

## SUMMARY OF THE UNFCCC DIALOGUE ON LONG-TERM COOPERATIVE ACTION: 15-16 MAY 2006

The first workshop of the UN Framework Convention on Climate Change (UNFCCC) "Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention" was held in Bonn, Germany, from 15-16 May 2006. The event took place prior to the twenty-fourth sessions of the Subsidiary Bodies (SB 24) of the UNFCCC (18-26 May) and the first session of the *Ad Hoc* Working Group (AWG) on Further Commitments for Annex I Parties under the Kyoto Protocol (17-25 May).

Both the UNFCCC Dialogue and the *Ad Hoc* Working Group under the Kyoto Protocol were organized as a result of decisions taken during the eleventh Conference of the Parties (COP 11) to the UNFCCC and first Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP/MOP 1) in Montreal in December 2005. The decision on the UNFCCC Dialogue (1/CP.11) resolved to engage in a dialogue to exchange experiences and analyze strategic approaches for long-term cooperative action on climate change through an "open and non-binding exchange of views, information and ideas."

During the two-day Dialogue, several hundred participants engaged in discussions and an exchange of views on the following issues: advancing development goals in a sustainable way; addressing action on adaptation; and realizing the full potential of technology and market-based opportunities. During this informal exchange of views, participants sat at round tables in a room that appeared at first glance to be set up more for a wedding party than for a dialogue on climate change. Some participants felt the exchange demonstrated some common views on the long-term future of the Convention. However, many commented that the first Dialogue was just the start of a longer process, and that the many divergent views on future action and directions could emerge more clearly as the process continued.

The workshop had no binding or negotiated outcome, although a co-facilitators' report will be produced by August. The event was the first of up to four workshops on this topic, all of which are to be organized by the UNFCCC Secretariat.

### OPENING OF THE MEETING

On Monday morning, 15 May, Richard Kinley, Officer-in-Charge of the UNFCCC Secretariat, welcomed delegates, noting that this session marked the beginning of two weeks of UNFCCC-related events, including SB 24, the UNFCCC

Dialogue and the *Ad Hoc* Working Group. Regarding the Dialogue, he noted submissions from a number of parties, and drew attention to general agreement on the need to strengthen action and to comments on market-based mechanisms. He explained that implementation of the Kyoto Protocol is moving ahead "full steam," with significant actions to achieve the Kyoto targets, although some parties may still need to intensify their efforts. He also noted approval of 180 Clean Development Mechanism (CDM) projects, with 600 in the pipeline. He added, however, that funding pledges made at COP/MOP 1 to support the CDM Executive Board had not all yet been honored, and that the Joint Implementation Supervisory Committee had also not received all of its funding. Highlighting recent progress in work on adaptation, he wished delegates success in their work.

Sigmar Gabriel, Federal Minister for the Environment, Nature Conservation and Nuclear Safety of Germany, drew attention to discussions at the recent 14th session of the UN Commission on Sustainable Development (CSD-14), which had highlighted that over 1.6 billion people still lack proper access to energy, and the need to support developing countries to adopt environmentally-friendly energy sources. He identified the CDM as a good example of North-South cooperation, stressed that recent fluctuations in carbon markets will not affect the market's importance and viability, and emphasized the European Union's (EU) goal of restricting climate change to 2° Celsius or less.

Rona Ambrose, Canada's Environment Minister and President of COP 11 and COP/MOP 1, emphasized climate change impacts in Canada's Arctic regions. She said that future international cooperation has the possibility to do more than just reduce greenhouse gas emissions, but also ensure cleaner air and improved human health. She underlined the need for a global approach focusing on adaptation, technology and policy instruments, and stressed that all parties must be involved.

**ORGANIZATION OF THE MEETING:** The co-facilitators of the Dialogue, Howard Bamsey (Australia) and Sandea de Wet (South Africa) outlined the planned organization of the meeting, noting that it was not a negotiation, but rather an open and non-binding discussion held "without prejudice to any future negotiations, commitments, process, framework or mandate under the Convention." Noting that delegates would bring a range of different views and expectations to these new and experimental discussions, Bamsey encouraged a focus on creative thinking, open dialogue and concrete actions. He added that the outcome of the meeting, a report by the co-facilitators, would not represent a consensus text or decision, but would serve as input for consideration at COP 12 and COP 13.

