

COP 12 AND COP/MOP 2 HIGHLIGHTS: THURSDAY, 16 NOVEMBER 2006

On Thursday, the joint COP and COP/MOP high-level segment continued with over 50 statements from ministers and heads of delegation. The second workshop of the "Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention" also continued. Informal consultations and contact groups took place on issues such as the CDM, review of the Protocol (Article 9), the Russian proposal, and the Belarus proposal. Finally, an informal ministerial meeting was held late Thursday night to consider a number of these outstanding issues.

JOINT HIGH-LEVEL SEGMENT

COUNTRY STATEMENTS: Parties reflected on various topics, including post-2012 issues, adaptation, CDM, forestry and financing.

Post-2012 issues: Many parties highlighted the urgency of agreeing on a post-2012 regime, with some stressing it should involve all major emitters, and others underscoring the principle of common but differentiated responsibilities. SWEDEN and JAPAN favored three tracks – the Dialogue, Article 9 and AWG. BRAZIL called for progress on the "two track approach" and said Article 9 calls for "a review, not a revision." MEXICO expressed willingness to consider participation in the climate change regime in the context of flexibility, stressing programmatic and sectoral approaches. INDIA said several key Annex I countries had failed in their Protocol commitments, and described calls for developing countries to take on emissions commitments post-2012 as "shrill," "surreal," and a threat to poverty alleviation efforts. JAPAN supported acknowledging processes outside the UNFCCC, such as the Asia-Pacific Partnership. BELARUS urged resolution of its proposal in Nairobi. UKRAINE expressed concern at "the blocking of the negotiation process on voluntary commitments," and hoped that Annex I and non-Annex I parties could find a compromise in undertaking obligations. INDONESIA called on Annex I Parties to agree on post-2012 emissions targets in the AWG by 2008. He announced his country's offer to host COP 13 and COP/MOP 3.

Adaptation: Many developing countries stressed adaptation. TURKEY noted that adaptation to sea-level rise will cost an estimated 6% of its GDP. ZAMBIA suggested that the proposed adaptation expert committee function under SBI, to ensure coherence among various adaptation measures. BURUNDI and BHUTAN urged equitable distribution of adaptation funding, particularly to LDCs.

CDM: Many African countries lamented their "disheartening" share of CDM projects, calling for capacity building and technology transfer, and welcoming the Nairobi Framework. SPAIN announced its €2 million pledge to the UNDP-UNEP initiative aimed at fostering developing countries' access to the CDM. UGANDA described the development of Africa's first eco-city and appealed for funding to support such initiatives. ICELAND underscored Africa's renewable energy potential. LIBYA called for inclusion of CCS under the CDM, and NEPAL highlighted small-scale biomass and community forestry CDM projects.

Forestry: Several countries highlighted forests' contribution to addressing climate change, and positive incentives on deforestation. TANZANIA called for recognition of the environmental services provided by forests, and COSTA RICA said activities to prevent deforestation should be eligible for financial compensation. BOLIVIA drew attention to indigenous communities as true guardians of natural resources.

Financial matters: Regarding the financial mechanism, NIUE appealed for improved modalities to access the GEF Trust Fund, while the PHILIPPINES said the GEF should be more responsive to developing country needs and opposed conditionalities in the operation of the climate funds. GHANA stressed the need for a multilateral technology transfer fund. The DOMINICAN REPUBLIC supported the Swiss proposal on individual and business carbon tax.

UNITED ARAB EMIRATES urged addressing the adverse effects of response measures. MALAYSIA, EGYPT and others expressed disappointment at the lack of progress on technology transfer.

Webcast records of the high-level segment will be available at http://unfccc.int/meetings/cop_12/webcast/items/3882.php

UNFCCC DIALOGUE

ADVANCING DEVELOPMENT GOALS IN A

SUSTAINABLE WAY: Parties continued their discussions from Wednesday. SOUTH AFRICA outlined steps to achieve co-benefits through sustainable development policies and measures to address climate change, citing the example of energy-saving building techniques in housing projects to reduce emissions and improve quality of life for those in poverty. She stressed the need for innovative financing mechanisms to support climate action. The REPUBLIC OF KOREA reminded parties that the Convention's objective (Article 2) includes impacts on ecosystems, which are increasing. Attributing its low *per capita* emissions to a lower carbon pathway, INDIA emphasized sustainable consumption and

production, technology transfer and capacity building. The US underscored placing climate change within a broader agenda than just development and poverty reduction, including energy and food security, and air pollution. JAPAN highlighted the role of domestic action to facilitate the transfer of technologies and AUSTRALIA stressed enabling environments. Parties agreed to ask the COP to request the Secretariat to prepare an analysis on climate-related financial flows.

REALIZING THE FULL POTENTIAL OF MARKET-BASED OPPORTUNITIES: ELECTRICITE DE FRANCE said the market approach should be articulated alongside other policies and measures, in a balanced manner. Regarding the EU Emissions Trading Scheme (ETS), she noted the need for longer commitments. ESKOM stressed electrification needs in Africa, how electrification underpins economic growth, and the need to engage markets in innovative ways.

