

SB 34 AND AWG HIGHLIGHTS: MONDAY, 13 JUNE 2011

Contact groups and informal consultations were held throughout the day under the AWG-LCA, AWG-KP, SBI and SBSTA. In the morning and afternoon, the SBI and SBSTA Chairs organized a joint forum on the impact of implementation of response measures. In the afternoon, the incoming presidency of COP 17 and COP/MOP 7 continued open-ended informal consultations on parties' expectations for Durban.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

ANNEX I FURTHER COMMITMENTS (AWG-KP):

During the morning contact group, NEW ZEALAND expressed willingness to commit to a second commitment period under the Kyoto Protocol in conjunction with steps towards a global agreement that includes all major emitters. She said the second commitment period should be seen as a transition period towards taking commitments under a single comprehensive treaty and underscored the need to consider a "docking mechanism" to merge Kyoto Protocol elements into the comprehensive climate regime. AUSTRALIA said the question of a second commitment period is intrinsically linked to commitments by major emitters. She highlighted domestic actions by developing countries and said these should be "internationalized."

SAINT LUCIA emphasized that rules are essential to ensure comparability of developed countries' mitigation efforts and an adequate level of ambition. She also underscored the need to address carryover of surplus Assigned Amount Units (AAUs). SAINT LUCIA called for confirmation that Annex I parties' mitigation commitments will be taken in the context of the Kyoto Protocol.

AUSTRALIA, with NEW ZEALAND, emphasized the need to resolve technical issues on the flexibility mechanisms, the basket of methodological issues and LULUCF accounting rules. NEW ZEALAND stressed the need to address rules and commitments at the same time.

ALGERIA said Annex I parties should agree to a second commitment period and then engage major emitters in a comprehensive agreement. SAINT LUCIA, ALGERIA, TUVALU, BRAZIL, CHINA, INDIA and BOLIVIA underscored that access to the flexibility mechanisms, including Joint Implementation (JI) and the Clean Development Mechanism (CDM), would be difficult to agree to in the absence of a second commitment period. BRAZIL underscored that the Kyoto Protocol constitutes a "package" of obligations and beneficial mechanisms and that parties cannot "pick and choose" from them.

NEW ZEALAND said that even in the absence of a second commitment period, developed country mitigation actions and demand for carbon credits would continue, as national emissions trading systems would need access to Certified Emission Reductions (CERs) from the CDM. Emphasizing the role of the CDM in promoting sustainable development and technology transfer in non-Annex I countries, she said there is no reason to believe that the CDM "stands or falls" on the basis of a second commitment period.

The EU emphasized its legislation to ensure the continuity of the EU Emissions Trading Scheme (ETS) beyond 2012. He expressed concern that if access to CDM credits is made conditional on second commitment period targets, parties will be forced to create their own rules through bilateral deals.

AUSTRALIA underscored that deeper and broader access to international carbon markets is essential for increasing the level of ambition. JAPAN said a discussion of the flexibility mechanisms is useful to ensure that they are better utilized in a new international framework. CANADA noted parallel discussions under the AWG-LCA on market mechanisms and said discussions on whether and how the CDM fits in would be useful. The RUSSIAN FEDERATION said they would like to see the continuation of the flexibility mechanisms.

AWG-LCA: During the morning contact group, facilitators presented on progress in their informal groups. Parties also exchanged views on future work.

On shared vision, AWG-LCA Vice-Chair Mukahanana-Sangarwe reported that parties had been given more time to explain their proposals on issues for consideration and that further views were expressed on a possible workshop and technical paper to assist discussions on the long-term global goal for emission reductions and peaking of global emissions.

Facilitator Børsting said discussions on finance had focused on the role and nature of the Standing Committee, with parties exchanging views on its functions, composition and relationship to the COP.

Facilitator Socorro Flores reported on "substantive" discussions on legal options for the AWG-LCA's outcome. She explained that those parties supporting a legally-binding outcome cited the need for predictably, reciprocity and transparency. She noted views on the need to work within the context of the Bali Action Plan and the Convention, and the view that any new instrument should not be weaker than the Kyoto Protocol.