He explained that the workshop would begin with an initial exchange of views. This would be followed by a segment to exchange experiences and analyze strategic approaches for long-term cooperative action in four thematic areas: advancing development goals in a sustainable way; addressing action on adaptation; realizing the full potential of technology; and realizing the full potential of market-based opportunities. Following this, there would be an exchange of views and ideas on how to enable parties to continue developing appropriate national and international responses to climate change, promote research and investment, support action put forward voluntarily by developing countries, and promote access by developing countries to cleaner technologies and technologies for adaptation. The Dialogue would conclude with a discussion on future work and the focus of the second workshop.

### **EXCHANGE OF VIEWS ON ISSUES TO BE DISCUSSED IN THE DIALOGUE**

On Monday morning, parties engaged in an initial exchange of views about the issues on the Dialogue's agenda. A number of speakers stressed the need to address climate change in the broader context of sustainable development, while many also commented on technology development and transfer, energy sector policies and measures, market mechanisms, mitigation and adaptation.

Norway underscored the critical importance of an effective and appropriate international response to climate change. He favored a broad approach to the discussions, since climate change relates to many issues, and suggested inviting think tanks as well governments to provide pre-meeting submissions and inputs.

South Africa stressed the principle of common but differentiated responsibilities, urged improved organization and consolidation of existing work programmes, and highlighted the notion of "positive incentives" to encourage and support action in developing countries across a range of activities. She stressed the value of sustainable development policies and measures, the need for increased technology research and transfer, and the need for a Subsidiary Body for Implementation (SBI) programme of work on adaptation.

China observed that some aspects of the UNFCCC had not yet been implemented, as emissions have not declined, and technology transfer and capacity building have not been adequate. He supported taking UNFCCC implementation to a new level, stated that economic development was crucial to achieving sustainable development, and endorsed increased progress on adaptation. While observing that market mechanisms alone are not sufficient to address climate change, he said the CDM was a relatively sound mechanism that should continue to function after 2012.

Austria, speaking on behalf of the EU, underscored the 2°C temperature target, noting that a decrease in emissions of 15-50% was required by 2050. He stressed that the acceleration of climate change could render adaptation impossible in some cases, and said developed nations should continue to take the lead. Noting that Annex I parties cannot fight climate change alone, he urged discussion on how to achieve the Millennium Development Goals while following a low carbon emissions path.

Brazil stressed the urgency of climate change and the need to focus strictly on the UNFCCC. He said developing countries should receive positive incentives for doing more in terms of mitigation. Stating that no additional carbon mechanisms are needed, he said opportunities for market participation should be explored, including trade in renewable energies.

Saudi Arabia stated that whether climate change is occurring or not is irrelevant to the UNFCCC, since the Convention is based on the precautionary principle. He said Annex I countries have not taken the lead. Slovenia said a clear goal and decision on how to implement the UNFCCC fully is required. Japan stressed the need to focus on greenhouse gas stabilization and for engagement of all major emitters. He called for pragmatic approaches, underscored technology for energy efficiency and urged "solidarity." Noting that the world today is very different than it was in 1992 when the UNFCCC was adopted, he asked how long the "divide" in how countries address climate change can be maintained.

The Republic of Korea said lessons from previous in-session workshops on adaptation and mitigation should be considered in the discussion. Chile spoke about the negative effects of climate change, poverty and lack of access to energy.

Iceland stressed the need for collective action and supported using renewable energy, especially in developing countries. He proposed standards and benchmarking, tied to the Convention, for specific key industries and sectors. He also proposed analyzing the positive and negative effects of subsidies and taxes on climate change, and discussion on how to strengthen the role of land use, land-use change and forestry (LULUCF).

France stressed the need to change patterns of energy and infrastructure investments and to focus on how to provide the positive incentives to steer that investment. Hungary asked whether the CDM and sinks should be extended to work under the Convention. Tuvalu reminded delegates that small island states depend on collective action by the global community for their sustainable development, and argued that LULUCF creates disincentives for mitigation, in particular for renewable energy.

