

SB 36 AND AWG HIGHLIGHTS: SATURDAY, 19 MAY 2012

In the morning, the plenary of the ADP took place, and an in-session workshop was held under the AWG-LCA on a framework for various approaches. In the afternoon, an AWG-LCA in-session workshop took place on the new market-based mechanism.

In the morning and afternoon, a number of contact groups and informal consultations took place under the SBI, SBSTA, AWG-KP and AWG-LCA.

ADP

Reconvening the ADP plenary in the morning, COP Vice-President Van Lierop informed parties that the COP 17 President had designated Sandea de Wet (South Africa) to preside over the ADP on her behalf and urged parties to intensify their efforts in informal consultations facilitated by Ambassador Diseko so that the ADP Bureau can be elected by the end of the Bonn session.

Chair de Wet encouraged parties to work hard with Ambassador Diseko to reach agreement on the election of officers. She also congratulated parties for allowing the ADP's work to proceed pending these consultations. Chair de Wet then proposed that parties adopt the agenda (FCCC/ADP/2012/1).

SAUDI ARABIA argued that the agenda can only be adopted by an elected officer and questioned how the ADP can begin work when it does not have an elected Chair. He expressed willingness to work on the provisional agenda and organization of work in an informal setting. Many parties recalled the agreement from Friday that the COP Presidency guide discussions under the ADP pending agreement on its Chairs, and affirmed the legitimacy of the proceedings. The Secretariat clarified that according to the draft rules of procedure, it is the ADP that adopts its agenda and the Chair simply facilitates the process. He noted that there is no legal impediment to the ADP adopting its agenda.

CHINA requested the Secretariat to explain the rationale of the items on the ADP's provisional agenda. The Secretariat responded that item 3 (planning of work in accordance with Decision 1/CP.17) and item 4 (workplan on enhancing mitigation ambition) were placed on the provisional agenda on the basis of Decision 1/CP.17 (Establishment of an *Ad Hoc* Working Group on the Durban Platform on Enhanced Action).

CHINA urged careful consideration of the structure of Decision 1/CP.17. He questioned whether item 4 should be placed on the ADP's agenda and noted that Decision 1/CP.17 does not specify that the work plan on enhancing mitigation ambition should be under the ADP. He emphasized a post-2020 outlook as the ADP's core task, and also noted that raising the level of ambition does not refer only to mitigation but also to means of implementation in terms of technology, finance and capacity building.

Nauru, for AOSIS, the Gambia, for LDCs, BARBADOS, GRENADA, SWITZERLAND, the EU, the US, MEXICO, SINGAPORE, AUSTRALIA, JAPAN and COSTA RICA urged the adoption of the agenda as proposed. GRENADA suggested that work be prioritized once the agenda has been adopted.

The EU stressed that the work plan on enhancing mitigation ambition was a core element of the Durban package. BARBADOS explained that a draft decision had been proposed in Durban that included only a post-2020 outlook but the most vulnerable countries had rejected this proposal. He suggested modifying item 4 by adding a reference to "pre-2020 mitigation ambition."

CHINA suggested amending agenda item 3 to "planning of the work on mitigation, adaptation, finance, technology development and transfer, transparency of action and support, and capacity building." He also called for deleting item 4. SINGAPORE cautioned against listing specific issues to avoid a potential exclusion of those not listed.

BRAZIL recognized that the work plan on enhancing mitigation ambition is part of the agreement on the ADP, highlighting that discussions around this issue will be broader than a simple reference to mitigation. He stressed that the main focus of the ADP's work will be on negotiations for the new instrument and that the two elements of its work will be separate.

VENEZUELA noted her country's formal reservation to Decision 1/CP.17 in Durban and highlighted that developed countries had already "violated" the Durban package by not putting on the table their QELROs for the second commitment period under the Kyoto Protocol. Supported by BOLIVIA, she requested adding a footnote to the agenda to indicate that: "the implementation of Decision 1/CP.17 should be examined on the basis of its compliance with international law, in accordance with the principle of *pacta sunt servanda* and, in particular, with

the exception on non-performance related to the full respect and compliance with the UNFCCC and its Kyoto Protocol, for the parties that are parties of those instruments.”

