Earth Negotiations Bulletin

AWGs #4

A Reporting Service for Environment and Development Negotiations

Online at http://www.iisd.ca/climate/ccwgi/

Vol. 12 No. 425 Published by the International Institute for Sustainable Development (IISD) Thursday, 13 August 2009

AWG-LCA AND AWG-KP HIGHLIGHTS: WEDNESDAY, 12 AUGUST 2009

In the afternoon, the AWG-LCA convened a mid-week stocktaking meeting. Throughout Wednesday, several informal groups under the AWG-LCA and the AWG-KP met to discuss issues including adaptation, shared vision, mitigation, Annex I parties' emission reductions, LULUCF and the flexibility mechanisms.

AWG-LCA STOCKTAKING MEETING

During the AWG-LCA's mid-week stocktaking meeting, Chair Zammit Cutajar reviewed progress during the first two and half days.

The G-77/CHINA identified the need to consider ways of combining elements of the text, while maintaining party ownership and representing all views in a balanced way. While noting that coordinating and consolidating proposals within the Group is time consuming, she highlighted that coordinated positions by developing countries will advance negotiations.

The US expressed appreciation of the work by the chairs and facilitators. The EU said they were also relatively satisfied with progress and commended, *inter alia*, the approach of focusing on areas of convergence. Mexico, for the ENVIRONMENTAL INTEGRITY GROUP, stressed the need to switch to full negotiating mode and to have a workable negotiating text in Bangkok. He proposed encouraging countries with similar ideas to consult amongst themselves and with other interested parties. SUDAN stressed the right to full participation by all parties and the need to consult parties on scheduling.

SAUDI ARABIA warned that during consolidation care must be taken not to dilute or delete proposals. The G-77/CHINA, SAUDI ARABIA, BOLIVIA and SUDAN proposed including attributions in the text. Chair Zammit Cutajar noted original instructions to him in preparing the text not to attribute proposals and noted that, when consolidating text, attribution becomes more difficult. He said these issues could be discussed during the evening's informal meeting.

On the text's structure, Chair Zammit Cutajar noted that some questions are political and conceptual, while others relate to placement of text and other structural issues. INDIA stressed fundamental differences concerning mitigation under paragraphs 1(b)(i) and 1(b)(ii), and, with the PHILIPPINES, highlighted that MRV is also different under these paragraphs. Chair Zammit Cuatajar said this could be considered under mitigation. He identified placement of provisions on finance and technology as an issue requiring consideration. The G-77/CHINA expressed preference for keeping provisions on the means of implementation in the relevant substantive chapters rather than in the finance chapter.

On institutional arrangements, Chair Zammit Cutajar indicated that he had requested the Secretariat to create a matrix of institutional arrangements and their functions related to adaptation. He explained the aim to compare different proposals to facilitate discussions and said similar matrices will be produced on other elements by Bangkok. CANADA proposed including existing institutions. Barbados, for AOSIS, supported by SAUDI ARABIA, stressed that the matrices should only be used to help negotiations rather than eliminate proposals. The G-77/CHINA highlighted that attributions would be useful also for considering the matrix.

AWG-LCA INFORMAL GROUPS

ADAPTATION: In the morning and afternoon, Thomas Kolly (Switzerland) and William Agyemang-Bonsu (Ghana) facilitated the informal group on adaptation. They highlighted the aim of consolidating the text, and in the afternoon, they presented an example of consolidated text. Many parties said this was a useful exercise, while some noted that specific proposals had been left out.

During the discussion in the morning and afternoon, several parties called for a flexible adaptation framework, with many developing countries supporting retaining the current structure and subsections. The Maldives, for the G-77/CHINA, called for equal treatment of mitigation and adaptation, scaling up of funding, and adequate and predictable financial resources. The Cook Islands, for AOSIS, supported a mechanism for facilitating and coordinating developing country access to financing.