The US supported other speakers' comments on consolidating work programmes and linkages with trade, while cautioning against in-depth discussions on the temperature limits suggested by some. He highlighted strong agreement among speakers on the need to address climate change in the context of sustainable development, and also noted work on technology research development and demonstration projects.

New Zealand suggested that this Dialogue and future workshops could assess progress on UNFCCC implementation, identify relevant knowledge that was not available when the Convention was signed in the 1990s, and consider how to simplify the measurement and information requirements placed on parties, without sacrificing environmental integrity. Switzerland urged a strong focus on mitigation and using market-based opportunities to their full extent in all regions. He stressed that this meeting should be linked to other processes on long-term action, such as the *Ad Hoc* Working Group under the Kyoto Protocol.

Canada said the magnitude of the climate change problem dictates that governments must work with the private sector. Burkina Faso noted the growing impact of extreme events such as drought, desertification and floods, and called for an end to delays and inaction. Algeria said current commitments should be a focus of discussion.

### **EXCHANGE OF EXPERIENCES AND ANALYSIS OF STRATEGIC APPROACHES FOR LONG-TERM COOPERATIVE ACTION IN FOUR THEMATIC AREAS**

Following the initial exchange of views on Monday morning and afternoon, delegates shared experiences and opinions on strategic approaches for long-term cooperative action in four thematic areas: advancing development goals in a sustainable

way; addressing action on adaptation; realizing the full potential of technology; and realizing the full potential of market-based opportunities.

**ADVANCING DEVELOPMENT GOALS IN A SUSTAINABLE WAY:** On advancing development goals in a sustainable way, Uganda expressed concerns that climate change was making global economic inequalities even more pronounced, and Singapore outlined its experience as a small island state and its various policies and approaches. The Philippines underscored the divide between commitments made at high-level negotiations on sustainable development and actual negotiations at the technical level. Belarus stressed the need to educate children on sustainable development and climate change. He supported setting standards on energy consumption per unit of production.

Australia said it looked forward to the fourth assessment report of the Intergovernmental Panel on Climate Change (IPCC). She said Australia respects countries who decide to define what level of temperature change might constitute "dangerous climate change" when setting their own goals and targets, but that discussion on the adoption of such a definition by the Convention is not appropriate at the moment.

**ADAPTATION:** Tanzania and the Philippines said adaptation should have the same status as mitigation, expressing concerns that it had not yet been seriously addressed. Tuvalu underscored adaptation as a crucial issue, and called for urgent action rather than studies or pilot projects, implementation of UNFCCC Article 4.4 (developed country support for adaptation for vulnerable developing countries) and a process to ensure a rapid response to help countries suffering damage. The Philippines highlighted the need for innovative ways of financing. Egypt noted that mitigation efforts in developing countries are receiving more support than adaptation measures through the CDM.

**TECHNOLOGY:** On technology, the Russian Federation said much needs to be done to promote renewable and alternative energies, but cautioned that traditional energy sources such as fossil fuels would inevitably continue to be employed, and urged a focus on technology development and transfer to reduce their impact. Australia stressed technology and land-use approaches, welcoming a COP initiative to reduce deforestation in developing countries. She underscored that a ton of reduced carbon dioxide is the same regardless of the source or technology, and that there should not be ideological positions on this. Argentina said means should be found to ensure that CDM implementation results in technology transfer.

**MARKET-BASED OPPORTUNITIES:** The Russian Federation supported a "truly global carbon market." Tanzania said the problem cannot be left to the market alone, noting that obstacles to developing country participation, such as inadequate institutional capacities and lack of awareness, must first be addressed. Thailand underscored that the CDM is not the sole mechanism for technology transfer and noted that there is a limit to what market mechanisms can do.

