

SB 26 HIGHLIGHTS: MONDAY, 14 MAY 2007

On Monday, the third session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) began. The AWG spent most of the day in a round-table discussion on the mitigation potentials of policies, measures and technologies. In addition, contact groups and informal consultations under the SBSTA and SBI continued on a variety of issues, including: the Adaptation Fund; deforestation; IPCC guidelines for national greenhouse gas inventories; research and systematic observation; small-scale afforestation and reforestation CDM project activities; and technology transfer.

AWG

On Monday morning, AWG Chair Leon Charles (Grenada) opened the meeting and identified the need to bridge traditional divides and work in an atmosphere of trust and confidence. He called for a clear signal that the AWG is on track to complete its work on time. Parties then adopted the agenda (FCCC/KP/AWG/2007/1). South Africa, for the G-77/CHINA, called for “deep and ambitious” commitments from Annex I parties. The EU drew attention to low-cost mitigation potential identified by IPCC WGIII and stressed that “costs of action are small compared to costs of inaction.” Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP, called for mitigation efforts that take into account national circumstances.

ROUND-TABLE DISCUSSION: The round-table discussion on mitigation potentials of policies, measures and technologies was held during the morning and afternoon sessions. The morning session focused on providing an overview and on cross-cutting issues. The afternoon session was divided into three parts, focused on energy efficiency, non-carbon dioxide greenhouse gas emissions and sinks, and consolidation of sectoral approaches.

Overview and Cross-Cutting Issues: Bert Metz, IPCC, outlined long-term mitigation and stabilization scenarios illustrating that in order for global carbon dioxide emissions to stabilize, they would have to peak and then decline against a backdrop of a baseline showing a strong upward trend.

Artur Runge-Metzger, European Commission, discussed adequacy, feasibility and fairness as cross-cutting issues for the EU. He stressed the need for industrialized countries to take the lead, and noted the EU’s commitment to reduce emissions by 20% by 2020.

Arne Mogren, Vattenfall AB, presented a bottom-up analysis of abatement potential using a 2°C increase scenario, noting substantial mitigation potential at negative cost, fragmentation of opportunities

across all sectors and regions, and the need to begin immediately. He underscored clear carbon price and policies that promote trust among market players and the need for coordinated support for key policies.

Harald Dovland, Norway, outlined Norway’s goal of reaching a 100% reduction in domestic emissions by 2050 (that is, becoming carbon neutral), highlighting the wide array of measures needed, including taxes, an emissions trading scheme and carbon capture and storage. He emphasized feasibility of implementation.

Fareed Al-Asaly, Saudi Arabia, highlighted the “spillover” effects from the implementation of climate change response measures and the economic consequences of energy policy choices by Annex I parties on fuel exporting nations.

Markus Amann, International Institute for Applied Systems Analysis, outlined synergies between greenhouse gas and air pollution control in Europe. He gave an overview of the GAINS (Greenhouse Gas and Air Pollution Interactions and Synergies) model used to assist in the search for pollution and control strategies that maximize benefits across all scales.

In the question and answer session, participants addressed, *inter alia*, joint fulfillment of commitments within the EU, spillover effects of mitigation, and the agricultural sector’s contribution.

On a question about ways to maximize the mitigation potential of policies, technologies and measures to promote structural change, Metz noted that least-cost options are not always the most convenient as a first choice, while Dovland emphasized co-benefits and the use of various economic instruments, and Runge-Metzger highlighted stakeholder involvement.

Energy Efficiency: Richard Baron, International Energy Agency, labeled energy efficiency as the “first fuel” due to its vast potential to reduce energy use and emissions cost-effectively. Noting that many barriers exist, however, he said government leadership is required to achieve change.

Kazuhiko Hombu, Japan, discussed Japan’s policies to become the world’s most energy-efficient country. He noted significant progress to date, and a new goal of further improving energy efficiency by 30% by 2030 compared with 2003. He concluded, *inter alia*, that “evaluation of global emissions reduction potential is important.”

Hugi Olafsson, Iceland, outlined his country’s successful energy shift from coal to renewables, noting the long-time horizon required to develop capacity and technology, and a new strategy looking beyond the energy sector.

In the question-and-answer session, SOUTH AFRICA questioned Hombu’s reference to global emissions and CHINA stressed that the AWG’s focus should be on Annex I parties. Hombu noted that

the global situation is changing rapidly with dramatic increases in emissions from developing countries, and that Japan would like to cooperate with other countries on energy efficiency.

Non-Carbon Dioxide Greenhouse Gas Emissions and Sinks:

Discussing the agricultural sector, Louis Verchot, World Agroforestry Centre, identified several mitigation opportunities, such as reducing deforestation and the use of fertilizers.

Indicating that 50% of New Zealand's emissions originate from the agricultural sector, Harry Clark, New Zealand, outlined opportunities for and barriers to mitigating emissions from grazing animals in the short, medium and long term.

During the ensuing discussion, CANADA outlined its mitigation measures in the agricultural sector, including a possible emissions trading scheme. Verchot drew attention to the link between biofuels and deforestation, and identified agroforestry as an area with potential synergies between adaptation and mitigation. Clark explained that for efficient producers, such as New Zealand, where profit margins are small, mitigation policies must be either low cost or have co-benefits.