Australia, for the UMBRELLA GROUP, noted areas of potential convergence, stressing, *inter alia* the importance of adaptation for all parties and aggressive mitigation to avoid increasing the adaptation burden. She said adaptation should be based on sound science, use traditional knowledge, respond to local needs and include a range of stakeholders, including women. With CANADA, JAPAN and the EU, she emphasized that adaptation should be country-driven and that priority should be given to the most vulnerable. On areas needing more work, the UMBRELLA GROUP discussed a possible role for the Convention to facilitate and catalyze activities, through, *inter alia*, sharing of best practices and information. She said financing must come from multiple sources and be effective, efficient and accountable, and, with the EU and others, urged scaling up of support.

This issue of the *Earth Negotiations Bulletin* © <enb@iisd.org> is written and edited by Asheline Appleton, Kati Kulovesi, Ph.D., Leila Mead, Anna Schulz, and Matthew Sommerville. The Digital Editor is Tallash Kantai. The Editor is Pamela S. Chasek, Ph.D. <pam@iisd.org>. The Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. The Sustaining Donors of the *Bulletin* are the United Kingdom (through the Department for International Development – DFID), the Government of the United States of America (through the Department of State Bureau of Oceans and International Environmental and Scientific Affairs), the Government of Canada (through CIDA), the Danish Ministry of Foreign Affairs, the German Federal Ministry for Economic Cooperation and Development (BMZ), the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the Netherlands Ministry of Foreign Affairs, the European Commission (DG-ENV), and the Italian Ministry for the Environment, Land and Sea. General Support for the *Bulletin* during 2009 is provided by the Norwegian Ministry of Foreign Affairs, the Government of Australia, the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management, the Ministry of Environment of Sweden, the New Zealand Ministry of Foreign Affairs and Trade, SWAN International, Swiss Federal Office for the Environment (FOEN), the Finnish Ministry for Foreign Affairs, the Japanese Ministry of Environment (through the Institute for Global Environmental Strategies - IGES), the Japanese Ministry of Economy, Trade and Industry (through the Global Industrial and Social Progress Research Institute - GISPRI), the Government of Iceland, and the United Nations Environment Programme (UNEP). The opinions expressed in the *Bulletin* are those of the authors and do not necessarily reflect the views of IISD or other donors. Excerpts from the *Bulletin* may be used in non-commercial publications with appropriate academic citation. For information on the *Bulletin*, including requests to provide reporting services, contact the Director of IISD Reporting Services at <kimo@iisd.org>, +1-646-536-7556 or 300 East 56th St., 11A, New York, New York 10022, United States of America. The ENB Team at the Bonn Climate Change Talks - August 2009 can be contacted by e-mail at <kati@iisd.org>.

The EU stressed that the best adaptation strategy was a workable mitigation regime. He emphasized integrating adaptation into sustainable development processes and identified the need to strengthen the information knowledge base for decision making.

Tanzania, for the AFRICAN GROUP, supported deleting inconsistencies with the BAP and the Convention.

URUGUAY urged ambitious mitigation commitments to minimize increased adaptation costs and supported concrete forms of financing, such as strengthening the Adaptation Fund. With ARGENTINA, he stressed the importance of adaptation in the agriculture sector. BANGLADESH called for, *inter alia*, financing on a grant basis, not through concessionary loans, and action at the community level. PERU, speaking for a number of countries, with EGYPT and COLOMBIA, opposed a new classification of developing countries to assess vulnerability. Burkina Faso, for LDCs, and the AFRICAN GROUP supported categorization of countries. PERU and PARAGUAY said adaptation should maintain ecosystems, and called for strengthening community participation, including of indigenous communities. PARAGUAY highlighted ancestral knowledge embedded in indigenous peoples, whose rights should be at the core of monitoring actions.

INDONESIA supported an ecosystem-based approach and community-based activities, and said the dynamic relationship between oceans and climate change should be reflected in the outcome. TURKEY supported: a new section on adaptation technologies and their transfer; moving the finance subsection to the finance chapter; and establishing executive bodies on finance and technology.