VENEZUELA stressed that the footnote is “indispensable” for her country’s support for the adoption of the agenda. The US, SINGAPORE and SWITZERLAND expressed preference for not including a footnote.

SINGAPORE suggested that agenda item 3 be adopted as proposed, while item 4 on the work plan on mitigation ambition be amended by adding “in accordance with Decision 1/CP.17.”

The PHILIPPINES, supported by EGYPT, cautioned against “cherry-picking” from Decision 1/CP.17. He proposed deleting item 4 and amending item 3 to “planning of work in accordance with all the elements of Decision 1/CP.17.”

JAPAN stressed the need to start substantive work as soon as possible and said the current provisional agenda is general enough to accommodate parties’ concerns.

Chair de Wet stressed that the Durban outcome was “a very balanced one,” saying it will be difficult to delete agenda items. She urged parties to adopt the agenda as originally proposed, thereby sending “a tremendous” message to the international community that parties are ready to begin work under the ADP.

The PHILIPPINES, supported by ECUADOR, BOLIVIA, MALAYSIA, ARGENTINA, IRAN and others, opposed adopting the agenda and stressed his earlier proposal to delete item 4 and amend item 3 to include “all elements of” Decision 1/CP.17. GRENADA, the EU, BARBADOS and others opposed this proposal. With SWITZERLAND and others, they reiterated their support for adopting the agenda as originally proposed by the Chair.

Stressing the need to reflect all parties’ views, CHINA highlighted the “constructive proposal” by the Philippines and said discussions on how to organize work in more concrete terms can take place once the agenda has been adopted.

SINGAPORE, supported by CHILE, the US, the REPUBLIC OF KOREA, COSTA RICA, COLOMBIA and the GAMBIA, reiterated his proposal, clarifying that it aims to maintain a distinction between the two agenda items and retains item 4, while adding the words “in accordance with Decision 1/CP.17.”

After further discussion, SINGAPORE proposed combining item 3 as amended by the Philippines and item 4 as amended by himself. No agreement was reached.

Lamenting that his suggestion to hold item 4 in abeyance had not been proposed to parties, CHINA sought clarification on the definition of the “Presidency” and whether the COP President has unlimited power to designate anyone to preside over the ADP. Chair de Wet stressed that no country has intervened in support of China’s proposal. She proposed launching substantive work provisionally on the basis of the proposed agenda while conducting informal consultations on the agenda.

The meeting was adjourned shortly after 3:00 pm, following a point of order from China concerning the lack of interpretation. Chair de Wet informed delegates that the ADP plenary is likely to reconvene on Tuesday.

AWG-LCA

WORKSHOP ON A FRAMEWORK FOR VARIOUS APPROACHES: In the morning, an in-session workshop took place under the AWG-LCA.

General considerations for a framework for various approaches: The first session focused on general considerations for different approaches outside the UNFCCC that could be included under a framework, including market-based mechanisms and non-market-based mechanisms.

The Secretariat reported on submissions from parties and observers (FCCC/AWGLCA/2012/MISC.4 and Add.1), outlining commonalities and differences, and highlighting references to governance structure, purpose and relationship with the new market-based mechanism.

JAPAN highlighted his country’s views on various approaches, including opportunities for using markets. He noted that the existing market mechanisms and party-driven approaches should complement each other.

The UNITED ARAB EMIRATES presented on the role of the frameworks in providing a platform for transparency.

BOLIVIA introduced the Climate Justice mechanism, a proposal that operates on the principle of equity.

Designing and implementing a credible system: The second session addressed requirements to ensure the environmental integrity and credibility of market-based and non-market-based mechanisms.

The CENTRE FOR EUROPEAN POLICY STUDIES highlighted issues to consider, including: the relationship between UNFCCC and non-UNFCCC mechanisms; views on what constitutes a standard for the new market-based mechanisms; and the scope of a standard’s application.

