

## **BANGKOK CLIMATE TALKS HIGHLIGHTS: FRIDAY, 31 AUGUST 2012**

In the morning, an in-session workshop took place under the AWG-LCA on a framework for various approaches. Under the ADP, a Workstream 2 roundtable on ambition convened. In the afternoon, under the AWG-LCA, an in-session workshop on the new market-based mechanism (NMM) was held and the ADP Workstream 1 roundtable on vision for the ADP continued from Thursday. In the morning and afternoon, a number of contact groups and informal consultations under the AWG-KP and AWG-LCA convened.

### **AWG-LCA**

**IN-SESSION WORKSHOP: A FRAMEWORK FOR VARIOUS APPROACHES:** Alexa Kleysteuber (Chile) chaired the workshop. Niclas Svenningsen, UNFCCC Secretariat, presented a technical paper (FCCC/TP/2012/4) drawing on recent workshop presentations and discussions, as well as party submissions following Decision 2/CP.17 (outcome of the work of the AWG-LCA), paragraphs 79-86.

**Panel 1: Fundamental principles and relations:** Hugh Sealy, Grenada, outlined AOSIS' expectations that the framework: define relationships between the UNFCCC and other approaches; and between market and non-market approaches; deliver real mitigation benefits; and not allow countries to evade their obligations under the Convention.

Matt Paterson, New Zealand, suggested that the framework could be a "library of approaches" or a forum that coordinates efforts, and would not compete with or duplicate existing UNFCCC measures. He proposed inviting countries to provide information and practical examples of schemes they have adopted or may adopt.

Alex Hanafi, Environmental Defense Fund, suggested the framework could provide guidelines for national and subnational jurisdictions to trade emissions internationally, highlighting transparency as a key element of ensuring environmental and market integrity. He said the framework could encourage broad participation in mitigation efforts, but at the risk of a low level of ambition. He suggested that parties are given access to the GCF provided they have a harmonized MRV system.

Sealy questioned whether the principles of complementarity and shared profits would be part of the framework, and cautioned against neglecting the potential of non-market mechanisms.

**Panel 2: Tools to operationalize the framework:** This panel addressed: key elements required for the functioning of the framework and practical options for operationalizing those elements; ensuring environmental integrity of activities; and

processes or models that should be applied in approving or rejecting activities and whether they should be centralized or county-led and administered.

Yuji Mizuno, Japan, discussed basic principles and a reporting system to be established by the COP, emphasizing: clearly defined eligibility criteria; a feasible and not excessively burdensome monitoring system taking into account national circumstances; ensuring transparency; and standards developed by implementing parties.

Tarsicio Granizo, Ecuador, discussed his country's net avoided emissions mechanism, whereby activities that increase emissions would be reduced or halted in exchange for compensation. He emphasized a coherent, coordinated and transparent framework for both market and non-market mechanisms, prioritizing environmental performance over fungibility. He recommended complying with strict commonly agreed standards to ensure environmental integrity and a mechanism for reporting and registries. Regarding models or processes, he suggested, *inter alia*, a robust structure, national-level participation, a steering committee, an executive board and designated national authorities.

Andrew Prag, OECD, discussed tracking and reporting unit movements in a uniform format, the use of registries and ensuring accounting rules. He outlined various possible levels of international scrutiny and governance, such as: no direct UNFCCC involvement; UNFCCC bodies approving mechanisms; or more direct involvement in issuing procedures, similar to the CDM approach. He saw the CDM model continuing for countries that do not wish to pursue other options, and emphasized a common currency for units.

During the ensuing discussion, issues were raised related to, *inter alia*: rules for common accounting and for ensuring environmental integrity; enhanced reporting to avoid double counting of units; how and who would prevent double counting; countries taking on offsets bilaterally to fulfill Convention obligations; and the importance of a harmonized approach to ensure business continues working within the Convention rather than in alternative offset mechanisms.

**IN-SESSION WORKSHOP: THE NEW MARKET-BASED MECHANISM:** This workshop was chaired by Alexa Kleysteuber (Chile). The Secretariat introduced the technical paper on various approaches, including opportunities for using markets to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries (FCCC/TP/2012/4).