VENEZUELA, for several Latin American countries, said institutional arrangements should be under COP authority and guidance in the form of a multi-window system to ensure access to financing. With EGYPT, ARGENTINA, SRI LANKA and the AFRICAN GROUP, he said funding should come from public sources, be additional to official development assistance, and be subject to MRV. SAUDI ARABIA said financial and technical support should be provided by developed countries only.

CHINA supported an adaptation committee or subsidiary body, and establishing regional centers in developing countries. The PHILIPPINES supported a learning-by-doing approach and information exchange, and asked developed countries to communicate their experiences in, *inter alia*: integrating adaptation into national development planning and the budgetary implications of doing so. The AFRICAN GROUP requested assistance from developed countries in costing adaptation.

The US said that it has committed USD 300 million in new funding in 2010 for adaptation, ten times the amount in this year's budget. JAPAN proposed mapping out potential areas of convergence and divergence as undertaken in the technology group, and said the UNFCCC should play a catalytic role in strengthening adaptation.

AOSIS and TUVALU opposed discussing impacts of response measures under adaptation, noting the issue is addressed under mitigation. SAUDI ARABIA called for reference to impacts of response measures throughout the text and adding reference to economic vulnerability when vulnerability is mentioned. GHANA supported information sharing and training to encourage both women and men to participate in adaptation activities. BHUTAN and NEPAL called attention to the specific vulnerabilities of ecosystems in mountainous countries. BRAZIL stressed international cooperation to support the urgent implementation of adaptation actions. COLOMBIA asked how research and systematic observation would be addressed as it is a cross-cutting issue.

MITIGATION (paragraph 1(b)(v) of the BAP): In the morning, Kunihiko Shimada (Japan) facilitated the informal subgroup on mitigation under paragraph 1(b)(v) of the BAP (various approaches, including markets, to enhance the cost-effectiveness of, and to promote mitigation actions). He requested that parties focus on proposals for new mechanisms, including sectoral crediting, sectoral trading and NAMA crediting and trading.

The REPUBLIC OF KOREA provided an overview of their proposal on NAMA crediting, explaining that it would address problems experienced under the CDM by expanding the scope of carbon crediting to programmes and policies. He noted that issues relating to supplementarity and methodologies to verify emission reductions would have to be resolved.

INDIA requested clarification on how to avoid double counting. He also asked how environmental integrity would be maintained in the context of determining whether greenhouse gas mitigation had been accomplished in programmes and polices. The REPUBLIC OF KOREA responded that a political decision would have to be taken on the degree to which the principle of supplementarity could be relaxed. He said the methodological issues could be agreed upon later, while BRAZIL stressed environmental integrity, opposed relaxing supplementarity and warned against deferring difficult methodological decisions until after the political decision to create a mechanism.

Brazil, for the G-77/CHINA, stressed the key role of governments in ensuring the full implementation of the Convention and stated that proposals should reflect this responsibility.

The EU presented their proposals on sectoral crediting and sectoral trading. He explained that units generated in developing countries could be sold, enabling developing countries to enhance their contribution to mitigation.

The Federated States of Micronesia, for AOSIS, expressed concerns with proposals leading to offsets, emphasizing the need to avoid creating disincentives for economy-wide emission reductions. She said it was premature to discuss NAMA crediting without first reaching a common understanding on NAMAs. Regarding sectoral crediting, she underscored challenges related to environmental integrity and identified the need for clarity on sectors, the meaning of credits and source of funds. On sectoral trading, she highlighted the need to consider sectors, boundary issues and MRV.

South Africa, for the AFRICAN GROUP, underscored regional distribution as a priority and emphasized that excessive reliance on offsets is not acceptable. She said NAMAs should be funded through public sources and that crediting based on NAMAs is not acceptable. VENEZUELA, for Bolivia, Cuba and Paraguay, expressed concerns with offsetting.

