

## AWG 4 AND DIALOGUE 4 HIGHLIGHTS: WEDNESDAY, 29 AUGUST 2007

On Wednesday morning, the fourth and final Convention Dialogue workshop convened in plenary. During the session, delegates exchanged views on next steps to take the Dialogue process forward. In the afternoon, the AWG met in a contact group to discuss the analysis of mitigation potential and indicative ranges of emission reductions.

### CONVENTION DIALOGUE

**EXCHANGE OF VIEWS ON NEXT STEPS:** Opening the final session of the Convention Dialogue workshop, co-facilitator Bamsey reflected on the Dialogue and the building blocks he saw emerging from the process. He emphasized that the co-facilitators' report to COP 13 would not contain any conclusions or recommendations but would reflect the diversity of views put forward. He said, however, that parties did not seem to have fundamental disagreements but that their differences related to specific design issues.

Bamsey identified mitigation and adaptation as the key building blocks and indicated that technology issues are linked to both, and that the importance of finance and investment is increasingly understood. Bamsey then invited parties to elaborate on what they saw as the next steps.

On elements that need to be further addressed, Belize, for AOSIS, stressed the need to consider the impacts on vulnerable countries of a long-term target, trade-offs implicit in emissions pathways and damages caused by climate change. The EU identified a strong degree of consensus on certain building blocks, including the need for deeper absolute emission reduction commitments for developed countries; measurable and incentivized action by developing countries; adaptation; technology and enhancing the carbon market.

PERU underlined the importance of Annex I country compliance. ARGENTINA called on Annex I countries to improve implementation and for incentives for mitigation action in developing countries, including measures to allow them to overcome obstacles to mitigation in the agriculture and energy sectors. She called for a differentiated approach based on national circumstances and per capita emissions.

CHILE identified the need for an effective mechanism for technology transfer and adaptation. TURKEY emphasized the importance of adaptation and GHANA underscored the need for immediate progress on technology transfer in the context of mitigation and adaptation. CHINA compared the Convention with a car that is not running smoothly. He identified mitigation,

adaptation, technology and finance as the car's four wheels and lamented that only one of them, mitigation, is on track. He called for legally binding instruments on adaptation, technology transfer and financing to safeguard the process. ALGERIA mentioned the UN Convention to Combat Desertification where problems with technology transfer and financing are also halting implementation and said that the carbon market was necessary but insufficient. He proposed a fund with contributions from developed countries of 0.1-0.5% of their GDP. EGYPT proposed that the Secretariat look into a mechanism for assessed contributions.

The THIRD WORLD NETWORK called for clarification of the potential impact on developing countries of a 50% global target for emission reductions. He expressed skepticism about the role of private financing and called for a viable adaptation fund. He also identified intellectual property rights as a barrier to technology transfer. MAURITIUS said that carbon trading needs to be reassessed as it is allowing emissions to continue with profits accruing to some developing countries. QATAR identified the need for discussions concerning the impact of response measures on non-Annex I countries, the linking of sustainable development goals with climate change objectives and moving from coal to cleaner fossil fuels.

SAUDI ARABIA stated that there was no need for a new regime and argued that Annex I countries were preoccupied with an economic agenda, citing the EU's bid to control the carbon market. He called for further dialogue and confidence building and warned against attempts by countries to use the climate regime to exert economic leverage at the expense of others.

IRAN supported continuing the Dialogue in its current format. Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP, supported the continuance of the Dialogue in a format to be determined by parties in Bali, and MEXICO called for an immediate follow-up to build consensus and promote a framework for action, with Bali providing a basis for negotiations. CANADA proposed a follow-up process that brings together all Convention parties and the various building blocks, with all major emitting economies working together towards a long-term goal.

INDONESIA called for a decision at COP 13 on a strengthened mandate for more comprehensive and in-depth discussion on the building blocks for cooperation. QATAR supported a new agenda item on long-term cooperation under the COP, while continuing the Dialogue. AOSIS indicated that a follow-up process for the Dialogue would involve forming a new body, and consideration of its mandate, operation and timeframe

for completing the work. SOUTH AFRICA recommended that COP 13 convene an open working group to facilitate refinement of key ideas.

BRAZIL said that a successor process to the Dialogue should consist of a formal track addressing measurable actions with incentives for non-Annex I countries. UGANDA said that developing countries had no objections to reducing emissions but were asking about the cost and impact on development. He said it was time for the Dialogue to deliver and called for the launch at COP 13 of a formal process leading to a legally binding instrument. MEXICO said the new process should provide the way for long-term reductions in concentrations of GHGs, and an evolution of the current division between Annex I and non-Annex I parties into a more realistic form of differentiation. He said voluntary commitments, based on gradual strengthening of capacity, should be part of a new formalized dialogue, and advanced developing countries should have incentives for innovative schemes to build goals over time.

