

AWG-LCA 5 AND AWG-KP 7 HIGHLIGHTS: MONDAY, 6 APRIL 2009

On Monday, the AWG-LCA held contact groups on adaptation, mitigation, shared vision, and technology and finance. The AWG-KP held a contact group and informal consultations on LULUCF, and informal consultations on issues such as Annex I emission reductions, potential consequences, legal matters and the flexibility mechanisms.

AWG-LCA CONTACT GROUPS

ADAPTATION: Focusing on risk and insurance, many parties underscored early warning systems, vulnerability of SIDS and LDCs, and data gathering.

AOSIS proposed a multi-window mechanism with the following components: insurance; rehabilitation/compensation; and risk management. She said that the mechanism could facilitate public and private sector coordination. Noting that insurance transfers risk but does not reduce it, AUSTRALIA, with CANADA, underscored risk reduction strategies. The EU referenced existing institutions and said insurance can provide pricing for risk. The G-77/CHINA underlined inefficient funding and implementation of existing mechanisms.

The EU noted the importance of data for index-based insurance. BANGLADESH underscored the need for detailed sectoral and regional vulnerability assessments. BARBADOS said data gathering should not be used as an excuse to avoid instituting an insurance system, with TUVALU cautioning against an “endless assessment process.” The GAMBIA cautioned against maladaptation due to lack of planning, and AUSTRALIA noted potential disincentives for risk reduction resulting from insurance.

MEXICO, BARBADOS and others underscored the unequal distribution of losses and risks. AUSTRALIA called for country-driven mechanisms. THAILAND highlighted vulnerability of rural areas. MEXICO said territorial planning should take into account long-term risks, noting the possibility of population relocation. NORWAY and the GAMBIA identified women and children as the most vulnerable.

CANADA said the Convention should play a catalytic role and urged linkages between the adaptation and risk reduction communities. The US said disaster relief and resilience strategies should be integrated. THAILAND emphasized mainstreaming risk management into national policies. JAPAN highlighted the Hyogo Framework of Action. MAURITIUS stressed infrastructure for enhancing resilience and highlighted the need for sector-specific plans.

Noting negative impacts of response measures, SAUDI ARABIA highlighted the role of insurance in commodity hedging. MUNICH CLIMATE INITIATIVE noted the expertise of the private sector and its willingness to cooperate.

MITIGATION: Discussions on subparagraphs 1(b)(iv) and (v) of the Bali Action Plan focused on sectoral and market-based approaches, respectively.

On sectoral approaches, the G-77/CHINA said that national actions in sectors can foster opportunities for relevant initiatives related to technological cooperation. QATAR opposed trade barriers or new international regulations on a sectoral basis. JAPAN highlighted cooperation between the public and private sectors. AUSTRALIA stressed existing voluntary sectoral cooperation initiatives. CHINA said capacity building and financing should be essential components of discussions of sectoral approaches. ALGERIA noted potential negative consequences of the Directive 2008/101/EC to include aviation emissions under the EU Emissions Trading Scheme. The EU highlighted the Directive’s *de minimis* rule, stating that most flights from developing countries will be excluded. NORWAY noted her country’s proposal to introduce a target for international shipping emissions.

On markets, CHINA said they should not be used to pass responsibility to developing countries, and SAUDI ARABIA and the LDCs stressed that markets should not substitute mitigation activities in developed countries. BOLIVIA said carbon markets are not the only solution.

The PHILIPPINES and SAUDI ARABIA emphasized that market-based approaches are not covered by the Convention, while AUSTRALIA favored considering the flexibility mechanisms also under the AWG-LCA given that not all Annex I parties participate in discussions under the AWG-KP.

The EU proposed complementing NAMAs with market mechanisms, and elaborated on sectoral crediting and trading for developing countries with no-lose targets below business-as-usual baselines. He stated that markets could provide flexibility, incentives and revenues. The US supported market mechanisms that facilitate action and are efficient, environmentally robust, credible and sustainable.

The LDCs urged consideration of barriers to market participation. The G-77/CHINA, BANGLADESH, the REPUBLIC OF KOREA and CHINA underscored the role of governments and the public sector in enhancing mitigation. The REPUBLIC OF KOREA and NEW ZEALAND stressed the need to engage the private sector. INDONESIA highlighted insufficiency of voluntary funding. COSTA RICA supported a broad portfolio of financial mechanisms.

SHARED VISION: Discussions focused on a long-term global goal for emission reductions. Many countries emphasized that a long-term goal should achieve the ultimate objective of the Convention. The G-77/CHINA stressed that a shared vision should be comprised of, and defined equally by, the four building blocks.

AUSTRALIA noted the goal should reflect the collective ambitions of all parties, cover all emission sources and sinks, have a base year and a target year, and also include a mid-term

goal. SOUTH AFRICA said that the goal should be based on sound science, balance mitigation and adaptation, and introduce effective means of implementation and sustainable development. MEXICO highlighted that a long-term goal should include a quantitative goal and emission pathways. The REPUBLIC OF KOREA highlighted economic opportunities to shift to a low-carbon economy. The BAHAMAS, with the GAMBIA, underlined urgency of emission reductions. The LDCs said that, in addition to numbers, a long-term goal should aim to increase resilience of ecosystems and economies.

BRAZIL and INDIA called for careful consideration of assumptions underlying scientific arguments. BRAZIL noted that there are several pathways to avoid warming of more than 2°C. PAKISTAN noted that an emission target is not the only way of expressing a long-term goal as it can also be described through MRV of support to developing countries which would lead to similar emission reductions. SAUDI ARABIA noted that his country does not see a long-term goal, as a numerical goal. BOLIVIA said other parts of a long-term goal should also be quantified, including, *inter alia*, changes in developed countries' consumption patterns and compensation to developing countries for lost development opportunities.