**Scope and Participation:** Questions presented to participants addressed options for defining the activities that could be eligible under the NMM and conditions for hosting and benefitting from outcomes from such activities.



Comparing the NMM to the CDM, Artur Runge-Metzger, EU, said the NMM implies more active involvement of developing country governments in creating incentives for emission reductions through policy making at the national level. He suggested that parties transitioning from a CDM to an NMM approach would need to implement a transition phase to avoid double counting.

Carola Borja, Ecuador, presented her country's proposal on a net avoided emissions mechanism. Among conditionalities for host activities, she suggested that the party would need to have had officially declared mitigation actions or commitments under the Convention.

On the role of the UNFCCC in the NMM, David Hone, World Business Council for Sustainable Development, said it should encourage and support countries in implementing selected measures. He added that the UNFCCC should generate market demand for carbon emissions as the Kyoto Protocol does. He said putting a price on carbon is key for redirecting private investment, which can be done through cap-and-trade systems and project-based mechanisms.

In the ensuing discussion, participants addressed, *inter alia*: the sovereign right of each country to undertake relevant activities; how to ensure environmental integrity and avoid double counting; and possible ways to implement the NMM.

**Accounting and Unit Tracking:** On governance of market approaches under the framework for various approaches, Andrew Prag, OECD, stressed the importance of agreeing on common accounting rules for emissions and targets. Acknowledging that the overall form of the NMM remains unclear, he said making a decision on a valid baseline was a crucial governance step for the NMM, suggesting that broad baselines could be useful to address specific country circumstances and policies, whilst also being subject to international review.

Mandy Rambharos, South Africa, stressed the need to develop a mechanism to convert domestic credits into internationally recognized credits, which could include: eligibility of sectors; conversion of methodologies; and guidelines on minimum criteria to participate in the international market. She suggested a centralized way to track international units, and said there is potential for using existing structures, such as the ICA and the IAR.

Sveinung Kvalo, Norway, called for a system to track units that is centralized and under UNFCCC verification, and has a single registry issuing and tracking transactions of international credits. He emphasized the need for: more detailed and stringent MRV processes than the ICA and IAR can provide; a common unit accounting framework with clear *ex-ante* rules for all participating countries; and establishment of conservative baselines in order to ensure environmental integrity.

In the ensuing discussions, participants addressed, among other issues, overlaps between the work streams on a framework for various approaches and the NMM.

**CONTACT GROUP: Finance:** Discussions on finance took place in the morning and afternoon. Parties considered an informal note on "enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation," highlighting framing elements and questions on: financing during the period 2012-2020; linkages with other bodies and financial institutions; MRV; fast-start finance; GCF; and long-term finance. A matrix table was also introduced illustrating decisions and action taken since COP 13. AWG-LCA Chair Tayeb invited parties to consider whether draft decision text on financing is needed.

Divergent views were expressed, with developed countries pointing to decisions from Cancun and Durban, maintaining that the AWG-LCA has already achieved significant results and other arrangements had been set up where finance discussions would continue. Several developed countries said the AWG-LCA is not the appropriate forum for discussing mid-term finance.

Calling for a decision on finance in Doha, developing countries expressed concern over the mid-term financing gap, and noted the need to consider MRV of financial support and enhancing transparency of its provision.

**INFORMAL CONSULTATIONS: Developing Country Mitigation:** Facilitator Gary Theseira (Malaysia) introduced two facilitation tools: a matrix table providing a "bird's eye view" of the work done on NAMAs by developing country parties since COP 13; and an informal note containing framing elements, elements on NAMAs communicated by parties, and elements on support to prepare and implement NAMAs.

The US, NEW ZEALAND, NORWAY, CANADA, the EU, AUSTRALIA, SWITZERLAND, and the Marshall Islands, for AOSIS, stressed that the group's mandate is to continue clarifying mitigation pledges by developing country parties, which is vital to build confidence and trust and to identify practical solutions for moving forward. They encouraged parties that have not yet submitted pledges to do so, and requested a more structured compilation of actions already submitted.