CHILE supported the continuance of the Dialogue in formal negotiations, parallel to the AWG. The EU urged a roadmap from Bali leading to a global comprehensive post-2012 agreement in 2009, and called for a work programme linked to the AWG and the review of the Kyoto Protocol under Article 9. While welcoming other initiatives, the EU stressed the UNFCCC as the global framework for addressing climate change, including adaptation and mitigation. The BUSINESS COUNCIL FOR SUSTAINABLE ENERGY supported a legally binding agreement after 2012 to underpin climate responsible investment and accelerate the deployment of renewable and energy efficient technologies in the coming decades. NEW ZEALAND suggested that if negotiations were to be concluded in the timeframe suggested by some parties, the process will need to be more efficient. NORWAY and JAPAN stressed the importance of an inclusive one-track process.

INDIA recalled that the Dialogue was not meant to open negotiations on new commitments. The UNITED STATES said the Dialogue had highlighted areas of agreement for further focus, in particular, the calls for a new negotiation process. He called on parties to be cognisant of existing work programmes under the Convention, and looked forward to the UNITED STATES making a significant contribution. He underlined the need to respect national circumstances, notably energy endowments, and applauded efforts by India, China and South Africa.

At the end of the morning session, INDIA delivered a presentation on her country's commercial energy needs and GHG mitigation potential in key sectors, linking energy to the Millennium Development Goals.

Wrapping up, co-facilitator Bamsey noted that the non-negotiation approach pursued during the Dialogue had freed up discussion and resulted in a wide range of new ideas and enhanced understanding. While the discussion had not always been comfortable, he hoped that the process had improved confidence. He noted that many had called for a formal process to be launched in Bali and this combination of process and substance would provide a full task for negotiators at COP 13.

#### **AWG CONTACT GROUP**

On Wednesday afternoon, AWG Chair Charles opened the AWG contact group on analysis of mitigation potential and possible ranges of emission reductions.

South Africa, for G77/CHINA, observed that most Annex I submissions refer to domestic mitigation. Highlighting the potential contribution of the flexible mechanisms, he stressed that the level of mitigation ambitions could be increased.

The EU agreed with G77/CHINA that flexible mechanisms should be available in the future, but raised the possibility of expanding them. G77/CHINA replied that expanding the flexible mechanisms was not within the AWG's mandate.

JAPAN stressed that further analytical work is needed, including in cooperation with the IEA and IPCC on energy indicators and best practices. CANADA supported expanding the analysis using the same indicators for all countries and to draw out aspects of national circumstances. G77/CHINA indicated that no single indicator is applicable to all but said the use of standard indicators would allow comparison of like with like. AOSIS asked for studies showing emission pathways leading to temperature increases below 2°C.

SAUDI ARABIA asked for analyses to include spillover effects of mitigation policies on developing countries, to identify win-win policies and measures, to avoid hiding trade discrimination against developing countries and to expand the use of analysis data beyond the use of the IEA results. JAPAN said response measures were not so relevant to Annex I and therefore, they should be discussed in the right context. G77/CHINA hoped to move forward in the AWG process and called for the analysis of spillover effects to be prepared for the next stage. NORWAY and the EU supported moving on with AWG's work while addressing information gaps.

NEW ZEALAND stressed that no two countries are alike in terms of emission profiles and mitigation potential. He stated that in the future, there could be more differentiation in commitments than during the first commitment period. CANADA agreed that reduction ranges were complex and that "one size does not fit all." NEW ZEALAND drew attention to potential tradeoffs between steepness of emission reductions and timeframes for implementation. MICRONESIA highlighted that since cost of mitigation seems to be low, more ambitious targets would be possible.

INDIA highlighted the need to focus on further Annex I commitments. He explained that questions falling under UNFCCC Article 2 on the Convention's ultimate objective do not need to be answered before determining new targets. NORWAY disagreed and stressed that the world needs to understand the extent to which new commitments address the problem of climate change.

Chair Charles identified a number of common themes emerging from discussions and said he would make draft conclusions available at 6 pm to be discussed in a contact group on Thursday.

#### **IN THE CORRIDORS**

In the corridors, many delegates discussed the series of bilaterals conducted by the AWG Chair in the run-up to the AWG contact group as well as the draft conclusions, distributed on Wednesday evening. While some delegates saw the text as a good starting point, others believed that "tactical" issues had come into play to influence the format.

Some Annex I delegates indicated that they had hoped to achieve more on the identification of potentials and ranges for possible emission reductions at the Vienna session but saw this as increasingly unlikely on Wednesday as differences, for example, over the future role and development of flexible mechanisms entered the equation. Other delegates expressed a preference for modest conclusions from Vienna, as the alternative might result in taking forward a bracketed text to Bali. As one observer commented: "If they can't agree, then let them say so." Most delegates anticipate further discussion on references to stabilization pathways and other issues in the chair's draft when informal negotiations reconvene Thursday.