Facilitator Uosukainen said the technology group had addressed the steps required to operationalize the Technology Mechanism in 2012. He noted agreement that the functions of

the Climate Technology Centre and Network (CTCN) require elaboration, the CTCN should be efficient, compact and responsive to parties' requests, and that any substantive work will mainly be done by the Network. Facilitator Uosukainen identified the need for more technical work before Durban on the design of the Centre and selection procedure for its host institution, noting a proposal to develop an inventory of possible host organizations. He also underscored the need for discussions on financing for the Technology Mechanism and institutional linkages to adaptation and mitigation. AWG-LCA Chair Reifsnnyder called on parties to finalize nominations for the Technology Executive Committee so that its first meeting could be held before Durban.

Facilitator Gaspar Martins reported common ground that could form the basis for a COP decision on market mechanisms and non-market approaches.

Facilitator Garibaldi said the focus of discussions on developed country mitigation had been on a possible outcome in Bonn and also on what can be done between now and Durban. On developing country mitigation, Facilitator Pilgaard reported a good exchange of views on the Durban outcome and the focus of work in Bonn.

On REDD+, Facilitator La Viña reported that parties had agreed to open the informal meetings to observers. He said views had been exchanged on the Cancun mandate and where finance for REDD+ should be discussed.

On response measures, Facilitator Gichu reported that parties had outlined the context of related work and that discussions would be informed by the forum on response measures.

Facilitator Kumarsingh reported on adaptation, observing that parties had built upon the exchange of views on the Adaptation Committee, with some parties supporting the inclusion of budgetary matters. He noted convergence on the guidelines and modalities for the Committee.

AWG-LCA Chair Reifsnnyder encouraged parties to submit textual proposals to facilitate negotiations. He identified the need for a five- to six-day intersessional meeting in September or October, subject to availability of funding. He suggested that, at such an intersessional meeting, the AWGs start directly in contact groups without plenaries and other formalities, and also noted that the incoming COP Presidency was consulting informally on how to take work forward between now and Durban. On the utility of the AWG-LCA's contact group's stocktaking meetings in Bonn, AWG-LCA Chair Reifsnnyder also reported that it had been suggested that he might as well "just read out the Earth Negotiations Bulletin." Many parties supported continuing the stocktaking meetings, while some suggested reducing their frequency to allow more time for substantive discussions.

INDIA called for an intersessional meeting of both, the SBs and the AWGs. SWITZERLAND and the EU said the usefulness of an intersessional meeting would depend on progress in Bonn and that not all topics required the same time allocation. SAUDI ARABIA cautioned against prioritizing some issues over others. JAPAN supported the proposal to convene the AWG-LCA and AWG-KP contact groups directly. BARBADOS observed that both technical workshops and expert meetings are required and that outputs of any expert meetings should be brought back to a formal meeting. SINGAPORE suggested that the intersessional meeting be a continuation of the Bonn session.

REDD+ (AWG-LCA): During morning informal consultations on REDD+ under the AWG-LCA, parties discussed financing options for the full implementation of the results-based actions, as mandated by Decision 1/CP.16 (outcome of the AWG-LCA's work). Some parties emphasized that the results-based actions should take place in the third phase of

REDD+, once national elements to implement REDD+ are in place. Many parties highlighted the Cancun Agreements as defining what activities should be included, and some suggested also considering policy and governance measures. Some developing country parties urged developed country parties to provide the additional funding required to prepare for REDD+ implementation.

On funding sources for full implementation, some parties said public financing should play a greater role in the readiness phase, but that for the third phase, a basket of alternative financing options should be considered. Many emphasized that it would be up to each country to decide the sources of funding that it is willing to use. The possible funding sources identified included: public funding, both at the national and international levels; a possible REDD+ window under the Green Climate Fund; and market mechanisms. Some suggested establishing a levy on international aviation and maritime transport for further funding. Many highlighted that all sources should be complementary.

Some parties cautioned against using market mechanisms for REDD+, underscoring the need for predictable, effective and additional funding. Some also noted that market-based approaches only work in the context of a constrained system. Some parties further suggested: determining funding sources based on the nature of activities; establishing national funding frameworks that address mitigation as a whole; and creating a community trust fund to assist local communities to develop their capacities.

Many countries highlighted the role that the private sector could play in providing funding, particularly in addressing the drivers of deforestation. Highlighting information gaps, many countries underscored the importance of measuring, reporting and verifying the provision of financing for REDD+.