CHINA, BRAZIL and SOUTH AFRICA stressed that further work is needed on the issue of MRV of support to developing countries. Opposing this, the EU said the matter is under consideration elsewhere and called for avoiding duplicating work. CHINA pointed out that the relevant NAMA information was compiled in the Registry. MALI called for support through regional workshops and a handbook on preparation and implementation of NAMAs for COP 18.

**Developed Country Mitigation:** Facilitator Andrej Kranjc (Slovenia) presented an informal note and a matrix table reflecting decisions taken since Bali. Many developed country parties highlighted progress made in areas such as clarification of pledges and IAR, while many developing country parties underscored their disappointment over, *inter alia*: lack of concrete results; the low level of ambition in existing developed country pledges; and gaps in comparability of efforts. NORWAY, supported by AUSTRALIA and the EU, suggested common accounting rules for all parties, opposed by BRAZIL, CHINA, INDIA and KENYA.

#### AWG-KP

##### INFORMAL CONSULTATIONS: Second Commitment

**Period:** Parties reviewed options and approaches for addressing the gap between the two commitment periods, including: regular ratification; provisional application; unilateral declarations; and CMP decisions. Several parties underscored that the approaches are mutually supportive, not exclusive. Parties raised concerns over the non-legally binding nature of CMP decisions, while others noted the difficulties and time requirements associated with provisional application. Some parties underscored that anything short of provisional application would not be legally binding internationally, and would not address the legal consequences of the gap. Some parties said that CMP decisions could help in enabling the Kyoto mechanisms "roll over smoothly" during the inevitable gap. Others underscored that the Kyoto Protocol includes provisions that are independent of the second commitment period.

#### ADP

**ROUNDTABLE: Ambition:** ADP Co-Chair Dovland invited participants to address the mitigation gap and options and ways to increase the level of ambition. Socorro Flores (Mexico) introduced the report from the workshop on increasing the level of ambition under paragraph 8 of Decision 1/CP.17 (establishment of the ADP) held in Bonn, Germany, in May 2012 (FCCC/ADP/2012/INF.1).

AOSIS emphasized that the ambition workstream must be prioritized under the ADP. He proposed focusing on international policies and measures that are enabling countries' domestic actions, in order to facilitate more ambitious developed country

commitments and developing country NAMAs. He suggested addressing ambition during regular high-level roundtable sessions.

The LDCs stressed that raising ambition pre-2020 is essential to any meaningful outcome under the ADP. He supported convening a ministerial session before Doha and called on developed countries to: remove conditionalities on pledges; and convert pledges into legally-binding QELROs and comparable commitments. He encouraged developing countries to put forward NAMAs, noting that LDCs have done so.

The EU said industrialized countries must take the lead on climate change through ambitious domestic action and encouraged developing countries to deliver NAMAs through, *inter alia*, the multiple institutions set up in Cancun and Durban. Underscoring that parties are not likely to step up existing targets and pledges this year, she supported holding a high-level forum before Doha and focusing work on issues such as HFCs, bunker fuels, REDD+, fossil fuel subsidies, and private-sector financing.

INDIA called for maintaining the “delicate balance” of Durban, including in relation to the completion of the AWG-LCA and AWG-KP. She cautioned against unilateral measures taken by countries “in the name of climate.”

COSTA RICA, for Chile, Colombia and Peru, encouraged the UNFCCC to further engage with other multilateral bodies, namely ICAO and IMO. He requested that developing countries put forward NAMAs, noting they have “no-lose” opportunities.

South Africa, for the AFRICAN GROUP, underscored that “there is no ambition without commitments” and stressed that work on ambition under the ADP does not substitute commitments under the Kyoto Protocol and negotiations on mitigation under the AWG-LCA. He favored basing work on a historical approach rather than on a “crystal ball” approach that tries to guess “where parties will be in ten years.” He suggested focusing on how to close the gap, addressing areas that include mitigation, adaptation and means of implementation to support developing country contributions.