#### **EXCHANGE OF VIEWS ON RESPONSES TO CLIMATE CHANGE, RESEARCH AND INVESTMENT, VOLUNTARY ACTION, ACCESS TO TECHNOLOGIES AND ADAPTATION**

On Tuesday morning, 16 May, Co-Facilitator Bamsey opened the meeting, emphasizing that the previous day's discussions had been valuable. He noted that the workshop agenda also referred to an exchange of views and ideas on how to enable parties to continue developing appropriate national and international responses to climate change, promote research and investment, support action put forward voluntarily by developing countries, and promote access by developing countries to cleaner

technologies and technologies for adaptation. He noted, however, that parties should feel free to comment on any relevant issues in this experimental format. He then opened the floor for comments.

Many delegates responded, with comments ranging over issues such as adaptation, financing and investment, the role of the private sector, technology, "positive incentives," as well as lessons learned from national experiences and changes since the UNFCCC was agreed in 1992.

India noted the relationship between energy consumption per capita and the human development index. He stressed technology transfer of clean technologies and the Asia-Pacific partnership. He said carbon savings from nuclear technology and hydropower storage should be tradable.

Noting the unwillingness to change lifestyles, the Republic of Korea stressed the future role of technology and the need for technology policies. He drew attention to existing technology cooperation initiatives outside the UNFCCC and said the Convention should provide an opportunity for those initiatives to be presented and linked to the UNFCCC.

Sweden emphasized that the task is to achieve development and at the same time reduce greenhouse gas emissions. He said de-linking growth from emissions is possible, citing Sweden as an example, where the economy grew 30% during a period when greenhouse gas emissions actually declined. He indicated that the key for Sweden's de-linking was a carbon tax. Canada called for better deployment of existing technologies and aggressive diffusion and demonstration of innovative technologies. He noted innovative approaches for international cooperation, such as those that are sectoral or intensity-based.

The Philippines said donors should not place conditions on funding, particularly for adaptation, and urged innovative mechanisms for financing adaptation. Norway urged discussion on a sectoral approach and on financing. Saudi Arabia stated that the UNFCCC, which is a "framework" treaty, could be built upon but that its basic principles should not change. He urged solidarity from Annex I parties to meet their commitments. Uganda stated that all the issues being taken up in the Dialogue eventually come down to technology, and expressed concerns that a market approach could further exacerbate the economic imbalance between different developing countries.

Germany highlighted the question of how to achieve the UNFCCC's ultimate objective, and stressed that it was not the EU's intention to negotiate its 2°C target. Ghana said the three Rio conventions (on desertification, biodiversity and climate change) should be addressed together in order to achieve sustainable development. He suggested that the IPCC be commissioned to analyze the costs of adaptation, and supported sectoral approaches for technology transfer. The Netherlands noted that one barrier to low carbon technologies is that climate change costs are not reflected in prices.

Brazil highlighted the potential of biofuels to mitigate climate change. Noting a lack of means and capacity, he urged a new paradigm to make South-South cooperation effective. France said infrastructure choices must allow for development and also for low emission paths. Saint Lucia, on behalf of AOSIS, said the 2°C target is unacceptably high for small island developing states, while agreeing that a science-based target is needed.

The European Community stressed the role of the private sector, noting that the total value of the global carbon market in 2005 was many times greater than government funding for the Global Environment Facility. He stressed the importance of a global carbon market with a sound legislative and regulatory

framework and long-term certainty. South Africa expressed concern at the lack of progress on technology transfer, identifying financing as a major obstacle.

The UK identified some cross-cutting themes, including financing and scientific uncertainty, which is particularly problematic for adaptation. China urged intensifying efforts to implement the Convention rather than considering changing the basic principles or developing a new mechanism. He highlighted the principle of common but differentiated responsibilities. Japan stressed the importance of mitigation, without which some adaptation could become unaffordable.

Kazakhstan said adaptation measures are vital. Chile said the CDM is just one option for technology transfer. Papua New Guinea outlined its proposal to replace perverse incentives for deforestation with positive incentives to avoid deforestation by valuing ecosystem services and reforming commodity pricing. He urged flexible incentives for North-South and South-South relations.

The Russian Federation noted lack of scientific certainty relating to climate systems, the value of reliable data, and the critical importance of technology transfer. Cameroon highlighted the debilitating costs of climate change that is already occurring in developing countries due to increased drought and other phenomena. Cuba noted the impact of extreme weather events, highlighted the need to act now even without perfect knowledge, and stressed the importance of effective early warning systems. Reporting on Cuba's efforts to improve its energy systems, he highlighted the opportunities for progress when financial and technological support is combined with political will.

