

## **COP 11 AND COP/MOP 1 HIGHLIGHTS: MONDAY, 5 DECEMBER 2005**

On Monday, delegates convened in contact groups and informal consultations on numerous issues, including Protocol Article 3.9 (future commitments), the financial mechanism, the CDM Executive Board's report, joint implementation, technology transfer, deforestation in developing countries, capacity building, compliance, adaptation, mitigation, privileges and immunities for those serving on bodies established under the Kyoto Protocol, implications of the CDM for other environmental treaties, emissions from aviation and maritime transport, and the determination of a quantified emission reduction commitment for Belarus.

### **CONTACT GROUPS AND INFORMAL CONSULTATIONS**

**ADAPTATION:** Consultations convened by Helen Plume (New Zealand) and Kishan Kumarsingh (Trinidad and Tobago) resumed on the SBSTA five year programme of work on adaptation, with informal discussions still continuing as of 11:45 pm.

**ADMINISTRATIVE, FINANCIAL AND INSTITUTIONAL MATTERS: Privileges and Immunities for Individuals Serving on Constituted Bodies under the Kyoto Protocol:** Contact group Chair Masao Nakayama (Micronesia) requested comments from Parties. Nigeria, for the G-77/CHINA, proposed giving the matter further consideration at SBI 24. The EU agreed, and suggested additional text requesting the UNFCCC Executive Secretary to liaise with the UN Secretary-General on this prior to SBI 24. While the G-77/CHINA expressed concerns that SBI's future consideration should not be pre-determined by other work, a compromise text was eventually formulated. The agreed text asks SBI 24 to consider this issue and requests submissions by 13 February 2006. It also requests the UNFCCC Executive Secretary to consult with the UN Secretary-General on ensuring the necessary privileges and immunities, and to report to SBI 24. NIGERIA said he would take this text back to the G-77/China for its consideration, and that if the Group agreed to the text, then the conclusions could be approved without the need for a further meeting.

**ARTICLE 3.9 (FUTURE COMMITMENTS):** Delegates convened in the evening for further informal consultations. The meeting was held in a small group setting and involved only delegates from several Parties and country groups. As of 11:45 pm, negotiations were ongoing and progress was slow.

**CAPACITY BUILDING:** The group met informally in the afternoon and late into the night. Discussions were still continuing as of 11:45 pm.

**CDM IMPLICATIONS FOR OTHER ENVIRONMENTAL TREATIES:** Parties agreed to a draft COP/MOP decision and draft SBSTA conclusions presented by Chair Georg Børsting (Norway) on the implications of the establishment of new HCFC-22 facilities seeking to obtain CERs for the destruction of HFC-23. The draft decision includes a definition of new HCFC-22 facilities, recognizes that issuing CERs for HFC-23 destruction could lead to higher global production of HCFC-22 and/or HFC-23, and encourages Annex I Parties and multilateral financial institutions to provide funding for destruction of HFC-23 in non-Annex I Parties. The decision also requests SBSTA to continue deliberations on the issue with a view to preparing a draft recommendation with guidance to the CDM Executive Board for adoption at COP/MOP 2.

**COMPLIANCE:** Parties met for informal consultations on the adoption of the compliance mechanism and Saudi Arabia's proposal to amend the Protocol. Delegates had received a revised draft decision from Co-Chairs Mamadou Honadia (Burkina Faso) and Harald Dovland (Norway) on Sunday, and negotiations continued on Monday morning. In the evening, the Co-Chairs provided a new proposal based on input from both developed and developing countries that included two key paragraphs on adopting the compliance mechanism at COP/MOP 1, and consideration of the amendment process. Differences remained on whether there is a need to amend the Protocol as proposed by Saudi Arabia. Informal consultations will continue on Tuesday, when the Co-Chairs will provide a new proposal.

**DEFORESTATION IN DEVELOPING COUNTRIES:** Chair Hernán Carlino (Argentina) presented draft conclusions. Papua New Guinea, for the G-77/CHINA and supported by many Parties, stressed the need to address both technical and policy aspects of this issue, and suggested including a reference to consideration by SBI as well as SBSTA. The G-77/CHINA also called for more expedited consideration of this issue by the COP and, supported by AUSTRALIA, CANADA and others, proposed including reference to incentives. The EU, US, ENVIRONMENTAL INTEGRITY GROUP and others preferred the text as presented, with the US emphasizing the discussion under SBSTA. The EU said submissions could also be sought from observer organizations. Informal consultations will continue.

**DETERMINATION OF A QUANTIFIED EMISSION REDUCTION COMMITMENT FOR BELARUS:** Informal consultations were convened by Andrej Kranjc (Slovenia). At

least one negotiating group raised concerns that an amendment to the Protocol would be needed for Belarus to become an Annex B Party. Further consultations are expected.

**EMISSIONS FROM INTERNATIONAL AVIATION AND MARITIME TRANSPORT:** Bilateral and small-group consultations with interested Parties were convened by José Romero (Switzerland). Discussions focused on a workshop on this issue. Consultations in a larger group setting are expected on Tuesday.

**FINANCIAL MECHANISM:** Informal consultations on the Adaptation Fund continued through the day, while the contact group reconvened in the evening to take up other outstanding items. Consultations on the Adaptation Fund resumed later in the evening.

**Adaptation Fund:** Delegates engaged in line-by-line discussion of the Co-Chairs' draft text. The Co-Chairs introduced a revised draft decision late in the evening that includes clean text in the preamble, but which has considerable bracketed text in the operational section.