NEW ZEALAND explained that NAMA trading would be voluntary and units would be issued upfront and reconciled at the end of the period, while, for crediting, units would be issued after verification. She acknowledged difficulty with the issue of baselines and thresholds. She proposed that the discussion on mechanisms focus on the scope of mechanisms at sectoral or multi-sectoral levels, guiding principles for setting thresholds and governance issues. The US expressed support for a high level of environmental integrity and transparent and vigorous thresholds. MEXICO and JAPAN also emphasized the need to safeguard environmental integrity.

JAPAN called for discussing the supply of credits, geographical distribution and potential sectors. Tanzania, for the LDCs, said the proposals were inconsistent with the Convention and the BAP and did not consider the needs of LDCs.

MITIGATION (paragraph 1(b)(vi) of the BAP): In the morning, Mamadou Hondia (Burkina Faso) facilitated the informal subgroup on paragraph 1(b)(iv) of the BAP (economic and social consequences of response measures).

Brazil, for the G-77/CHINA, underscored that all developing countries face the negative consequences of response measures, including those affecting trade. SAUDI ARABIA highlighted the significant negative impacts of carbon taxes and tariffs, and noted that such measures constitute disguised protectionism. INDIA, with support from several developing countries, proposed prohibiting unilateral measures against exports from developing countries.

South Africa, for the AFRICAN GROUP, urged scaling up finance for adaptation and equitable compensation for those adversely impacted by response measures.

AUSTRALIA, supported by JAPAN, the US, NEW ZEALAND, CANADA and the EU, noted convergence on information exchange and encouraged accomplishing this through existing mechanisms such as national communications. In addition, they underscored the importance of a coherent approach considering the work of the Subsidiary Bodies on this issue. The EU and NEW ZEALAND urged prioritizing attention to the most vulnerable countries.

SHARED VISION: In the afternoon, Chair Zammit Cutajar facilitated the informal group on a shared vision. Sudan, for the G-77/CHINA, preferred deferring discussions until clarity has been achieved on the other building blocks. Using a jigsaw puzzle analogy, he said that "pieces had to be placed in the right place so that the parts become whole and the whole is more than the sum of its parts." He emphasized that a shared vision must be about implementing finance and technology commitments to enable developing countries to act.

Commenting on the chapter's structure, Antigua and Barbuda, for AOSIS, supported by the US, suggested incorporating elements of a shared vision into a political statement including a long-term global goal.

Chair Zammit Cutajar proposed that parties start with the "edges of the puzzle" and "work toward the middle," attempting to consolidate proposals of a "scene-setting" nature. He said that the more difficult aspects of the text would have to wait for outcomes on the building blocks and review processes.

The US drew attention to the Major Economies Forum (MEF). AUSTRALIA said that outcomes from processes such as the G-8, MEF and the Pacific Islands Forum could provide useful input. Stressing that a long-term goal is crucial, the EU acknowledged progress has been made on agreement in the MEF to limit warming to not more than 2°C, as well as on the concept of peaking and moving toward low-carbon economies. INDIA cautioned against selectively quoting declarations adopted in other fora. He stressed that his country's participation in meetings such as the MEF and the Group of 20 had been on the understanding these would provide momentum to the UNFCCC negotiations but not feed directly into the negotiations. JAPAN highlighted the need for a long-term goal for all parties and the importance of referring to global peaking, low-carbon development strategies and development of innovative technologies.

AWG-KP INFORMAL GROUPS

OTHER ISSUES (LULUCF): In the morning, the subgroup on LULUCF considered land-based accounting, as well as LULUCF under the CDM. PAPUA NEW GUINEA highlighted that their proposal for land-based accounting (option B) takes away the option to pick and choose how land use is reported, and that Annex I countries have been reporting on land use since 2005. Many countries said that a land-based accounting approach is a desirable long-term goal, but BRAZIL, CHINA and JAPAN underscored incomplete reporting of data, as well as the existing scientific uncertainties of measurement, including the challenge of distinguishing between anthropogenic and non-anthropogenic emissions and removals. NORWAY suggested uncertainty can be equally significant in activity-based approaches.

