

## AWGLCA 1 AND AWG 5 HIGHLIGHTS TUESDAY, 1 APRIL 2008

On Tuesday, the *Ad Hoc* Working Group on Long-term Cooperative Action under the Convention (AWGLCA) continued opening statements from parties and observers. It then held discussions on the work programme in an informal plenary and drafting group. In the morning and afternoon, the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) held an in-session workshop on means to reach emission reduction targets, focusing on the flexible mechanisms.

### AWGLCA

#### DEVELOPMENT OF A WORK PROGRAMME: On

Tuesday morning, the AWGLCA continued opening statements from parties and observers.

CANADA called for an iterative and comprehensive work programme for the AWGLCA, urged discussion of all building blocks at each session, possibly in sub-working groups, and stressed linkages with the AWG. He supported Japan's proposal to consider legal issues related to the post-2012 framework. VENEZUELA opposed negotiating a new multilateral regime, said the AWGLCA's mandate must be clearly defined before discussing modalities, and stressed Annex I parties' historical responsibility. THAILAND said the long-term goal must be considered together with historical responsibility and burden sharing, and proposed submissions on ways and means to support long-term action on mitigation and adaptation.

EGYPT opposed parallel meetings, and proposed an international mechanism on finance and technology transfer. BUSINESS AND INDUSTRY proposed including the business sector in the dialogue on technology cooperation and subsequent implementation. He highlighted benefits of sectoral approaches, and said governments must protect intellectual property rights and remove barriers on trade in environmental technologies and services. The INTERNATIONAL TRADE UNION CONFEDERATION proposed a workshop to address the social impacts of measures and identify policies under each building block.

MEXICO suggested sessions on mitigation and adaptation respectively, with technology and finance to be considered in each. He suggested considering intersessionally: technical implications for measuring, reporting and verifying mitigation activities; and ways of comparing national mitigation activities. GUYANA underlined the need for urgent action on Reducing Emissions from Deforestation and Degradation (REDD) and for simplifying access to technology transfer and to Global Environmental Facility funding.

The THIRD WORLD NETWORK proposed undertaking discussions in two stages: first, on finance, technology, and mitigation by developed countries; and second, on developing country mitigation actions and a long-term global goal. He expressed concern with funds outside the UNFCCC, such as those in the World Bank, citing governance issues and the undermining of funds available under the Convention, and proposed establishing a fund similar to that under the Montreal Protocol on Substances that Deplete the Ozone Layer. The INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) highlighted ICAO's work on addressing environmental impacts of aviation, including the establishment of a high-level intergovernmental group to develop an action programme on aviation and climate change. ENVIRONMENTAL NGOs urged immediate action on adaptation, and underlined linkages with the AWG.

**Informal plenary:** In Tuesday morning's informal plenary session, AWGLCA Chair Machado proposed focusing on a "shared vision." BRAZIL, the PHILIPPINES, CUBA, INDIA and others emphasized the importance of the Convention's principles and commitments in defining a shared vision. The EU, BRAZIL, JAPAN, CUBA and others identified the need for a long-term global goal. BRAZIL said a goal would help orient national action.

The EU proposed reducing Annex I emissions by 30% by 2020 and 60-80% by 2050. MICRONESIA supported limiting temperature increase to below 2°C and greenhouse gas concentrations to below 450 ppm. AOSIS highlighted the role of scientific information in defining a long-term goal, and MICRONESIA called for an iterative approach as science evolves.

BRAZIL highlighted burden sharing and historical responsibility. JAPAN suggested reviewing legal issues relevant to ensuring each country's participation. INDIA identified similar commitments by all developed countries, including non-Kyoto parties, as a precondition for developing country action. He called for equal distribution and convergence of emission rights.

BRAZIL stressed the need for preparatory discussions before the AWGLCA begins negotiations on a "shared vision," and the EU proposed a workshop, a roundtable and a high-level discussion on the issue.

**Informal Drafting Group:** During an informal session in the evening, AWGLCA Chair Machado distributed his proposed draft conclusion, which includes a work programme for the upcoming sessions of the AWGLCA through the end of 2008. Delegates agreed the paper was a good basis for further discussions on Wednesday evening.

**AWG****ANALYSIS OF MEANS TO REACH EMISSION**

**REDUCTION TARGETS: In-session workshop:** On Tuesday morning and afternoon, the AWG held an in-session workshop concentrating on the flexible mechanisms.

Andrew Howard, UNFCCC Secretariat, explained the legal basis for the flexible mechanisms in the Kyoto Protocol and the relevant COP/MOP decisions. He noted that six Annex I parties fulfill the eligibility criteria and most others will follow by the end of April.

Dennis Tirpak, IPCC Working Group III Coordinating Lead Author, reviewed the IPCC's assessment of market mechanisms, including the potential to establish a carbon price, reduce mitigation costs and spur technological investment.

Henry Derwent, International Emissions Trading Association, highlighted rapid growth in the carbon market in terms of both monetary flows and emission reductions. He also discussed the carbon markets' effectiveness in reducing emissions and bottlenecks in the CDM approval process.

