

KYOTO PROTOCOL *AD HOC* WORKING GROUP: WEDNESDAY, 17 MAY 2006

The first session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) began on Wednesday, 17 May. It is scheduled to continue in parallel with the 24th sessions of the UNFCCC Subsidiary Bodies (SB 24) until 25 May (SB 24 is scheduled for 18-26 May). On the AWG's first day, parties elected the Chair and Vice-Chair and provided initial views on the AWG's future work plan.

OPENING OF THE AWG

On Wednesday afternoon, COP/MOP 1 Vice-President Enele Sopoaga (Tuvalu) welcomed delegates and noted that COP/MOP 1 President Rona Ambrose (Canada) was unable to attend. He drew attention to COP/MOP 1's Decision 1/ CMP.1, which he said initiated a process to consider further commitments by Annex I parties for the post-2012 period, in accordance with Kyoto Protocol Article 3.9. He explained that the AWG was a new subsidiary body designed to facilitate this process, and that it would be an open-ended *ad hoc* group that would report to each session of the COP/MOP.

Vice-President Sopoaga noted that consultations had been held on candidates for the AWG bureau, and proposed Michael Zammit Cutajar (Malta) as Chair and Luiz Alberto Figueiredo Machado (Brazil) as Vice-Chair. Parties elected both candidates by acclamation. Consultations on a rapporteur will continue.

AWG Chair Zammit Cutajar said the AWG is important because it presents an opportunity to Annex I parties to demonstrate leadership and an occasion to give a signal of continuity to the carbon markets. He stressed the significance of the AWG as part of a larger process both inside and outside the UNFCCC, noting that the AWG by itself does not have the mandate to open or encourage contributions from non-Annex I parties or Protocol non-signatories such as the US. Calling for a harmonious fit with other parts of the process of considering the future of the climate regime, he expressed hope that the work would proceed with momentum, motivation and ambition.

Richard Kinley, Officer-in-Charge of the UNFCCC Secretariat, emphasized the potential of market forces and the need for long-term and cohesive policies to fully unleash their power.

Parties adopted the agenda, as proposed (FCCC/KP/ AWG/2006/1). Chair Zammit Cutajar suggested starting in plenary with country statements on the AWG's future work, and

then allowing participants to respond. Discussions would then be taken up in contact groups and informal consultations. Parties agreed to this proposed organization of work.

GENERAL STATEMENTS: Many parties commented on the AWG's future work plan, focusing on such issues as the nature and strength of the second commitment period, the timescale/length of the next commitment period and other matters relating to timing, continuity between the first and second commitment periods, links with other processes such as Protocol Article 9 (review of the Protocol), key topics that should be discussed by the AWG, and the scientific basis of the AWG's work. Several parties highlighted the urgent need to move forward on future commitments under Article 3.9, and that there should be no time gap between the end of the first commitment period and start of the second.

Future commitments: On the nature of future commitments, South Africa, for the G-77/CHINA, said Annex I commitments for the second commitment period should be "substantially stricter" and stressed the need for information on Annex I countries' performance toward meeting their targets for 2008-2012. Nigeria, for the AFRICAN GROUP, lamented the low level of commitments from some Annex I countries, including the lack of resources for capacity building and technology transfer. With INDIA, he called for stricter commitments for the second commitment period. INDIA added that more extensive use of the CDM would help to facilitate equitable burden sharing among Annex I countries through lower compliance costs and would encourage Annex I parties to adopt deeper reduction targets, while contributing to adaptation efforts through the 2% levy on CDM projects. The EU said commitments must be clearly defined and fair. He restated the EU's goal of restricting the temperature increase to a maximum of 2°C, and highlighted how the European Emissions Trading Scheme had introduced the price of carbon to the private sector. Tuvalu, speaking for AOSIS, stressed the need for significant contributions from all parties and, with BOLIVIA, said the 2°C target is not ambitious enough. He highlighted historical emissions and the impacts of insufficient action. EGYPT underscored the principle of common but differentiated responsibilities. SINGAPORE stressed that AWG specifically addresses Annex I commitments and drew attention to the importance of market mechanisms.

CLIMATE ACTION NETWORK (CAN) EUROPE, speaking for environmental NGOs (ENGOs), stressed the importance of Annex I countries taking the lead, while adding that all parties need to play their part. He stressed the need for new market mechanisms for developing countries, which could include sectoral approaches.

Length of the second commitment period: CHINA said the second commitment period could be longer and offer more flexibility, and appreciated the EU's proposal for 15-30% reductions for developed countries. ALGERIA, with SAUDI ARABIA, said the second commitment period should extend until 2025-2050, and should contain significant commitments. JAPAN raised various questions, including how long the second commitment period should last, its modalities, and who should be included.

ENGOs said that although a five-year commitment period might be short, there is a need for sufficient control to ensure political accountability and flexibility. The UNION OF INDUSTRIAL AND EMPLOYERS' CONFEDERATIONS OF EUROPE, on behalf of business and industry NGOs (BINGOs), urged a long-term framework with wide participation.