The ENVIRONMENTAL DEFENSE FUND presented information on a credible system for enhancing the effectiveness of new market-based mechanisms and reducing risk, noting a “continuum of possibilities” for UNFCCC involvement.

The INSTITUTE FOR POLICY STUDIES elaborated on “lessons learned” from the Clean Development Mechanism (CDM), including the need to define minimum standards and enhance the appeals process.

The COALITION FOR RAINFOREST NATIONS explored the role of REDD+ in a new market-based mechanism.

In the ensuing discussions, BOLIVIA expressed “deep concern” over a REDD+ market mechanism, noting the lack of measures for transparency and integrity. The COALITION FOR RAINFOREST NATIONS underscored the need for national monitoring systems. SIERRA LEONE asked if bilateral or domestic markets will undermine the environmental integrity of market mechanisms, and the ENVIRONMENTAL DEFENSE FUND underscored the importance of standards for transparency and environmental integrity.

Managing possible risks: The third session focused on risks posed by counting identical mitigation efforts across more than one mechanism.

NEW ZEALAND reiterated her country’s proposal for the use of a Declaration Model, in the interim, which gives parties the platform to publically declare what units they are using, produce the methodology for their generation and show how these units represent genuine, verifiable emission reductions.

AOSIS elaborated on their submission, stressing that the work programme on standards and approaches must ensure verified mitigation outcomes and avoid double counting.

The CLIMATE ACTION NETWORK (CAN) discussed types of double counting and said the best way to avoid this is to ensure transparency by clear accounting and specific rules regarding the complementary relationship between the CDM, new market mechanisms and regional trading mechanisms.

Parties discussed aspects of the presentations, including clarification of the Declaration Model, voluntary arrangements and the promotion of access to new market mechanisms.

WORKSHOP ON THE NEW MARKET MECHANISM:

The AWG-LCA in-session workshop on the new market-based mechanism was held in the afternoon.

The Secretariat presented an overview of submissions by parties and observer organizations (FCCC/AWGLCA/2012/MISC.6 and Add. 1 & 2; FCCC/AWGLCA/2012/MISC.7).

Conceptual models: The first part of the workshop focused on conceptual models.

The EU elaborated on modalities and procedures for a new market-based mechanism, saying that its implementation would rest with the host country and that the mechanism would: be subject to a common set of rules under the UNFCCC; avoid double counting; promote environmental integrity; and provide a new source of finance.

CHINA proposed a project-based mechanism comparable to the CDM that would: promote cost-effectiveness in emission reductions; be subject to participation eligibility requirements for developed countries; be supplementary to domestic efforts; avoid double counting; and not introduce emission reduction commitments for developing countries.

ECUADOR proposed a “net avoided emissions” mechanism (NAE), designed to provide incentives to avoid emissions in the first place, achieve cost-effective emission reductions, increase country participation and enhance equity.

INTERNATIONAL EMISSIONS TRADING ASSOCIATION (IETA) elaborated on a sectoral crediting mechanism that would account for, *inter alia*, continuity and fungibility of credits.

Technical elements: The second part of the workshop focused on technical elements of the new market-based mechanism.

The ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) elaborated on setting and using crediting baselines.

AOSIS said that the new market-based mechanism should focus on sectors where substantial emission reductions are needed, such as industry, energy and transport, and emphasized the need to open opportunities for developing country participation.

DOMINICAN REPUBLIC, speaking for Costa Rica, Panama, Peru and Mexico, presented on a strategic programme on market-based approaches, which is a domestically-driven, self-funded action through programmes and measures, encompassing different sectors and large segments of local economies.

The CENTRE FOR CLEAN AIR POLICY highlighted elements of their submission, which notes that supported NAMAs are designed to improve the economic feasibility of underlying green investments. He said that the private sector in developing countries may stand to gain more from investing in the underlying projects, such as wind farms, than they would from the carbon credit transactions.

