in selected paragraphs. Option 3 on net-net accounting was discussed, with parties making some proposals that were not retained. A party proposed, and many opposed, deleting option 4 on a cap. One party announced that he would present new proposals on *force majeure* and harvested wood products.

JI (COP/MOP): During evening informal consultations on JI, parties considered outstanding paragraphs in a draft COP/MOP decision.

On introducing a fee for project activities under JI Track 1, parties discussed: the level of such a fee; the possibility of differentiated fee levels for large- and small-scale projects; and the point at which the fee would be payable. One party said it was too early to agree on the level of the fee and that instead, a process should be established for determining the fee at a later time. Some parties proposed, opposed by a number of others, insertion of text referring to the fee becoming applicable after the adoption of a second Kyoto Protocol commitment period.

On the paragraphs taking note of the JI Supervisory Committee's (JISC) view on the need for a new JI operational model beyond 2012 and the scenarios for improving JI beyond 2012, some parties objected to these paragraphs, highlighting the need for clarity regarding references to "beyond 2012" and

the relationship with the Kyoto Protocol. Various proposals were made, including: deletion of the references to "beyond 2012;" deletion of the entire paragraph, since the JISC's report is already acknowledged elsewhere in the text; and replacing "beyond 2012" with "in the second commitment period of the Kyoto Protocol." Parties could not reach agreement on these paragraphs and consultations will continue.

IN THE CORRIDORS

Early on Wednesday morning, delegates arrived at the Moon Palace to take part in the COP and COP/MOP informal stocktaking plenaries, scheduled for 8:30 am and 9:05 am respectively. As anticipated, President Espinosa announced that the new AWG-KP and AWG-LCA texts were now available for delegates to start reviewing. Delegates' reactions to these texts varied: "The texts contain many of the elements that parties have been pushing for and should satisfy most interests" observed one optimistic delegate. A veteran negotiator also commented that "the texts look much better and there has been progress on technology transfer, capacity building and adaptation." Another explained that further work is still essential: "We are not quite there yet, but I feel we are moving in the right direction."

Apart from the continuously intensifying negotiations, a large number of other events took place in and around the Moon Palace throughout the day. In the early evening, for instance, many journalists and observers attended a dialogue convened by Mexican President Felipe Calderón. In the first session on "Consequences of inaction: our responsibility to act now," Heads of State from Ethiopia, Palau, Grenada and Honduras, as well as the Chairperson of the Commission of the African Union, presented testimony about the effects of climate change and described the adaptation strategies they are pursuing. They urged leaders to agree on more ambitious commitments to climate change mitigation and requested further support for technology transfer and funding for developing countries' ongoing adaptation efforts. Claps and exclamations were heard when President Calderón announced that payments to indigenous peoples protecting forests in Oaxaca will be made to neutralize COP 16 CO₂ emissions. He invited Annex I parties to participate by also neutralizing their own travel emissions.

Meanwhile, ministers continued discussions aimed at reconciling political differences, particularly on mitigation, finance, MRV and a second Kyoto Protocol commitment period. Informal meetings met well into the evening to resolve key sticking points. After one informal meeting on mitigation ended in the early evening, some described the mood as "cautiously optimistic" that Cancun will result in "something we can all be somewhat happy with." However, according to one delegate, "anchoring the pledges and MRV, together with financing, remain problematic." The question hanging over the Moon Palace was therefore "What is on the list for a Cancun decision package?" Delegates began to suggest that REDD+, a process towards the new fund, adaptation and fast-start financing were all nearly ready to go, but President Espinosa reminded delegates that while an agreement was within grasp, it was still elusive.

Elsewhere in the halls, other delegates were heard bemoaning a lack of progress on adaptation in ongoing informal consultations, with one party noting "we need to limit the damage at this point." One old hand in the process noted that "it's really difficult to tell how the process is going right now, because each of us is enmeshed in our own issues, making it hard to see how all the pieces will fit together. Our hope is that in the next two days, a balanced package will emerge."