Artur Runge-Metzger, European Commission, discussed lessons learned from the EU Emissions Trading Scheme and noted the proposal to auction emission allowances in the post-2012 period and to require member states to use 20% of revenues for mitigation and adaptation.

Mark Storey, New Zealand, outlined his country's draft for a cap and trade scheme, which would cover all sectors and gases by 2013, including forestry and agriculture.

CANADA supported broadening of the market mechanisms and clarifying the rules. NEW ZEALAND called for transparency and revisiting the commitment period reserve. TANZANIA highlighted the potential for other innovative market mechanisms. The CLIMATE ACTION NETWORK supported the use of Assigned Amount Units (AAUs) as a means to support developing country action.

Rajesh Sethi, CDM Executive Board Chair, identified the need to ensure environmental integrity, cost effectiveness, transparency, reasonable timelines, and incentives for accurate accounting as the key challenges for the CDM.

Georg Borsting, JI Supervisory Committee Chair, noted that most of the 129 JI projects are in the Russian Federation, Ukraine and Bulgaria and involve renewable energy, methane and energy efficiency. He said questions remain concerning the continuation of JI after 2012.

Martin Krause, UNDP, noted the need to align multiple funding sources with the CDM, including from private and domestic public funds, official development assistance and development banks.

Concerning the CDM in the post-2012 period, CHINA highlighted the need for efficiency, simplification, transparency, certainty, equitability and environmental integrity. He urged strengthening the CDM's role in technology transfer, and suggested removing the additionality test from certain project types and enhancing the host country's role.

JAPAN highlighted the need to fundamentally review the CDM for the post-2012 period, as it currently takes place between a party with an emission target and a party without a target. Responding to Australia, he said this would also affect the additionality criteria. He said geographical distribution, as well as nuclear, CCS and energy efficiency projects, should also be considered.

TANZANIA stressed the need to simplify the CDM and review its rules, including the criteria for sustainable development and requirement of financial additionality. He also stressed REDD's potential in Africa.

UKRAINE highlighted legislation facilitating implementation of JI projects in Ukraine and stressed that attracting foreign carbon investment is a priority for the Ukrainian government.

The EU stated that advanced developing countries must move beyond offsetting and proposed exploring a no-lose sectoral crediting mechanism. He said JI should also play a role in the post-2012 period.

TUVALU, supported by DEMOCRATIC REPUBLIC OF CONGO, expressed concerns over proposals to expand the CDM by relaxing additionality criteria, and highlighted environmental integrity and the need to accrue real, additional and verifiable emission reductions. TUVALU also proposed taking up sectoral approaches under the AWGLCA, creating revenues for low emitting countries by auctioning AAUs and reviewing accessibility and geographical allocation rules.

In the discussion, the REPUBLIC OF KOREA supported expanding the scope of the CDM to attract eco-friendly investment and technology. INDONESIA, BENIN and DEMOCRATIC REPUBLIC OF CONGO called for addressing the lack of sink projects under the CDM. SENEGAL highlighted the importance of an attractive carbon price, and BURKINA FASO stated that sink projects are attractive only if the carbon price is at the level of at least US\$ 20. BENIN stressed the need to improve the geographical distribution of CDM projects, while NEW ZEALAND warned of difficulties in dictating geographical and sectoral distribution of projects.

The RUSSIAN FEDERATION stressed that the success of flexible mechanisms depends on national circumstances and that domestic trading programmes can be used to adapt to country conditions and can be linked. BRAZIL suggested maintaining the current eligibility criteria for LULUCF projects in the next commitment periods, opposed including CCS under the CDM, and noted that programmatic CDM opens a window of opportunity for substantial Certified Emission Reductions. CANADA supported exploring sectoral approaches, suggested establishing multi-project baselines for the CDM and simplifying rules for LULUCF, and noted that the Executive Board might become a full-time body in the future. ARGENTINA called for an independent assessment of the CDM, with a regional component, to explore issues such as: financing, technology transfer and registered projects.

SOUTH AFRICA highlighted the need to consider implications of new approaches on the carbon price. The EU stated that even if it decided to offset all European greenhouse gas emissions, this would not constitute the global emission reductions envisaged. BELARUS proposed the inclusion of marsh rehabilitation in the second commitment period.

**IN THE CORRIDORS**

With the AWGLCA Chair's draft proposal for a work programme circulated Tuesday evening, delegates had something a little more tangible to sink their teeth into before continuing informal discussions on Wednesday. At the same time, they were reminded of the amount of work that remains to be done in Bangkok: the distributed text contains little more than a general structure to be filled in during the coming days with details on issues for discussion at upcoming sessions of the AWGLCA and on requests for the Secretariat to organize workshops and possibly other activities.

Some expected no more than a scant, bare bones work programme, noting divisions remain too deep to be resolved this week. Others were pleased with some very candid and substantive interventions on the work programme during the AWGLCA sessions on Tuesday. One delegate hoped that the balance between the scoping of ideas (such as "shared vision"), without getting into details could be maintained. Some developing country delegates expressed concern that the proposed workshops and other activities outside of the formal AWGLCA meetings would proliferate and hinder full and effective participation of developing countries.