Parties discussed technical aspects of the presentations, including the varied definitions of the sectoral approach.

Challenges associated with implementation: The third part of the workshop dealt with challenges associated with implementation.

JAPAN said his country supports the continuation of the CDM provided it is improved, noting that new market-based mechanisms should allow a wide spectrum of approaches, including projects and sector-based approaches.

BOLIVIA highlighted that carbon markets trigger environmental problems, further noting that market-based approaches are economically, environmentally and socially inefficient.

CARBON MARKETS AND INVESTORS ASSOCIATION stressed the need to strengthen institutional capacity at the domestic level, noting that the implementation of a new market mechanism will rely on carbon asset management at the national level, which includes data collection, scope and sector definition, and MRV arrangements.

KfW discussed triggers for mitigation actions within developing country economies, such as the implementation of indirect carbon-related policies, which include the introduction of standards and regulations, taxes and charges, subsidies and other market- and non-market incentives.

Following the presentations, parties discussed, *inter alia*: project-by-project and sectoral approaches, participation of developing countries in the new mechanism, the role of the private sector, ways to address leakage, equity and private sector incentives.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

AWG-LCA CONTACT GROUP: The third meeting of the AWG-LCA contact group convened in the morning. Discussions focused on enhanced action on the provision of finance.

The Philippines, for the G-77/CHINA, Algeria, for the AFRICAN GROUP, CUBA, EGYPT, INDONESIA, VENEZUELA, SAUDI ARABIA, INDIA and others, opposed by the US and the EU, called for establishing a spin-off group on finance.

The G-77/CHINA stressed finance as one of the most important pillars of the Bali Action Plan. With many others, she emphasized the need to consider transparency of fast-start finance and the lack of agreement on long-term finance. She stressed the need to discuss financial support for: national adaptation plans in developing states other than LDCs; biennial update reports; and reporting and verification.

The G-77/CHINA also stressed that financial institutions that “we have now” are “empty shells” and, with the AFRICAN GROUP and many developing countries, expressed concern over the finance gap between 2012 and 2020.

EGYPT, PAKISTAN and others called for the consideration of how to conclude institutional arrangements between the Green Climate Fund (GCF) and the COP. The EU indicated that the AWG-LCA is not the proper forum to discuss arrangements between the COP and the GCF.

CHINA called for capitalizing the GCF and for the Standing Committee to start its work as soon as possible. SAUDI ARABIA stated that special attention is needed for the public and private sourcing of finance. PAKISTAN stressed that closing the finance gap is just as important as closing the mitigation gap. Supported by the EU and BRAZIL, he indicated that it is important to learn lessons from fast-start finance.

The US and the EU emphasized that: developed countries have provided assurance that there will be no gap; a work programme on long-term finance has been established; and developed countries are fully committed to providing fast-start finance. The EU also indicated that decisions on provision of finance have been taken in Durban and Cancun.

The AWG-LCA contact group will reconvene on Monday.

SPIN-OFF GROUP ON REVIEW (AWG-LCA): Opening the session, Facilitator Gertraud Wollansky (Austria) introduced an information paper highlighting the mandate of the group from Decisions 1/CP.16 and 2/CP.17 (Outcome of the work of the AWG-LCA). She explained that she had undertaken informal consultations to get a sense of elements requiring further clarification. She reported divergent views on the scope of the Review and also the expert consideration of inputs.

Botswana, for the AFRICAN GROUP, supported by CHINA and BRAZIL, observed that the Durban decision defines the scope and modalities of the Review, and that the scope includes not just the temperature goal but also the adequacy of means of implementation for developing countries.

Calling for a prompt start to the Review, Trinidad and Tobago, for AOSIS, with SINGAPORE, the EU and others, emphasized the need for a narrow focus on scope in the context of what was agreed in Cancun. She said the group should focus on exactly “when and what will take place.” She also noted that tasking the Subsidiary Bodies to assist with the Review does not preclude the establishment of an expert body.