Kenya underscored adaptation and funding for sustainable development policies and measures. She stressed that only 2% of CDM projects are in Africa. New Zealand emphasized the question of what shape long-term action could take, noting that many ideas have been presented but that a "reality check" in the UNFCCC context is needed. He underscored that some of those ideas will be needed no matter how existing provisions of the UNFCCC are implemented.

Tuvalu noted discussions on the same issues at CSD-14 and stressed the need for direct linkages between climate change and sustainable development. He underscored the need to recognize the Mauritius Strategy and said savings from home-grown technologies will help to cope with adaptation costs.

### **OBSERVER ORGANIZATIONS**

On Tuesday afternoon, observer organizations were invited to present their observations to the group. Environmental non-governmental organizations underscored the "planetary emergency" climate change presents, noting that the time remaining to address it is rapidly running out. He said the need for agreement on what constitutes dangerous levels of climate change was long overdue. He also underscored the need to expand market mechanisms significantly in order to reduce emissions, noting that deep reduction commitments are required to maintain the carbon market, and that voluntary commitments are not adequate.

Business and Industry groups said business expects consistent, coherent, long-term policies that provide markets with the necessary signals to undertake investments. She said policy should be flexible to accommodate new scientific evidence and correct unintended consequences of previous policies. She added that long-term action should pursue voluntary and market-oriented approaches, address capital markets, and stimulate research and development and capacity building, particularly

in developing countries. She also called for the promotion of public-private partnerships and welcomed the G8 and Asia-Pacific Partnerships.

### **GUIDANCE ON THE ORGANIZATION OF FUTURE WORKSHOPS**

Late on Tuesday afternoon, Co-Facilitator Bamsey invited delegates to provide guidance on the organization of work of subsequent workshops. Most delegates noted the need for focused discussions.

The US suggested devoting half a day to each of the four items, with a presentation leading each item. He said the co-facilitators could prepare questions that capture the current discussion and circulate them among parties well in advance of the next Dialogue.

Switzerland said the second workshop should concentrate on technical or practical activities. He suggested that the co-facilitators should provide a document by the end of August 2006.

South Africa suggested that the second workshop could consider technology transfer and market opportunities, while the third could consider sustainable development and adaptation, and the fourth might take up cross-cutting issues such as funding. She said a further workshop on positive incentives could be useful, and said consideration should be given to what the outcome(s) of these workshops should be.

Norway noted that this workshop had been much more constructive than he had expected, without the "shaming and blaming" he had been concerned about. He expressed confidence that the co-facilitators, in consultation with the UNFCCC Secretariat, could select key issues and invite appropriate speakers for the subsequent workshops. He requested that each future workshop focus on just a few key questions.

Brazil stressed that the workshops should be consistent with the original COP 11 decision. The EU said this workshop had helped parties understand one another better. She noted parties' comments on the need for subsequent workshops to cover just one or two key topics. She also suggested a focus on cooperative actions and said a set of helpful questions could be developed.

Hungary noted the constructive dialogue and urged discussions on barriers and opportunities to enhance UNFCCC implementation. He urged strict time limits on speakers so the dialogue flows and is interactive.

Canada said the workshops should build on work already carried out under the UNFCCC and draw on relevant processes outside the UNFCCC. China said the second workshop should focus on parties' actions taken to implement the Convention, actions that should have been taken, and steps to overcome obstacles to implementation. Noting that many bilateral technology-transfer activities are not conducted through the UNFCCC, Japan said future discussions should consider broader issues in examining implementation.

Saudi Arabia said the dialogue should focus exclusively on enhancing implementation and on the four areas described in the relevant COP 11 decision. The Philippines said lessons learned so far should be consolidated and there should be a review of how all countries have implemented their commitments to date.

Co-Facilitator Bamsey said he and his colleague would present proposals on how to organize the next Dialogue by the end of August, and welcomed additional written contributions by the end of May. Thanking participants for their presentations, ideas and input, he closed the meeting at 6:13 pm.