

COP 12 AND COP/MOP 2 HIGHLIGHTS: THURSDAY, 9 NOVEMBER 2006

On Thursday, COP/MOP reconvened to finalize its agenda and to consider issues relating to the CDM, the Joint Implementation Supervisory Committee, the Compliance Committee, a proposal from Belarus to amend Annex B of the Protocol, and the Russian proposal on voluntary commitments. In addition, contact groups and informal consultations took place throughout the day on issues such as the Adaptation Fund, reducing emissions from deforestation in developing countries, issues under the AWG, capacity building under the UNFCCC and Protocol, the adaptation work programme, and technology transfer.

COP/MOP

ADOPTION OF THE AGENDA: President Kibwana reminded delegates that the COP/MOP had agreed on Monday to continue working on the basis of its provisional agenda (FCCC/KP/CMP/2006/1), with the exception of an item on the Russian proposal. He reported that consultations had resulted in an agreement that this issue be moved under the agenda item on Other Matters. SWITZERLAND proposed an item on the status of ratification of the Protocol, and President Kibwana proposed adding this under the agenda item on organizational matters. The COP/MOP adopted the agenda as amended.

CDM: President Kibwana introduced this issue (FCCC/KP/CMP/2006/3, FCCC/KP/CMP/2006/4, Corr.1 and Add.1, and FCCC/KP/CMP/2006/MISCs.1-2). José Domingos Gonzalez Míguez, CDM Executive Board Chair, reported significant growth in the use of the CDM in the past year. He outlined progress with new policies and improvements, observing that the Board had enhanced its executive role.

Many parties, including the G-77/CHINA, EU and others, stressed the need for more equitable geographic distribution of CDM projects, particularly for Africa. ZAMBIA, TOGO, MALI, INDONESIA and others highlighted capacity building.

The EU urged building on the CDM's recent growth through continuous improvements in the Board's functioning, transparency in decision making, and shifting towards a more supervisory role. BRAZIL proposed an advisory group to support the Board.

On methodologies, Antigua and Barbuda, for AOSIS, cautioned against broadening CDM methodologies if it creates loopholes. CHINA urged accelerated approval of methodologies and a focus on energy efficiency. A number of parties highlighted issues of renewable and non-renewable biomass. COLOMBIA, on behalf of several countries in the region, suggested that the Executive Board

had exceeded its mandate from the COP/MOP in relation to forestry issues. On small-scale projects, INDIA noted COP/MOP 1's request for a simpler methodology.

Many countries commented on carbon capture and storage (CCS) in the context of the CDM. JAPAN said COP/MOP 2 should agree to include CCS as a project activity. NORWAY, SAUDI ARABIA, KUWAIT, UAE and IRAN supported CCS as a viable option under the CDM. However, AOSIS expressed concerns about CCS as a CDM activity, with JAMAICA noting many uncertainties with respect to this technology and that its limited geographical application would exclude many countries. ARGENTINA expressed concern at the "hasty" adoption of an amendment to Annex I of the London Protocol to allow for CCS in sub-seabed geological formations.

President Kibwana urged parties to reach a decision on guidance to the Board at COP/MOP 2. Christiana Figueres (Costa Rica) and Georg Børsting (Norway) will co-chair a contact group.

JOINT IMPLEMENTATION SUPERVISORY COMMITTEE (JISC): JISC Chair Daniela Stoycheva presented the JISC's first annual report (FCCC/KP/CMP/2006/5 and Add.1). She explained that JISC is facing a US\$2 million shortfall but could become self-financing by 2009. She invited the COP/MOP to consider the funding situation together with draft rules of procedure and project design forms, provisions for charging fees, and the JISC management plan. The EU urged parties to commit to meeting JISC's funding needs. The RUSSIAN FEDERATION called for voluntary contributions. Johan Nylander (Sweden) and William Agyemang-Bonsu (Ghana) will co-chair a contact group.

COMPLIANCE COMMITTEE: Hironori Hamanaka, Compliance Committee, presented the Committee's first report to COP/MOP (FCCC/KP/CMP/2006/6), noting that the Committee had approved further rules of procedure for consideration by the COP/MOP. On deliberations with the G-77/China on compliance with Protocol Article 3.1 (Annex I commitments), he reported a failure to adopt a decision. Denis Langlois (Canada) and Erica Mugurusi (Tanzania) will convene informal consultations.

BELARUS PROPOSAL: President Kibwana introduced the proposal from Belarus to amend Annex B to the Kyoto Protocol (FCCC/KP/CMP/2006/2). BELARUS underscored the importance of voluntary commitments and urged adoption of its proposal at COP/MOP 2. Thelma Krug (Brazil) will conduct informal consultations.

RUSSIAN PROPOSAL: President Kibwana reported on the consultations regarding the Russian proposal on procedures for the approval of voluntary commitments (FCCC/KP/CMP/2006/

MISC.4). The RUSSIAN FEDERATION called for a COP/MOP decision to entrust the SBI to develop appropriate procedures. The EU and CANADA said the proposal deserves further consideration, while Saudi Arabia, for the G-77/CHINA, opposed it. Following debate on initiating informal consultations, President Kibwana nominated William Agyemang-Bonsu (Ghana) to consult with parties informally on how to proceed.