SPIN-OFF GROUP ON REDD+ (AWG-LCA): The spin-off group on REDD+ met in the afternoon, facilitated by Yaw Osafo (Ghana).

Delegates exchanged views on modalities and procedures for financing results-based actions, as mandated by Decision 2/CP.17 (Outcome of the work of the AWG-LCA). Some parties also identified potential elements for a COP decision in Doha.

GUYANA, supported by the PHILIPPINES, highlighted that the 2°C target can only be achieved if REDD+ is part of the solution. With many others, he underscored that a variety of sources will be required to achieve the necessary scale of financing. Many parties supported a REDD+ funding window in the GCF. CHINA expressed preference for public sources of financing but said he is open to exploring other sources.

MEXICO elaborated on their proposal that parties participating in REDD+ establish a national registry to account for verified emission reductions and carbon stock units, and inform a UNFCCC REDD+ registry to prevent double counting. BOLIVIA called for further work on non-market approaches. BRAZIL supported further work on new ideas on appropriate market-based mechanisms, which would not be based on the generation of offsets.

The EU said REDD+ emission reductions results should be assessed through an independent review. With SWITZERLAND and INDIA, he suggested further work on definitions.

INDIA said countries should use their own methodologies to measure emissions from forest degradation until agreement on a common methodology is reached.

Facilitator Osafo noted that the Secretariat will prepare a technical paper, as requested by Decision 2/CP.17, and that consultations on the date of a REDD+ workshop are taking place.

SPIN-OFF GROUP ON NUMBERS AND TEXT (AWG-KP): In the afternoon, informal spin-off group on item 3 (numbers/text), parties focused discussions on the level of ambition of parties’ commitments and carry-over of surplus assigned amount units (AAUs).

On ambition, a group of developed countries introduced two proposals. The first one would establish a review of the level of ambition of parties’ QELROs, coinciding with the 2013-2015 Review under the Convention, to address the concern raised by some parties that an 8-year commitment period would lock in a low level of ambition. The second one includes a simplified procedure to amend Protocol Annex B to facilitate an increase in the level of ambition by a party.

A developing country introduced a proposal on revising QELROs with a view to strengthening commitments under the Protocol. The proposal indicates that Annex I parties may, at any time, strengthen their QELROs and ensure the immediate effect of such revision by: forfeiting a part of their AAUs; transferring these units to a cancellation account established for this purpose in the national registry; and communicating such transfer to the Secretariat.

Parties then reviewed options for addressing the carry-over of surplus AAUs from the first to the second commitment period. They agreed to focus discussions at their next meeting on options for “middle ground” proposals, clarify concepts, and further assess the implications of proposals with a view to creating a single document to work on.

IN THE CORRIDORS

As delegates prepared to unwind at the traditional NGO party on Saturday night and enjoy a well-deserved day off on Sunday after a rather frenetic week, many reflected on the “drama” that had unfolded in the ADP and AWG-LCA over the past few days, in particular regarding agendas and the organization of work.

Many were speculating on whether procedural issues would continue to take center stage during the final week of discussions. “The worst case scenario is that we leave Bonn without even adopting the ADP agenda if things continue at this rate,” said one seemingly frustrated delegate, who went as far as to argue that a diverse coalition of “anti-ADP parties” were intent on obstructing proceedings. Another one remarked, however, that progress under the ADP is unlikely until more progress is achieved under the AWG-KP and AWG-LCA, especially on developed country QELROs.

Enjoying a light moment, some delegates joked that the provisional ADP Chair [woman’s] ample multitasking skills perhaps might be severely stretched in attempting to overcome the agenda impasse. “Well, I’ve heard that the plan is just to get the process up and running by trying to resolve the organizational issues in Bonn and then hopefully adopt a programme of work in Doha before beginning work in earnest in 2013. If we don’t, it’s not going to be good for the process.”

Whether the Bangkok session will actually be held is another area of uncertainty, with indications that the Bureau has yet to make a decision on this. “We really will need an additional meeting before Doha if progress continues at this languid pace,” said a weary negotiator heading out of the Maritim.