**GEF Report to the COP:** Delegates agreed to revised draft SBI conclusions that are consistent with the contact group's previous decision that the conclusions should be short and focus on taking note of the report.

**Special Climate Change Fund:** SBI Chair Becker began informal consultations to resolve bracketed text. Key outstanding areas include language on the priority areas for the SCCF and the timing regarding the COP's review of the status of SCCF implementation in such areas.

**Implementation of Decision 5/CP.8:** Delegates agreed to the draft SBI conclusions that were considered at the previous meeting of the contact group.

**Additional Guidance to the GEF:** Delegates agreed to a draft COP decision that focuses on requesting the GEF to provide additional information on the impact of the RAF on the climate change focal area. The draft decision also includes language agreed to at a SBSTA contact group on potential support for carbon capture and storage technologies by the GEF.

**Application of the MOU between the COP and the GEF Council:** The Co-Chairs introduced a draft decision, noting that while the decision would apply, *mutatis mutandis*, the MOU with respect to guidance to the entity entrusted with the operation of the financial mechanism of the Convention, it would not apply to the Adaptation Fund, as no decision has been taken on the operational entity for that fund. Delegates will consult informally before reconsidering this item at the next contact group meeting.

**JOINT IMPLEMENTATION (JI):** During informal consultations, Parties considered parts of a Chair's draft COP/MOP decision. Developing countries proposed deleting reference to small scale JI projects, explaining that CDM small scale guidelines were adopted due to concerns specific to developing countries and the CDM process. An Annex I Party opposed the deletion, noting that many JI projects are small, and emphasizing the need to encourage mitigation measures. Highlighting the need to assist vulnerable countries, developing countries suggested levying 2% of JI Emissions Reduction Units (ERUs) for the Adaptation Fund. A developed country stressed the different objectives of JI and CDM under the Protocol and said that, unlike CDM, there is no need for JI projects to contribute to sustainable development in developing countries. No agreement was reached. Chair Daniela Stoycheva (Bulgaria) was to consult with interested Parties later in the evening, focusing on the use of the CDM's designated operational entities (DOEs), CDM methodologies and CDM project design document for second-track JI projects.

**MITIGATION:** The group met informally in the afternoon and late into the night. Discussions were continuing as of 11:45 pm.

**REPORT OF THE CDM EXECUTIVE BOARD:** Co-Chairs David Brackett (Canada) and André do Lago (Brazil) explained that five separate consultations had been held earlier on Monday with interested Parties on: administrative issues; additionality; carbon dioxide capture and storage under the CDM; share of proceeds to cover administrative expenses of the Executive Board; and whether local, national or regional policy standards and programmes can be considered CDM project activities. The Co-Chairs distributed a new draft decision. They characterized the informal consultations as constructive, although agreement had not been reached on the five topics listed above and on some other issues, including retroactive crediting and the CDM's continuity beyond 2012. Outlining the brackets, Co-Chair Brackett identified the question of policy standards and programmes under the CDM as one of the key areas requiring further consultations. The RUSSIAN FEDERATION proposed new text increasing the share of proceeds to cover the Board's administrative expenses to US\$0.50 per CER. BRAZIL responded that it was considering proposing to levy a share of proceeds from JI projects and emissions trading to the Adaptation Fund. The Co-Chairs asked Parties to reconsider these proposals and said informal consultations with interested Parties would continue on Tuesday afternoon.

**TECHNOLOGY TRANSFER:** Co-Chair Holger Liptow (Germany) reported to the contact group that a draft decision had been approved during informal consultations late Saturday, pending an agreement on draft conclusions. The draft decision, *inter alia*: invites Parties to submit their view on the status and continuation of the Expert Group on Technology Transfer (EGTT); requests the Secretariat to organize a senior-level roundtable discussion on technology cooperation and partnerships, deployment and transfer; and requests SBSTA to take into account existing technology-based international cooperation when considering future work for enhancing the implementation of the framework. Delegates agreed to the outstanding paragraph relating to the 2006 EGTT Work Programme, which dealt with a side event on public technologies. They also agreed to conclusions on a technical paper by the Secretariat on adaptation technologies discussed in a recent workshop in Trinidad and Tobago.

### IN THE CORRIDORS

Delegates were expressing growing concerns about divisions in negotiations on Monday night. Although several less controversial issues were resolved, arguments over financial matters and the mechanisms intensified, with at least one "shouting match" breaking out between delegates. According to talk in the corridors, a major point of contention is over how to make the mechanisms more attractive. Moves by developing countries to impose a levy on joint implementation projects to fund the Adaptation Fund were not well received by JI hosts and investors that stand to gain from JI. The proposal prompted what one participant called "a tit-for-tat response" from the Russian Federation aimed at increasing the levy on CDM – the mechanism focused on developing countries.

"It's like a competition between JI and CDM, with each side trying to make their mechanism more attractive to investors," alleged one expert. "This is the time to be taking issues off the negotiating table, not adding them," said another.

Others were more sanguine: "This will go down to the wire on Friday, and it's too early to expect Parties to give up any negotiating chips just yet," explained a veteran.

Meanwhile, informal consultations on Article 3.9 (future commitments) were still continuing late into Monday night. Delegates outside the room seemed confused as to what exactly was going on, and about how President Dion's latest initiative on future scenarios under the UNFCCC related to Article 3.9 talks.