Consolidation of Sectoral Approaches: Bert Metz, IPCC, outlined national policies and instruments available to governments to create incentives for different stakeholders, including regulations and charges, tradable permits, financial incentives and voluntary agreements. He observed that the most effective policies make new technologies attractive, and that voluntary agreements have not yet delivered significant emissions reductions as a result of being loosely applied and not rigorously designed.

Nicole Wilke, EU, gave an overview of the EU Emissions Trading Scheme (ETS) which she said is a simple, cost-effective, sector-wide approach to reducing emissions and is a major player in the global carbon market.

Thomas Kolly, Switzerland, highlighted Switzerland's efforts to reduce emissions over a number of sectors, adding that his country had among the lowest *per capita* emissions in the OECD, but faced a looming electricity supply gap in the future.

In the ensuing discussion, delegates raised questions concerning increasing the level of technological investment by Annex I parties, expanding the EU ETS to include other gases, and the merits of regulatory approaches as opposed to voluntary agreements.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

ADAPTATION FUND: During a morning contact group meeting, Co-Chair Uosukainen introduced a draft COP/MOP decision focusing on eligibility criteria, priority areas and monetizing the share of proceeds. He explained that the text would be forwarded to Bali as part of the overall package on the Adaptation Fund and that its final adoption would only take place after everything else, including institutional arrangements, has been agreed. Delegates agreed to the text as presented, and the G-77/CHINA and the EU commended the constructive spirit of the negotiations.

In the afternoon, delegates reconvened for informal consultations and exchanged views on institutional arrangements, including the composition of the governing body. The Co-Chairs also presented draft SBI conclusions, which will be discussed on Tuesday.

DEFORESTATION: During informal consultations, Co-Chair Rosland presented draft SBSTA conclusions prepared by the Co-Chairs based on drafting group discussions and subsequent statements by parties. Delegates made general comments on the preambular paragraphs, focusing on the inclusion of forest degradation and forest stabilization and conservation, and on the groups' mandate. Delegates also undertook a line-by-line discussion on the first two operative paragraphs. They discussed, *inter alia*, wording acknowledging ongoing and country-specific efforts, and reference to voluntary participation in further efforts.

IPCC GUIDELINES FOR NATIONAL GREENHOUSE

GAS INVENTORIES: During informal consultations, Co-Chair Elhassan presented revised text and parties made progress, accepting four paragraphs after clarifying language. Outstanding paragraphs that will be taken up on Tuesday address: methodological issues; the 2008 workshop on experiences and issues related to the IPCC 2006 guidelines; and the importance of continuous improvements to greenhouse gas inventories.

RESEARCH AND SYSTEMATIC OBSERVATION:

Informal consultations resumed on Monday morning, with delegates discussing text on the role of the dialogue with regards to research gaps and research capacity constraints in developing countries. While developing countries had previously preferred text noting that a dialogue "would identify" such gaps, developed countries had sought alternatives such as "could identify" or "would review." Parties agreed to a compromise proposal that noted "the importance of such a dialogue to identify" gaps. Delegates also discussed a series of proposals by one developed country, with other developed and developing countries rejecting text that would have assumed that the dialogue process will not start until SBSTA 28.

With all outstanding issues resolved, Co-Chair Castellari immediately reconvened the formal contact group, which approved the text with minor editorial corrections.

SMALL-SCALE AFFORESTATION AND

REFORESTATION UNDER THE CDM: In the contract group, Co-Chair Akahori gave an overview of the discussions on implications of a possible change in the limit for small-scale afforestation and reforestation under the CDM. Parties considered draft SBSTA conclusions previously agreed during informal consultations, agreeing to the text with minor editorial changes and thus completing their work.

TECHNOLOGY TRANSFER: In informal consultations held throughout the afternoon, parties discussed the functions of the constituted body under its terms of reference. Clear differences remained over whether the constituted body should report to the SBSTA, SBI or COP. Some developed countries favored reporting to the SBSTA, with specific relevant matters taken up by the SBI. However, developing countries wanted the constituted body and its work to be considered by SBSTA, SBI and the COP. Text regarding financing options was also considered, with some progress made in merging text from different paragraphs. However, no final agreement was reached. Informal consultations will continue on Tuesday.

IN THE CORRIDORS

Delegates seemed satisfied that several contact groups had wrapped up their work by Monday afternoon, although some concerns were surfacing about the group working on technology transfer. With divisions remaining on the constituted body and reporting process, some participants were expressing fears that it might not be resolved in time for Bali. "I'm concerned about the growing workload we're accumulating for COP 13 and COP/MOP 3," said one.

Some participants were also discussing the slow pace of negotiations on deforestation, with frustration surfacing among a few. As one delegate said, "How many commas does it take to save a rainforest?"

On a lighter note, a number of delegates were claiming to have noticed a sudden "coolness" in relations between certain EU and Umbrella Group officials. On further inquiry, however, it turned out that the "chill in the air" was due to Canada's victory over Finland to take the world title in ice hockey, rather than to any diplomatic dispute. In one informal group, one loyal Finnish chair even proposed a minute's silence to mark his team's defeat.