PROTOCOL ARTICLE 9 (REVIEW OF PROTOCOL):

Many parties underscored the importance of IPCC's AR4 and highlighted issues such as the CDM, adaptation, bunker fuels, technology transfer and LULUCF. South Africa, for the AFRICA GROUP, with INDIA, IRAN and others, supported a short and focused review. The UMBRELLA GROUP (except the US), the EU and SWITZERLAND supported a thorough review of all aspects of the Protocol and, opposed by CHINA, SAUDI ARABIA, INDIA, EGYPT and others, underscored linkages between the AWG and the review. JAPAN highlighted the "three tracks" (UNFCCC Dialogue, Article 9 review and AWG), while BRAZIL responded that there are only "two tracks" (Dialogue and AWG). SWITZERLAND, supported by the EU and NORWAY, proposed launching a process to conduct the review. BRAZIL, CHINA, INDIA, and OMAN opposed this, noting that Article 9 refers to a review "at" COP/MOP 2.

The REPUBLIC of KOREA proposed holding a review every three years. ALGERIA, CHINA, IRAN, UAE and others said a review should not imply any new commitments for non-Annex I parties. ALGERIA suggested levying proceeds from JI and emissions trading. CLIMATE ACTION NETWORK urged mandating COP/MOP 3 to conclude negotiations by COP/MOP 4 and noted that non-Annex I countries will also need to cut emissions. Fernando Tudela Abad (Mexico) will conduct informal consultations.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

ADAPTATION FUND: On the Fund's overarching principles (FCCC/SBI/2006/11*), the Philippines, for the G-77/CHINA, proposed a set of principles, including the COP/MOP's authority and guidance, accountability of the Fund to the COP/MOP, and funding covering full costs of adaptation. CANADA highlighted a country-driven approach, efficiency and effectiveness, and knowledge and networking capacity. The EU proposed shortening the list of principles and underscored synergies in the Fund's management, procedures and accountability. BRAZIL opposed current references to knowledge and networking expertise. SOUTH AFRICA said the Fund should ensure decentralized access, mobilize additional resources, and reduce barriers. TUVALU emphasized a community-based approach. The contact group agreed to continue discussions on two "tracks" by developing a shorter list of principles while keeping the current compilation text. Informal consultations later in the afternoon focused on principles and modalities for the Fund.

DEFORESTATION: Co-Chair Rosland presented draft conclusions to the contact group. Having agreed on the need for a second workshop before SBSTA 26, discussion focused on its scope. The G-77/CHINA proposed focusing on policy approaches and positive incentives and, once these are refined, looking at relevant technical questions and data needs. JAPAN, and the UK speaking for the EU, stressed the importance of also addressing technical and methodological issues. The US emphasized clarity on technical issues and, with CANADA, expressed concern with a request that the Secretariat compile a background document on common elements and differences between possible approaches.

CAPACITY BUILDING (Convention): The group focused on monitoring capacity building and the GEF's role under Decision 2/CP.7 (capacity building in developing countries). SWITZERLAND and the EU welcomed the GEF's development of indicators to monitor capacity building and proposed that the Secretariat compile monitoring information for the COP. The EU reminded parties that

it is very difficult to quantify the monetary contributions to capacity building and that the sustainability of capacity building is more important.

(Protocol): The contact group discussed whether it should consider the recommendations of the CDM Executive Board on capacity building, as suggested by the G-77/China. The EU, SWITZERLAND and JAPAN opposed this, stressing the need to focus on the current mandate, notably monitoring.

The Co-Chairs will prepare draft text for discussion on Friday.

AWG ISSUES: Chair Zammit Cutajar suggested an approach to a programme of work based on clusters of quantitative and qualitative issues and invited parties to respond. On a long-term goal, NORWAY called for agreement at COP/MOP 2 and the EU cited its target of stabilizing temperatures at 2°C. NORWAY cautioned that national mitigation potential should not be automatically translated into commitments, and encouraged a global perspective. The G-77/CHINA supported an approach beginning with assessment of mitigation potential for Annex I parties and relating this to a possible range of targets or ambition. CANADA called for an examination of policy tools, particularly LULUCF and, with JAPAN, for sectoral approaches. The EU said it would be insufficient to look at the potential for only a number of parties. He compared the Kyoto Protocol to a Nairobi "matatu" bus, when what is actually needed is a spacecraft. SAUDI ARABIA cautioned against moving away from the Protocol.

TECHNOLOGY TRANSFER: In informal consultations, the Co-Chairs presented draft text that sought to integrate proposals from drafts submitted the previous day by the G-77/China and EU.

ADAPTATION PROGRAMME OF WORK: In informal consultations, progress was reported on both technical and substantive matters, as parties sought common language in the chapeau paragraphs and worked through technical details of the list of initial activities.

IN THE BREEZEWAYS

Long-term issues were the talk of the corridors Thursday. The first discussions under Protocol Article 9 were widely anticipated by some, given many people's view of this as part of the "multi-track" process on long-term action. In the event, though, the discussion was viewed as "interesting, but not earth-shattering," as parties generally reiterated their known positions.

Unsurprisingly, the Russian proposal on voluntary commitments met staunch opposition from the G-77/China in plenary, even though some suggested that a number of developing countries may privately be somewhat sympathetic. "It's not all over yet," said one delegate.

In other developments, participants were starting to talk about Kofi Annan's visit to Nairobi to address next week's high-level segment.

IN THE BREEZEWAYS II (FROM WASHINGTON TO NAIROBI)

Insiders are discussing the potential impact of the US mid-term elections both in Washington and here in Nairobi. The Democratic Party's change in electoral fortunes seems to have "raised expectations massively" among the climate policy community, with a number of possibilities viewed on the horizon. Some expect that the passage of various climate-related bills may be accelerated through Congress, and there is even speculation about a real possibility that the new leadership on the Hill may opt to include climate change as a wedge issue in the next Presidential election. It is also expected by some that the political shakeup in Washington may end a "moratorium" on certain fields of study, which some claim has deprived legislators of important research. In Nairobi, observers will be watching for shifts in the US position in the discussions on the AWG, the Article 9 review and the Dialogue session.