On who should be compensated for REDD+, some parties said each country should make the decision at the national level, while others underscored the relevance of ensuring that incentives reach the local communities managing the forests and called for further guidance in that regard. Discussions will continue.

DEVELOPED COUNTRY MITIGATION (AWG-LCA): During the afternoon informal consultations on developed country mitigation under the AWG-LCA, parties were invited to consider a proposal to establish two spin-off groups, one to focus on biennial reports and the other on international analysis and review (IAR), as well as accounting rules. These spin-off groups would then report back to the informal group on Wednesday. Parties were also requested to focus discussion on political guidance for the spin-off groups.

Parties generally supported convening the spin-off groups. Some called for clarity on accounting rules and improved supplementary information on the achievement of quantified economy-wide emission reduction targets before considering the guidelines for the biennial reports. Several parties maintained that a discussion of IAR should be preceded by a more detailed discussion of accounting rules, and proposed that the Secretariat prepare a technical paper on this. Others noted the need for more conceptual and methodological work on IAR with a focus on architecture and function. One party pointed out that consideration of accounting rules had not been mandated by Decision 1/CP.16 because it does not fit into the national circumstances of some parties. Several parties also proposed focusing on the main elements of IAR in the spin-off group.

TECHNOLOGY TRANSFER (SBI/SBSTA): During informal consultations on technology transfer, parties discussed draft SBI and SBSTA conclusions paragraph-by-paragraph.

Parties first addressed the draft SBSTA conclusions. On the role that Technology Needs Assessments (TNAs) could play in identifying and prioritizing technology needs, one party, opposed by others, suggested referring to TNAs, “among others,” noting that other valuable country-level assessments are also relevant for evaluating adaptation and mitigation technology needs. Many parties supported referring instead to an exchange of ideas and experiences on the useful role of initiatives such as TNAs.

Parties then considered the draft SBI conclusions. Many parties supported deleting text noting that the pilot projects supported by the Global Environment Facility (GEF) included few projects on adaptation technologies. They stressed that it is not up to the GEF, but to the countries, to decide whether to present adaptation or mitigation proposals to the GEF and that only one project was on adaptation and not “a few.” On inviting the GEF to enhance its support for pilot projects related to adaptation technologies, some parties supported deletion, noting that issues related to financing and guidance to the GEF are not within the group’s mandate. Parties eventually agreed to hold further consultations on this issue and a new draft text will be prepared.

FLEXIBILITY MECHANISMS (AWG-KP): The afternoon discussions on the flexibility mechanisms in the AWG-KP spin-off group were based on Chapter III of the Chair’s revised proposal (FCCC/KP/AWG/2010/18/Add.1) and parties considered three issues: the essential things parties want to achieve; how work on the text should progress; and whether some of the existing proposals can now be removed.

Regarding the use of CERs from project activities in certain host countries and co-benefits of CDM projects, parties considered whether these issues could be transferred to the COP/MOP for its consideration under the agenda item on further guidance to the CDM Executive Board. Parties agreed to undertake bilateral consultations to streamline the text on the use of CERs from project activities in certain host countries and to return to the matter of whether to transfer the two issues to the COP/MOP for its consideration.

Parties then addressed all other issues in Chapter III, including discount factors, the share of proceeds for the Adaptation Fund, Joint Implementation, emissions trading, new market mechanisms and complementarity. Parties were unable to reach agreement on any of the issues or streamline the text. Consultations will continue.

NATIONAL ADAPTATION PLANS (SBI): In the afternoon informal consultations on national adaptation plans (NAPs), parties agreed to open the meeting to observers.

Discussions focused on responses to the co-chairs’ questions regarding the formulation of NAPs. Parties agreed that NAPAs are tools to identify and prioritize urgent, short-term adaptation needs, whereas NAPs are broader and cross-cutting, cover medium- and long-term needs, integrate into development plans and consist of the multiple tools a country uses in its planning process.

On areas for guidance, parties agreed to draw on the LDC Expert Group. On the way forward, many called for defining the scope of, and modalities for, NAPs and adopting guidance for their preparation. Some parties suggested that organizing a workshop or preparing technical paper on modalities or guidelines could be useful. Several parties called for also considering support for NAPs.