The US acknowledged the existence of “a generic gap” and said the temperature goal is “a vision” to try to work towards, but that there are many pathways to reach 2°C. He outlined different approaches for moving forward on ambition, including: the submission of pledges by countries that have not done so, emphasizing that some of them could act but have chosen not to; and framing efforts in the context of existing pledges through voluntary actions.

The AFRICAN GROUP said efforts to reduce emissions from activities under other multilateral bodies should be recognized under the Convention. The US said enhancing ambition through activities outside the process, such as bilateral initiatives, should be fostered, but not submitted for recognition or approval under the UNFCCC. The AFRICAN GROUP clarified his proposal is for accountability and transparency purposes, and not intended to dictate other initiatives. The EU emphasized the role of the UNFCCC in providing transparency for actions taken outside the Convention.

**ROUNDTABLE: Vision for the ADP:** Discussions chaired by Co-Chair Dovland continued on Thursday. ECUADOR urged addressing the impacts of climate change from a human rights perspective, and proposed that working groups meet twice a year until 2015 to develop recommendations.

The RUSSIAN FEDERATION cautioned against an overly narrow approach that disregards current realities. He supported universality and called on countries to announce their own mitigation pledges. He said an ADP roadmap should enable discussion of pertinent issues, not just satisfy procedural requirements.

CHILE, for Colombia, Costa Rica, the Dominican Republic and Panama, called for means of implementation to address both mitigation and adaptation. He supported discussing CBDR in the context of specific adaptation and mitigation issues, suggesting

this discussion take place in the two roundtables corresponding to the agreed work streams, and not separately in a third roundtable.

The US said that the agreement must be worthwhile for everyone, or no incentive would exist to engage in the process. He underscored a flexible, dynamic and transparent process that builds on national circumstances and individual capacity. Regarding next steps, he suggested, *inter alia*, continuing the current format of roundtables and workshops on technical issues that may come up. He proposed reflecting on issues and exploring workable options before developing text.

AUSTRALIA supported a “climate effective” agreement that: is applicable to all; is capable of evolving over time to promote increasing ambition as countries’ capabilities and confidence grow; and provides incentives for countries to take action. He said Convention principles are enduring but dynamic, and stressed “actionable differentiation” under the new agreement.

NORWAY said the new agreement must: be effective, fair, realistic, flexible and science-based, and include mitigation commitments relative to responsibilities and capabilities. He envisaged a legally-binding rules-based multilateral regime that addresses “dynamic differentiation.”

PAKISTAN said clarification was required on the set of objectives, core principles and their application, and lessons to be drawn upon. He emphasized that applicability to all parties must not override CBDR and the notion of equity. He stressed: lack of a common understanding of how much circumstances have changed; maintaining the existing differentiated structure; and an effective compliance mechanism. He suggested addressing these elements through workshops, studies or expert panels.

INDIA urged differentiation based on equity, CBDR and historical responsibility. She recommended that post-2020 arrangements include quantified and specific terms for developed countries to provide support to developing countries in a “facilitative regime” that ensures transfer of environmentally-friendly technologies. She said the ADP should be flexible to allow consideration of new elements, including from the IPCC, the 2013-15 Review and the other AWGs.

The LDCs called for a new protocol and robust MRV to ensure compliance and transparency. The AFRICAN GROUP said any future legal outcome should be a further articulation of commitments reflected in the Convention, such as financing commitments to developing countries, appropriate burden sharing, inclusion of operational tools and mechanisms, and acceptance of all sources of finance.

### IN THE CORRIDORS

With all three working groups in full swing by day two, delegates in AWG-LCA groups had some new tools to facilitate their work, including some newly produced matrices and informal notes mapping progress made thus far since Bali and indicating what further work will be needed. “This was a good idea as it really lays everything out clearly, so we can see where things stand,” said one.

Meanwhile, in the ADP roundtable discussions, developing countries grappled with applying principles enshrined in the UNFCCC to the view ahead. One seasoned negotiator called for an end to the “notorious firewall” between developed and developing countries. With many issues to be accomplished by Doha in order to terminate both AWGs, many feared that the ADP could become the new “dumping ground for unresolved issues,” rather than enabling real progress or bridging gaps for a future climate regime.

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