Links with other processes: The RUSSIAN FEDERATION, CANADA, NORWAY and SWITZERLAND noted the linkages between this process and the one for Article 9, while the G-77/CHINA, ALGERIA, SAUDI ARABIA, EGYPT and INDIA suggested that each process was independent. CHINA stressed that the AWG has a clear mandate and warned against complicating its task. ICELAND emphasized that the process cannot be isolated from other developments within the UNFCCC and elsewhere. NEW ZEALAND cited convergence with other climate change initiatives, including the UNFCCC dialogue. MEXICO observed that although there is no legal linkage between Article 3.9 and other articles, there are political and functional connections.

Topics for the AWG's consideration: NORWAY mentioned the second commitment period's "ambition level" and an analytical basis for differentiating commitments. He said LULUCF issues, bunker fuels and flexible mechanisms should also be considered. NEW ZEALAND agreed with the proposal to discuss LULUCF, and suggested a discussion on the strengths and weaknesses of the Protocol. He supported starting with an analysis and assessment phase that would include emissions trends of all Convention parties.

BRAZIL characterized the AWG's work as a straightforward task that should simply lead to deeper commitments by Annex I parties. He suggested that the group should complete its work by 2008 or 2009, and said that discussions should not lead to opening or reopening previous agreements under the UNFCCC or the Protocol. ENGOs agreed that the process should be concluded by 2008, supported including LULUCF and bunker fuels, and said the process should not be tied to the electoral cycle of the US.

REPUBLIC OF KOREA said Annex I countries should take the lead in disseminating technology and, with MEXICO, proposed starting with a stocktaking exercise. SWITZERLAND suggested establishing a flexible plan of work to be completed in 2007 and using information contained in national reports. He said substantive issues should include distribution of emission reductions among parties and sectors. The EU said the work plan should have the flexibility to accommodate issues that come up at a later stage.

CANADA said future action should allow parties to choose the best combination of results-oriented actions that lead to real reductions in greenhouse gas emissions. She highlighted a sectoral approach, transparency and information sharing. ICELAND mentioned sectoral targets, including sectoral benchmarking. The RUSSIAN FEDERATION highlighted the issue of voluntary commitments, and Chair Zammit Cutajar confirmed that informal negotiations on voluntary commitments would be held, with details on the negotiations pending.

Scientific basis: Several parties, including the EU, AOSIS, RUSSIAN FEDERATION and CANADA stressed the need for a scientific basis to the AWG's work. BINGOs called for a framework that stimulates scientific research and encourages public-private partnerships and voluntary actions.

Conclusion: Summarizing the first round of discussions, Chair Zammit Cutajar identified a number of themes that had emerged, including the speed and timeline for the process, the complexity or simplicity of the task ahead, possible linkages with other processes, burden-sharing and allocation, costs, architectural issues, sectoral approaches, bunker fuels, methodological matters and the AWG's working methodology. He indicated that informal consultations on the AWG's future work would begin on Thursday evening, 18 May. He said the focus of these consultations would be the issues raised by parties, and that consideration could be given to what work should and should not be undertaken by the AWG. The AWG plenary will reconvene on Monday afternoon, 22 May.

EXPERT MEETING ON ECONOMIC DIVERSIFICATION

In addition to the AWG, a number of experts also met from 16-17 May in a closed meeting on economic diversification. The meeting was held as a result of Decision 1/CP.10 taken at COP 10 in December 2004, which outlines the Buenos Aires programme of work on adaptation and response measures, and requests the secretariat to organize a meeting prior to SBI 24 "to consider how economic diversification might be integrated into and support sustainable development strategies."

The meeting involved contributions from representatives of the International Institute for Sustainable Development, International Energy Agency, University College London and various other organizations, as well as government officials from Saudi Arabia, Australia, the EU and others. Delegates engaged in discussions on possible technical support, foreign and domestic investments and partnerships to support economic diversification, and consideration of lessons learned (more information: http://unfccc.int/meetings/workshops/other_meetings/items/3639.php).

IN THE CORRIDORS

UNFCCC Executive Secretaries old and new were being discussed in the corridors on Wednesday. The first topic of conversation was the late start of the AWG's first meeting, which was pushed back from 10:00 am to 1:00 pm. The delay was due to disputes over the leadership of this new group that will deal with the sensitive issue of post-2012 commitments under Protocol Article 3.9. Apparently, there was some North-South/regional jostling over positions and also over the length of time the bureau would serve, with some preferring a one-year term over the two years served by SBI and SBSTA chairs. The consultations resulted in former UNFCCC Executive Secretary Michael Zammit Cutajar – a highly respected figure in the climate process – taking the chair, and Brazil's Luiz Alberto Figueiredo Machado accepting the Vice-Chair's post. However, disputes apparently remain over whether the rapporteur's position will go to a developing country or an economy-in-transition.

There was also speculation over the next UNFCCC Executive Secretary, with some delegates noting that the UNFCCC Bureau had not yet been presented with a name by the "powers that be" at UN headquarters in New York, although a shortlist was announced more than two months ago. However, one insider expected a decision "within weeks rather than months."

Finally, early rumors about the possible venue of COP 13 and COP/MOP 3 in 2007 were already swirling, even though a decision is not due until COP 12 later this year. With 2007 being Asia-Pacific's turn to host the meeting, there was speculation that one south-east Asian nation might be interested. "I won't say who, but it's north of Malaysia and begins with the letter 'T'.... oh, and the capital is Bangkok," added one rather transparent participant.