

COP 13 AND COP/MOP 3 HIGHLIGHTS: WEDNESDAY, 5 DECEMBER 2007

In the morning and afternoon, the COP/MOP convened in plenary to consider issues relating to the CDM, joint implementation (JI), the second review of the Protocol under Article 9, the compliance committee, and various other matters. SBI took up agenda items on reporting and review of information submitted by Annex I parties to the Protocol, capacity building, Protocol Article 3.14 (adverse effects), the international transaction log, and compliance. Contact groups convened on the Adaptation Fund, reducing emissions from deforestation in developing countries, long-term cooperative action under the Convention, technology transfer, and the AWG's work programme and timetable.

COP/MOP

CDM: CDM Executive Board Chair Hans Jürgen Stehr presented the annual report (FCCC/KP/CMP/2007/3), noting that the project pipeline is expected to generate more than 2.5 billion Certified Emission Reductions, and drawing attention to management challenges.

Several delegates expressed satisfaction at the Board's work and many, including CHINA, the EU, IRAN, JAPAN, and the G-77/CHINA, suggested further improving the Board's management and CDM procedures. Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP, supported by the INTERNATIONAL EMISSIONS TRADING ASSOCIATION (IETA), proposed an assessment of the CDM by COP/MOP 4.

Several delegates highlighted the need to consider CDM projects' equitable geographic distribution and capacity building. CHINA, the EU and others outlined their capacity building activities. CAMBODIA, TANZANIA, BENIN, TOGO and others highlighted the needs of LDCs, and MAURITIUS and TUVALU the needs of SIDS. COLOMBIA outlined post-2012 considerations and ARGENTINA proposed sectoral CDM projects. John Kilani (Qatar) and Georg Børsting (Norway) will convene a contact group.

JOINT IMPLEMENTATION: JI Supervisory Committee Chair Fatou Gaye presented the Committee's report (KP/2007/4 Part I & Part II), noting that the Committee will only be self-financing by 2010 at the earliest. IETA, speaking for BUSINESS AND INDUSTRY, underscored procedural problems with JI Track 2 projects. József Feiler (Hungary) and William Kojo Agyemang-Bonsu (Ghana) will co-chair a contact group.

SECOND REVIEW OF THE PROTOCOL UNDER ARTICLE 9 – SCOPE AND CONTENT: The Secretariat introduced this issue (FCCC/KP/CMP/2007/MISC.1, Add.1-2, and Inf.1) and President Witoelar said a successful outcome was

essential for the Bali conference. Many developed countries supported a comprehensive review, while many developing countries underscored implementation of Annex I commitments.

Many parties identified adaptation, the CDM, and adequacy of the Protocol to fulfill the Convention's ultimate objective as the issues to be addressed, and also highlighted the IPCC AR4. NORWAY underscored carbon capture and storage, bunker fuels and solar energy. The EU stressed carbon markets, LULUCF and privileges and immunities. TANZANIA emphasized technology transfer. CHINA said the review should not be an opportunity to rewrite the Protocol. NEW ZEALAND underscored new knowledge since the Protocol was drafted. ETHIOPIA highlighted incentives for clean energy sources. INDIA emphasized capacity building that have not replaced an existing source. EGYPT underlined adaptation to response measures. ARGENTINA underscored emissions from deforestation. A contact group will be co-chaired by Raphael Azeredo (Brazil) and Adrian Macey (New Zealand).

COMPLIANCE COMMITTEE: Committee Co-Chair Raúl Estrada Oyuela (Argentina) presented the report of the Compliance Committee (FCCC/KP/CMP/2007/6). Denis Langlois (Canada) and Eric Mugurusi (Tanzania) will chair a contact group.

OTHER MATTERS: Proposal from Belarus on implementing the amendment to Protocol Annex B: BELARUS proposed steps to move ahead with the "legitimization" of its participation in the first commitment period in parallel with the ratification process for the amendment adding Belarus to Annex B (FCCC/KP/CMP/2007/7). The RUSSIAN FEDERATION and UKRAINE supported this, while the EU noted legal and practical difficulties. Mark Berman (Canada) will consult informally.

