

COP 12 AND COP/MOP 2 HIGHLIGHTS: FRIDAY, 10 NOVEMBER 2006

On Friday, SBSTA convened in the morning to consider cooperation with relevant international organizations, various progress reports, Protocol Article 2.3 (adverse impacts of policies and measures), and emissions from fuel used for international aviation and maritime transport ("bunker fuels"). In addition, contact groups and informal consultations took place throughout the day on issues such as capacity building, technology transfer, deforestation, the CDM, the Joint Implementation (JI) Supervisory Committee, the programme of work on adaptation, Protocol Article 9 (review of the Protocol), issues under the AWG, and privileges and immunities for individuals serving on Protocol bodies.

SBSTA

COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS: Delegates were briefed on the activities of the Joint Liaison Group, which will meet again in December 2006.

Takahiro Hiraishi, IPCC, briefed the SBSTA on IPCC activities, noting completion of the IPCC 2006 Guidelines for National Greenhouse Gas Inventories. Regarding the Fourth Assessment Report (AR4), he explained that preparations are in their final stage, with work on the AR4 Synthesis Report well underway and final approval scheduled to take place at IPCC 27 in November 2007.

PROGRESS REPORTS: Activities implemented jointly under the pilot phase (AIJ): Delegates considered AIJ and a recent synthesis report (FCCC/SBSTA/2006/8 and Corr.1). Noting suggestions that the pilot phase be extended, SBSTA Chair Kumarsingh indicated that a draft decision would be submitted to the COP on this issue.

Carbon capture and storage (CCS): The Secretariat briefed delegates on the in-session workshop on the IPCC Special Report on CCS held at SBSTA 24. Parties discussed various technical, legal and oceans-related matters. Noting the need to adequately address technical and operational issues, in particular permanence and leakage, BRAZIL and INDONESIA opposed early application of CCS. The EU recognized geological CCS as part of a range of mitigation options but, with others, expressed serious concerns about ocean storage. CANADA said CCS is a key option for mitigation that could serve as a bridge towards a low-carbon world, and JAPAN proposed to advance CCS for implementation. KUWAIT and EGYPT supported consideration of CCS under the CDM.

The EU added that a key issue for consideration within SBSTA is the treatment of geological CCS in national inventories to ensure

leakage is properly accounted for. However, the US opposed consideration of inventory issues at this session.

Ozone layer and global climate system: The SBSTA considered the IPCC/TEAP Special Report on Safeguarding the Ozone Layer and the Global System. Delegates were briefed on a recent meeting of experts on the extent of current and future requirements for the collection and disposition of non-reusable and unwanted ozone-depleting substances in Montreal Protocol Article 5 parties (certain developing countries).

PROTOCOL ARTICLE 2.3: Chair Kumarsingh reported that consultations on a proposal by the EU and others to combine this SBSTA item with an SBI item on Protocol Article 3.14 (adverse effects and response measures) had not resulted in any agreement. In light of divergent views among parties, SBSTA agreed to take up the issue again at SBSTA 26.

BUNKER FUELS: Chair Kumarsingh announced that informal consultations had not resulted in an agreement on how to move forward. He reported that one party had indicated that it would not be willing to work on this item unless progress was also made on Protocol Article 2.3. A number of parties expressed disappointment at the lack of progress. The EU proposed a detailed and results-focused discussion, and called for a UNFCCC workshop on methodological issues. MICRONESIA urged "real progress," highlighting an increase in emissions from international aviation and calling for greater momentum so that these emissions can be properly addressed in a post-2012 framework. NORWAY expressed regret that this issue had not moved forward "due to the objections of a small number of countries" and noted that a COP decision had been taken on this nearly a decade ago. ARGENTINA called for urgent action on this matter, and SWITZERLAND insisted that methodological work should proceed. Chair Kumarsingh proposed, and parties agreed, to continue consideration of this matter at SBSTA 26. Following this agreement, NORWAY announced its intention to host a (non-UNFCCC) technical meeting on emissions from aviation and maritime transport in October 2007. The EU welcomed this initiative.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

ADAPTATION FUND: The Adaptation Fund contact group broke into closed small-group consultations focused on the principles and modalities of the Fund, making some progress on the list of principles.

ADAPTATION PROGRAMME OF WORK: In the contact group, Co-Chair Charles reported on progress on informal group meetings. He explained that parties had split their work and

established a small drafting group to tackle details of the actions and deliverables, and another group to address the chapeau paragraphs. On the latter, progress was made by separating the paragraph into two: one that explains what would be done under the programme of work, and another on the use of the deliverables. The G-77/CHINA recalled the need to address the link with SBI. The group also tabled a proposal to establish an advisory working group to facilitate, support and promote the implementation of the programme of work, with geographical representation, a balance between Annex I and non-Annex I parties, and possibly relevant international organizations.

ADMINISTRATIVE, FINANCIAL AND INSTITUTIONAL MATTERS: During informal consultations, delegates discussed draft conclusions proposed by Chair Dovland, addressing: audited financial statements for 2004-2005; budget performance in 2006-2007; continuing review of the functions and operations of the Secretariat; programme budget for 2008-2009; and implementation of the headquarters agreement.