The EU underscored, *inter alia*: demand drivers for CDM; a new EU fund – the Global Energy Efficiency and Renewable Energy Fund (GEEREF) – expected to be worth €100 million; that the EU as a whole will probably exceed its Kyoto targets; that ETS will allow it to meet those targets at half the cost; and linking ETS to other cap-and-trade systems. JAPAN said market mechanisms should be accompanied by other sets of actions and urged linking national caps to national energy efficiency levels. CLIMATE ACTION NETWORK said carbon market investors should contribute to sustainable development. The NETHERLANDS highlighted its recent “Make markets work for climate” workshop. AUSTRIA asked how to address transport emissions using market-based mechanisms. SPAIN stressed broader participation on the basis of equity and flexible approaches, and sectoral CDM. GERMANY noted the absence of a clear carbon price signal after 2012 and the need to signal prices for longer periods to secure investments.

OTHER PROCESSES AND INITIATIVES: Elliot Diringer, Pew Center, outlined the key outcomes of a climate dialogue held at Pocantico, US, including support for: the involvement of major economies through a flexible UNFCCC framework; an integrated approach to meet more ambitious targets; and an informal dialogue outside the UNFCCC to help reach political consensus. Responding to questions, he explained that there was consensus at the Pocantico Dialogue on the need to continue with emissions targets, complemented by other approaches that would together result in a carbon price. He stressed mobilizing existing technology and the need for a different policy approach to long-term technology development.

Ned Helme, Center for Clean Air Policy, presented on the sectoral approach for creating incentives to reduce greenhouse gas emissions post-2012 by targeting key sectors in key countries through energy-intensity benchmarks, and allowing sales of net emissions reductions beyond voluntary pledges. He highlighted a study of domestic measures in China, Brazil and India showing that significant reductions are mostly made unilaterally and not necessarily within the CDM framework. He explained that these efforts are equivalent to almost 40% of EU actions within Europe through 2010.

CONTINUED DEVELOPMENT OF NATIONAL AND INTERNATIONAL RESPONSES: Parties then exchanged views on “concrete actions that would enable parties to continue to develop effective and appropriate national and international responses to climate change.” The US outlined other mechanisms including incentives, voluntary product labeling, tax breaks and companies taking voluntary action to generate a positive public image. FRANCE advocated clean energy and selecting the right

technologies for future reduction targets. He also asked for in-depth analysis of emission trends in time for the next workshop. The UK noted the need to move away from the “black and white world” of Annex I and non-Annex I parties by “developing shades of grey” such as those outlined in the Pocantico Dialogue, and proposed a workshop to further explore the role of the private sector, government and public finance in the future framework.

ORGANIZATIONAL ISSUES: The Secretariat outlined the AR4 schedule, including a briefing for SB 26 on the three working groups’ reports, and the IPCC presentation of the AR4 synthesis report at COP 13. The US noted the overlap between SB 26 and CSD-15.

CLOSE OF THE WORKSHOP: Closing the meeting, Co-Facilitator Howard Bamsey said the next workshop under the Dialogue will focus on adaptation and vulnerability. He declared the meeting closed at 5:25 pm.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

CDM: The contact group discussed a revised draft decision for COP/MOP 2, consisting of a preamble, general issues, and sections on governance, methodologies, regional distribution and capacity building, and resources for work on the CDM. On governance and the CDM Executive Board (EB), the EU agreed to a G-77/China proposal to refer to improvements in making the rationale for decisions publicly available. Regarding regional distribution and capacity building, after outstanding issues were referred to ministers, the EU accepted an African Group proposal to encourage Annex I parties’ further initiatives, including financial support, for the development of projects, especially in LDCs, Africa and SIDS. The EU subsequently dropped its reservation on a paragraph referring to CDM EB annexes on the eligibility of land for A/R projects, and the text was agreed by the group.

ARTICLE 9: The review of the Protocol was taken up in consultations throughout the day, and in the evening as part of a ministerial meeting. Following Chair Tudela Abad’s introduction of draft text on Thursday morning, progress was made on the text, but differences remained on issues including a “confidence” clause specifying that the review will not lead to non-Annex I commitments, and the dates for the next review, with proposals ranging from 2 to 5 years. The text reportedly remained bracketed as of midnight.

IN THE BREEZEWAYS

Ministers convened late Thursday night in an urgent session to try to pull together a deal on some of the key outstanding issues such as Article 9 and the Belarus and Russian proposals. The gatherings took place in the Kiboko room—a makeshift “greenhouse” made almost entirely of glass—and the high-level participants were the subject of scrutiny as NGOs and other “negotiation watchers” held an evening vigil as they waited for breaking news. “At least the windows help ‘transparency,’” joked one NGO delegate. Meanwhile, other small negotiating groups worked in the evening around Gigiri on individual elements of the deal.

By 12:40 am Friday morning, though, there was still no sign of a final deal, with ministers mulling over the Belarus proposal. There was also talk that earlier Article 9 discussions had soured after a remark by one Annex I official on non-Annex I commitments reportedly struck a nerve.

ENB SUMMARY AND ANALYSIS: The *Earth Negotiations Bulletin* summary and analysis of COP 12 and COP/MOP 2 will be available on Monday, 20 November 2006 online at: <http://www.iisd.ca/climate/cop12/>