Russian proposal: Delegates reflected on a workshop held during SB 26 (FCCC/KP/CMP/2007/INF.2, MISC.2 & Add. 1-2). The EU, BELARUS and other Annex I parties praised the Russian proposal, as did CLIMATE ACTION NETWORK, who added that Annex B parties not backtrack on quantified commitments. CANADA said the proposal's Convention "track" could potentially be part of the Bali roadmap. AUSTRALIA, NEW ZEALAND and JAPAN noted links to the review of the Protocol under Article 9. However, INDIA and SAUDI ARABIA opposed further consideration of this issue. Djismun Kasri (Indonesia) will hold informal consultations.

SBI

CAPACITY BUILDING UNDER THE PROTOCOL:
Developing countries: The Secretariat introduced the issue (FCCC/SBI/2007/25 and MISC.8). Helmut Hojesky (Austria) and Crispin d'Auvergne (Saint Lucia) will co-chair a contact group.

Economies in transition: The Secretariat introduced this issue (FCCC/SBI/2007/18 and MISC.9). Vlad Trusca (Romania) and Helmut Hojesky (Austria) will hold consultations.

INFORMATION SUBMITTED BY ANNEX I PARTIES TO THE PROTOCOL: Compilation and synthesis of supplementary information in fourth national communications: The Secretariat introduced this issue (FCCC/SBI/2007/INF.7), and a contact group will be co-chaired by Sushma Gera (Canada) and Hongwei Yang (China).

Review of initial reports and supplementary information in fourth national communications: The Secretariat introduced this issue (FCCC/SBI/2007/INF.10), and parties agreed to establish a contact group co-chaired by Anke Herold (Germany) and Nagmeldin Elhassan (Sudan).

PROTOCOL ARTICLE 3.14 (ADVERSE EFFECTS): JAPAN and the EU noted overlap between this agenda item and the SBSTA item on Protocol Article 2.3, while SAUDI ARABIA insisted that these were separate issues. Chair Asadi will consult informally.

INTERNATIONAL TRANSACTION LOG (ITL): The Secretariat introduced this issue (FCCC/KP/CMP/2007/5). Zheng Shuang (China) will conduct consultations.

COMPLIANCE: The Secretariat introduced the issue of amending the Protocol to make the compliance mechanism legally binding. SAUDI ARABIA urged adopting this amendment, while JAPAN said it was not appropriate to try to introduce a legally-binding, punitive system, and the EU noted practical difficulties. Chair Asadi will hold consultations.

CONTACT GROUPS

ADAPTATION FUND: Co-Chair Uosukainen invited the G-77/China, Japan and the EU to present proposals on the establishment, composition and operation of the Fund. The G-77/CHINA said the group was committed to the operationalization of the Fund in Bali, under the authority of the COP/MOP. JAPAN recommended the GEF as the governing body and noted that the COP/MOP would have to authorize a memorandum of understanding. She said COP/MOP decisions on these issues were prerequisites for addressing rules of procedure. The EU proposed that the governing entity be composed of a governing body, a secretariat and trustee. He proposed that the World Bank act as the trustee.

In the afternoon, delegates reconvened informally for the distribution of a draft decision prepared by the Co-Chairs and consisting of elements from all three papers tabled in the morning. There were some objections to the placement of a list of proposed functions and rules of procedure for an Adaptation Fund Board in an annex.

AWG WORK PROGRAMME AND TIMETABLE: AWG Chair Charles reported on "useful" consultations on the AWG's work programme and timetable. The EU and Bangladesh, for the LDCs, welcomed Australia to the AWG and AUSTRALIA expressed support for the AWG's previous conclusions.

Stressing the iterative nature of AWG's work programme, the G-77/CHINA indicated that if new elements, such as other greenhouse gases, were added for the second commitment period, the indicative range for Annex I emissions reductions agreed by the AWG in Vienna would need to be upscaled. Underscoring social and economic aspects, the EU said this would be too simplistic. Highlighting cost implications, NEW ZEALAND called for discussions on post-2012 rules for LULUCF.