The co-chairs will draft a summary of areas of convergence and negotiations will continue.

DEVELOPING COUNTRY MITIGATION (AWG-LCA): In the afternoon informal group, the co-facilitator proposed two spin-off groups, one on biennial reports and one on international

consultation and analysis (ICA). Divergent views were expressed on how to approach issues and sequencing. Developing country parties supported spin-off groups on biennial reports and the registry for nationally appropriate mitigation actions (NAMAs), while developed countries preferred the co-facilitators’ proposal. A possible compromise included a spin-off group addressing both the biennial review and ICA, and a spin-off group on the NAMA registry.

In the absence of consensus on a spin-off group on ICA, it was noted that the spin-off group on IAR, established earlier by the informal group on developed country mitigation, was contingent on the spin-off group on IAR.

Parties finally agreed to a spin-off group on biennial reports under the informal group on developed country mitigation and a spin-off group on biennial update reports under the informal group on developing country mitigation. They also agreed that IAR and issues related to accounting would be addressed by the informal group on developed country mitigation, and that the NAMA registry and ICA, sequentially, would be addressed by the informal group on developing country mitigation, with further decisions on spin-off groups to be made, if appropriate.

METHODOLOGICAL GUIDANCE FOR ACTIVITIES RELATED TO REDD+ (SBSTA): During the afternoon informal consultations, parties discussed national forest reference emission levels and/or forest reference levels. Many parties underscored that the reference levels should be used as a benchmark to assess the changes in forest cover and carbon stocks. However, many parties called for clarification on, *inter alia*: definitions, including on forests and between reference emission levels and reference levels concepts; adjusting reference levels to national circumstances and how to define these; ensuring consistency between sub-national and national reference levels; the type of forests included, if considering natural and plantations; and the possibility of including safeguards.

JOINT SBI/SBSTA FORUM ON RESPONSE MEASURES

A joint SBI/SBSTA forum on the impact of the implementation of response measures, convened by the SBI and SBSTA Chairs, began on Monday morning, with additional sessions scheduled for the afternoon and the next two days. The forum opened with parties’ technical presentations on the negative and positive impacts of climate policies, a potential work programme on response measures and modalities for operationalization of that work programme.

The EU highlighted, *inter alia*, impact assessments and stakeholder consultations underlying its climate legislation. He noted positive consequences for developing countries of measures, such as the EU sustainability criteria for biofuels and carbon dioxide performance standards for cars. He also discussed the EU’s decision to include aviation emissions in the EU ETS from 2012 onwards, saying airlines from more than 100 developing countries were excluded through the *de minimis* requirement and underscoring the “small impact” on the cost of air travel.

Argentina, for the G-77/China, underscored that all developing countries are vulnerable to the impacts of current and potential response measures. Identifying the need to establish a forum for their consideration, she explained that the forum would constitute a permanent platform for discussions and information-sharing, and that it would also make recommendations to the COP.

Jamaica, for AOSIS, suggested identifying and assessing vulnerabilities across industries, such as tourism, shipping, air travel and cruise ships.

The Organization of the Petroleum Exporting Countries (OPEC) noted the vulnerability of oil-producing countries to the impacts of response measures and called for a permanent forum on response measures.

A number of countries expressed concern over a possible conflict between climate policies and international trade. India presented on protectionist unilateral trade measures, saying that carbon footprint standards, including aviation in the EU ETS and the proposed American Clean Energy and Security Act, restrict market access by LDCs and other developing countries. Kuwait highlighted the vulnerability of oil-exporting countries because of their high dependence on a single commodity. Qatar and Saudi Arabia said methodologies should be available to assess policy measures for negative impacts, and Saudi Arabia added that a permanent forum would implement a detailed work programme, negotiate COP decisions, assign specific tasks to the SBSTA and SBI, review progress on implementation, and provide follow-up. Venezuela highlighted the need to create resilience to the economic impact on hydrocarbon markets and called for a permanent forum.

The presentations will be available at: http://unfccc.int/cooperation_support/response_measures/items/6009.php.

INFORMAL CONSULTATIONS ON PARTIES' EXPECTATIONS FOR DURBAN

In the afternoon, South Africa, as the incoming Presidency of COP 17 and COP/MOP 7, continued open-ended informal consultation on parties' expectations for Durban.