CLIMATE ACTION NETWORK stressed that "mitigation is the best adaptation."

TECHNOLOGY AND FINANCE: Discussions focused on technology, including potential mechanisms, IPRs, R&D and international cooperation.

On mechanisms, GHANA elaborated on his country's proposal to issue carbon credits under the UNFCCC based on the transfer of environmentally-sound technologies, and said the credits would be tradable, voluntary, and complementary to the CDM. AUSTRALIA stressed the need for a multi-faceted approach to technology. CHINA noted the need for different approaches at international and national levels. BANGLADESH supported regional innovation centers, with INDIA proposing a network of such centers. The EU highlighted the Convention's catalytic role. MEXICO noted a technology fund as part of his country's green fund proposal. AOSIS suggested an international mechanism to fund development of SIDS-specific technologies. Noting that current discussions reminded him of Buzz Lightyear's motto "to infinity and beyond," BAHAMAS underscored the need to ensure deployment of existing technologies now, and not in the distant future. TANZANIA stressed the need for publicly-funded adaptation technologies.

On IPRs, the G-77/CHINA underscored the need for an international cooperation system on public domain technologies, and said patented resources should be made available at an affordable cost to developing countries. AUSTRALIA said poor IPR protection can hinder deployment and development of technologies. SWITZERLAND underscored the need for strong IPR protection, noting that in many cases low-carbon technologies are not IPR-protected. CHINA said joint developed-developing country R&D projects should result in shared IPRs. PAKISTAN underscored patent pools and time-limited patents, as well as national incentives in developed countries to promote engagement of IPR holders with developing countries.

On international cooperation and R&D, JAPAN and others underscored the need for cooperation on technology between governments, academics and industry. CHINA said public investment is the key to climate technology R&D. INDIA showed delegates a 5 Watt LED light bulb, saying it produces as much light as a 40 Watt incandescent light bulb or an 8 Watt compact fluorescent one. He explained that the bulb was designed in the Netherlands, engineered and produced in India, and costs US\$ 24, highlighting the high price as an example of why R&D is crucial to make climate-friendly technologies affordable.

AWG-KP CONTACT GROUPS AND INFORMAL CONSULTATIONS

ANNEX I EMISSION REDUCTIONS: During informal consultations, parties addressed draft conclusions on the scale of Annex I emission reductions. The draft text includes a reference to stabilizing concentrations below 350 ppm, which would require reductions by Annex I countries of at least 45% below

1990 levels by 2020, and at least 95% by 2050. The reference was opposed by several parties. Differences also remained over whether to include reference to criteria that could support further consideration of the scale of Annex I emission reductions, with some parties preferring to refer to "information" instead of "criteria."

LULUCF: During informal consultations, parties addressed the Co-Chairs' non-paper and agreed that it provided a good basis for further work.

In the contact group, the Co-Chairs explained that the draft conclusions on LULUCF were postponed, pending discussions on legal matters. They noted that the draft conclusions could be expected to be short and include a call for submissions and an invitation to provide relevant data.

BRAZIL suggested that the data invited from parties address two things: the impact of proposed accounting methods for forest management (such as the bar approach) on potential numbers, given that existing historical data may not be relevant to the forecast nature of the exercise; and how factoring out anthropogenic from non-anthropogenic effects would be addressed.

TUVALU pointed to three elements from his submission that were improperly reflected in the Co-Chairs' non-paper, clarifying that: forest biomass decline was not meant as an alternative to forest management; the concept of "force majeure" was missing an element; and the proposal was for net-net accounting for forest management and other elected activities starting at the beginning of the commitment period. He also clarified that his proposal for accounting for harvested wood products was meant as a package that would allow the "fast tree fix" and other such anomalies in decision 16/CMP.1 to disappear.

FLEXIBILITY MECHANISMS: In informal consultations, delegates finalized the consideration of the Co-Chairs' non-paper on flexibility mechanisms, including sections on JI and emissions trading. Very few deletions were made. Informal consultations have ended, and the group will reconvene in a contact group.

POTENTIAL CONSEQUENCES: Informal consultations continued in the morning. Parties discussed options for draft conclusions, including whether to advance existing text with multiple sets of brackets or to adopt a more general text.

LEGAL MATTERS: During informal consultations, parties considered the Chair's revised non-paper, which includes, *inter alia*: options for an amended Annex B; options for a new Annex C; and options for consequential textual amendments to the Protocol.

IN THE CORRIDORS

Several delegates were heard commenting on certain Umbrella Group countries' "strong positions" in the AWG-KP informal consultations on Annex I emission reductions and legal matters. Some were overheard speculating about these parties' motivations. "It seems like they just want to know what kind of commitments the US will take before moving ahead and to explore different legal options," said one. "To me, it sounds like they do not want any amendments to the Kyoto Protocol to be agreed in Copenhagen. Maybe they want to focus on the AWG-LCA and perhaps even explore 'softer options' for commitments," commented another. At the same time, the eyes of some developed country delegates seemed to be popping out of their heads as they tried to digest ambitious proposals for mid-term emission reduction targets for individual Annex I countries tabled by two developing countries under the AWG-KP.

On the AWG-LCA side, some were commenting on what they felt was a lack of substantive progress. Others, however, considered this normal, saying that the objective of this meeting was only to elaborate on ideas for the negotiating text and properly switch to the negotiating mode in June. Also, many noted that it makes no sense for parties to shift their positions until they hear more detailed ideas from the US.

"At least we have 'seen' some very concrete examples of technology advancement," commented one appreciative delegate emerging from the AWG-LCA contact group, referring to the intervention by an Indian delegate who had brought an efficient but expensive light bulb to the meeting.