JAPAN and CANADA, opposed by CHINA, proposed linking the AWG and other elements of the Bali roadmap. SWITZERLAND suggested reflecting other future processes in the AWG's work programme and CANADA proposed coordinating their timeframes. JAPAN and the EU highlighted coordination with the second Protocol review under Article 9. The G-77/CHINA said work should not be duplicated, but opposed formal linkages. AWG Chair Charles will consult informally.

LONG-TERM COOPERATIVE ACTION UNDER THE CONVENTION: Co-Facilitator Bamsey said the objective in Bali was not to reach agreement on the substance of long-

term cooperation but on the process. He outlined three process options, namely an informal Convention process, a formal Convention process, or an integrated formal Convention/Protocol process. Co-Facilitator De Wet underscored the need for an operational decision on what to negotiate, when, and for how long.

The G-77/CHINA called for the fullest possible implementation of all elements of the Convention. JAPAN rejected suggestions that his country wished to scrap the Protocol. CANADA proposed that discussion be guided by long-term cooperative action. The EU anticipated a Bali roadmap consisting of agreement by all parties to engage in a comprehensive negotiating process leading to a global post-2012 agreement by 2009, with a twin-track including Convention and Protocol elements. AOSIS called for a long-term goal well below a 2°C temperature increase.

The US and BANGLADESH called for the launch of negotiations, with the US stressing the need to be specific about their substance. SWITZERLAND proposed keeping all options open until ministers arrive. MALAYSIA and INDONESIA supported a two-track process and continuing the Dialogue. Delegates will continue discussions informally until the next contact group meeting on 8 December.

REDUCING EMISSIONS FROM DEFORESTATION: Parties proceeded on the basis of a draft COP decision forwarded by SBSTA 26. Several parties called for a more ambitious text and prompt action, highlighting degradation and pilot activities. BRAZIL, supported by others, called for a more proactive approach, inviting parties, in particular Annex I parties, to mobilize resources. The UK, for the EU, and NEW ZEALAND, emphasized indicative modalities. Several favored flexibility regarding national and sub-national approaches. Ghana, for the AFRICAN GROUP, called for a compensation fund for forest maintenance, and COSTA RICA, INDIA and others emphasized conservation. The INTERNATIONAL FORUM OF INDIGENOUS PEOPLES ON CLIMATE CHANGE expressed concern with market-based mechanisms, which threaten rights to land and culture.

Discussions continued in afternoon informals, addressing, *inter alia*, reference to pilot activities and mobilizing resources.

TECHNOLOGY TRANSFER: The EU reported on an informal meeting held in the UK to find common ground on institutional arrangements of the reconstituted body, development of performance indicators, and financing resources. The US, JAPAN, CANADA, EU and AUSTRALIA commended the work of EGTT and supported its continuation. Co-Chair Shimada presented the bracketed draft decision (FCCC/SBSTA/2007/4) forwarded by SB 26 and proposed discussing the three outstanding issues before addressing the brackets. Ghana, for the G-77/CHINA, underscored SBI's contact group on technology transfer and proposed forwarding text dealing with implementation, financial arrangements and review of implementation to SBI. AUSTRALIA noted that parties are free to suggest text in contact groups, but only SBSTA can forward text to SBI. Consultations will continue informally.

IN THE CORRIDORS

"More complicated and hectic than ever," is how one delegate described the climate process as Wednesday drew to a close. With the COP, COP/MOP, AWG, SBI and SBSTA completing their initial discussions, dozens of agenda items are now set to be taken up in more than 30 contact groups and informal negotiations. Many participants were complaining about agenda overload and fretting about how they could keep up with the many different but in many cases closely-connected discussions. "I'm struggling to wrap my head around everything on the table," said one.

Meanwhile, a number of delegates seemed satisfied at least with the initial discussions on Wednesday regarding the various elements of the all-important post-2012 question, including the Convention Dialogue, AWG, and other aspects such as the Review under Protocol Article 9 and the Russian proposal. "I'm still not sure how this will all come together, though," noted one veteran.