Papua New Guinea, for the Coalition of Rainforest Nations, called for the full establishment of a REDD+ mechanism in Durban through, *inter alia*, a COP decision on the modalities for measuring, reporting and verification (MRV) and reference levels, and financing options for full implementation of REDD+. Norway said the Durban outcome should: serve as a foundation for a legally-binding instrument that includes all major emitters; establish institutions, systems and rules for achieving the 2°C target; and provide the way forward. Indonesia said a Durban outcome should provide a balance between the two negotiating tracks, reflect the Cancun outcomes, and establish a second commitment period under the Kyoto Protocol containing ambitious emission reduction targets for Annex I countries. The Philippines, noting that the Cancun outcomes include references to the importance of human rights in addressing climate change mitigation and adaptation, urged elaboration of this issue in Durban, including through the establishment of safeguards for vulnerable and marginalized communities.

BINGOs said the knowledge and expertise of the business community are key resources for governments and will add value to the UNFCCC process, and called for enhanced public-private dialogues. Climate Action Network said COP 17 can provide the basis for a fair, ambitious and binding regime by making progress on, among other things: implementing the Cancun Agreements; closing the "gigatonne gap;" ensuring that there is no gap between commitment periods under the Kyoto Protocol; and ensuring delivery of pledged finance. Pan-African Climate Justice Alliance, for Climate Justice Now, said: legal action must be taken against non-compliance with targets; no new markets must be established; and predictable, public, new and additional finance must be provided, with at least 50% allocated to adaptation and loss and damage.

ICLEI-Local Governments for Sustainability, for Local Governments and Municipal Authorities, urged implementation of the provisions of Decision 1/CP.16 regarding local and sub-national governments as government stakeholders. RINGOs urged turning to the scientific and social science community for

input and advice, underscoring that RINGOs are "here to help." TUNGOs called for: incorporation of the social dimensions of climate change in all UNFCCC initiatives; incorporation of social protection systems into the Adaptation Framework; and recognition of the need to assess the employment and income impacts of the mitigation regime. Indigenous Peoples' Organizations highlighted the importance of full participation of indigenous peoples at COP 17, noting concerns regarding facilities, accommodation and visas. YOUNGOs said the vulnerability of the African continent must be considered, stressing that this can be achieved through a second commitment period under the Protocol.

Noting parties' comments regarding COP 17 being the "African COP," South Africa said this means COP 17 offers opportunities for the African region to: leverage resources for important projects on climate change, and to consolidate partnerships; showcase the region's efforts to meet its climate change commitments; and infuse "African symbolism" into the UNFCCC's cultural heritage. She highlighted that the Durban outcome must also take account of the needs of the African people, stressing that this depends on the input and activism of African negotiators. Noting lack of common ground, South Africa urged parties to leave Bonn having reached a common understanding of what Durban should produce.

IN THE CORRIDORS

The second week of the Bonn Climate Change Conference began with an overloaded schedule, which saw organizers struggling to allocate rooms for the numerous meetings taking place. The morning's informal consultations on a work programme on loss and damage, for example, were so crowded that standing room was taken and many delegates were left with no option but to try to follow the meeting from outside. Those emerging from the packed room were doubly frustrated, saying discussions were stagnant.

The three-day forum on response measures also began. "I thought it was interesting: biofuels, agricultural subsidies, relationship between the UNFCCC and the World Trade Organization, aviation emissions – the discussions touched upon a number of politically sensitive issues," said one observer, recalling the afternoon's discussions.

The "interminable debate" on the fate of the Kyoto Protocol, a second commitment period and continuation of the flexibility mechanisms, including the CDM, surfaced in several groups with back-and-forth exchanges among developing and developed countries. For instance, in one AWG-KP spin-off group, some developing countries reportedly suggested focusing on views of those willing to commit to a second Kyoto commitment period, to which someone suggested the room would become "very empty."

Although some delegates commented that things were now getting interesting and were looking forward to the rest of the Conference, this view was not shared by everyone, particularly in relation to issues on which parties had entrenched positions. One seasoned delegate lamented the "endless" discussion of "the same old issues" with no movement, no change in positions, no apparent convergence and no end in sight.