AWG ISSUES: Chair Zammit Cutajar convened the second meeting of the contact group on AWG issues. On the AWG work schedule, NORWAY proposed a workshop on LULUCF. Participants discussed inputs to the AWG from a number of organizations, including NGO think tanks and the CDM Executive Board. CHILE cautioned against duplication of ongoing work in the COP/MOP. The EU, supported by CANADA and SWITZERLAND, noted a linkage between the work of the AWG and work on Article 9 (review of the Protocol). On outcomes, SWITZERLAND stressed the need for analytical outputs to assist the formulation of new commitments. NORWAY, opposed by the G-77/CHINA, repeated a call for work on defining a long-term goal, given the limited value of UNFCCC Article 2 (Objective) in defining a long-term path. SAUDI ARABIA cautioned the AWG against exceeding its mandate. CHINA called for a strong signal to the carbon markets in the form of new Annex I commitments. Chair Zammit Cutajar will convene informal consultations. He invited Saudi Arabia to work with others to identify Protocol articles that may need amendment to facilitate new commitments.

CAPACITY BUILDING: Two informal consultations were held on capacity building under the Convention and the Protocol.

Convention: Parties considered a draft text. Developing countries proposed, *inter alia*, defining what should be reported when monitoring capacity building, ensuring consistency in annual and incremental reporting, and addressing concerns about inadequate financial support for implementation.

Protocol: The Co-Chairs presented a draft text. Developing countries said text on regional imbalances should be strengthened and a small island State requested reference to the special needs of LDCs and SIDS in the preamble. A group of developed countries noted that geographic distribution was already covered under CDM discussions.

Informal consultations continued in the afternoon to work through both draft texts line-by-line, but little progress was reported.

CDM ISSUES: The contact group exchanged views on a range of CDM-related issues. On a simplified methodology for switching from non-renewable to renewable biomass, BRAZIL cautioned against perverse incentives for deforestation. The EU and JAPAN said it was unfortunate that the CDM Executive Board was unable to reach a conclusion and noted the need for consistency with the Marrakesh Accords. The EU and NEPAL will convene consultations. On afforestation and reforestation and methodologies for small-scale projects, COLOMBIA will consult interested parties on its proposal.

Regarding the CDM Executive Board's request to the COP/MOP for guidance on improving the regional distribution of CDM projects,

Co-Chair Figueres undertook to consult with the Co-Chairs of the contact group on capacity building to determine where these issues should be discussed. On CCS, CANADA supported EU proposals to address policy issues, including boundaries and remediation, followed by technical issues. AOSIS said he was unconvinced by the technology. BRAZIL opposed CCS projects under the CDM. Co-Chair Figueres will conduct informal consultations.

COMPLIANCE COMMITTEE: Following bilateral negotiations by the Co-Chairs with parties, travel and funding issues from the Compliance Committee were reportedly deferred, pending informal consultations on the budget under the SBI.

FINANCIAL MECHANISM: During informal consultations, delegates agreed to take note of the GEF report to the COP, and completed the first reading of the documents on the third review of the financial mechanism and additional guidance to the GEF.

JI SUPERVISORY COMMITTEE: Participants met in a contact group to exchange initial ideas. BULGARIA underscored the definition of small-scale projects for JI in light of possible changes in the CDM's definition, and JAPAN stressed small-scale LULUCF projects. The Co-Chairs will prepare draft text.

PRIVILEGES AND IMMUNITIES: The contact group held a question-and-answer session on the proposed options on privileges and immunities for individuals serving on the constituted bodies of the Protocol, as outlined in the response from the UN Office of Legal Affairs (FCCC/SBI/2006/20). The EU, supported by JAPAN, noted that the proposed options are long-term and suggested focusing on short-term practical solutions put forward by the Secretariat (FCCC/SBI/2006/21). NIGERIA favored bilateral agreements with parties. MEXICO suggested considering a combination of options. CHINA stressed agreeing on the principles and general approach before taking national legislative measures.

On the Secretariat's role, the EU encouraged provision of legal advice and a neutral forum for parties. CANADA noted financial implications of the Secretariat's role as legal advisor. BRAZIL enquired about ways to discourage incentives for dispute claims. Chair Watkinson will prepare a draft COP/MOP decision.

PROTOCOL ARTICLE 9: In informal consultations, delegates engaged in a frank exchange on issues such as the scope of the review, the purpose of the review, and how it should be conducted. Chair Tudela Abad will consult bilaterally with parties over the weekend.

TECHNOLOGY TRANSFER: Informal consultations continued throughout the day and the Co-Chairs released new draft text. Clear differences reportedly remained, however, and no significant progress was evident by Friday evening.

IN THE BREEZEWAYS

Delegates got down to the "nitty gritty" stage of the meeting in earnest on Friday, with observers pointing to the proliferation of contact groups and informal meetings throughout the day. While some delegations were clearly busy, several observers expressed nervousness at the pace of some of the informal facilitation. "While there are few definite outcomes required here, I have a sense that we might be storing up trouble for COP/MOP 3," suggested one delegate.

There was also some discussion in the corridors about the report from the UN Secretary-General's High-level Panel on System-wide Coherence, which was released at UN headquarters in New York on Thursday. The Panel, which is intended to give a shot-in-the-arm to UN reform, contains a recommendation to strengthen the GEF, and singled out climate change as an area for increased activity. The outcome clearly did not please everyone at the Nairobi conference, but whether it will have any impact on the current climate negotiations is as yet unclear.