AUSTRALIA, with SWITZERLAND and the EU, suggested that they are not ready to support option B in the second commitment period. SENEGAL underscored the challenge of monitoring compliance. SWITZERLAND highlighted that proposals on an activity-based approach prevent selective accounting. TUVALU said exceptions would be present under option B that would introduce hot air into the system. GABON suggested option B effectively mirrors proposals for REDD standards.

The group discussed eligibility of LULUCF activities under the CDM, including: afforestation and reforestation; REDD; restoration of wetlands; sustainable forest management or land management activities; soil carbon management; and revegetation, forest, cropland and grazing land management. CHINA and BRAZIL suggested only considering afforestation and reforestation under the CDM. Many countries supported considering REDD under other discussion tracks. Senegal, for the AFRICAN GROUP, with JAPAN, ZAMBIA, PAPUA NEW GUINEA and ETHIOPIA, highlighted the need to improve the geographical distribution of the CDM and emphasized that LULUCF provides this opportunity. BRAZIL, the EU, TUVALU and CANADA stressed consideration of whether activities are best considered under the CDM or NAMAs. COLOMBIA cautioned that NAMAs should not replace the CDM. BRAZIL and TUVALU underscored the technical challenges of defining soil carbon and measuring fluxes in the proposals.

OTHER ISSUES (MECHANISMS): In the morning, parties continued discussing elements of COP/MOP decisions (FCCC/KP/AWG/2009/10/Add.3).

On allowing borrowing of assigned amount from future commitment periods, the G-77/CHINA supported no decision on the issue, while UKRAINE and CANADA preferred maintaining the option.

On extending the share of proceeds, Vice-Chair Dovland noted the same issue is also covered under proposals to amend the Protocol. AOSIS, the LDCs and COLOMBIA supported retaining it also in the context of COP/MOP decisions. The EU, JAPAN and NEW ZEALAND highlighted related proposals for Protocol amendments, as well as links with adaptation and finance discussions under the AWG-LCA.

On allowing CCS under the CDM, SAUDI ARABIA, JAPAN, NIGERIA, KUWAIT, IRAN, the EU, NEW ZEALAND, GHANA and others supported retaining the option, while AOSIS, ARGENTINA, BRAZIL, COLOMBIA, the GAMBIA and others preferred no decision. AOSIS, supported by BRAZIL, ARGENTINA and others, highlighted several fundamental questions relating to CCS. BRAZIL, supported by the GAMBIA, highlighted CCS as a nationally appropriate mitigation action but opposed it under the CDM. The EU, AUSTRALIA and others stressed the need to consider safety and other issues. KUWAIT, SAUDI ARABIA and NIGERIA opposed language on limiting CCS under the CDM to geological formations. AOSIS highlighted that concerns regarding CCS beyond geological formations were even more serious.

JAPAN opposed deleting the option that nuclear activities are eligible under the CDM. On crediting based on NAMAs, the G-77/CHINA and TUVALU preferred no decision. SOUTH AFRICA stressed concerns over offsetting, while indicating that his country is willing to consider market approaches that promote sustainable development but are not offsetting. COLOMBIA highlighted concerns over scaling up problems associated with the CDM, such as geographical distribution. The REPUBLIC OF KOREA supported a decision on NAMA crediting, and said the proposal aimed to help developing countries benefit from market mechanisms. The EU identified synergies with their proposal on sectoral crediting, while noting concerns over the attribution of emission reductions and MRV.

ANNEX I EMISSION REDUCTIONS: In the afternoon, the informal group continued considering Annex I emission reductions. Several developing countries stated that more time should be allocated for considering the architecture relating to commitments.

CANADA presented on their national target to reduce emissions by 20% from 2006 levels by 2020, emphasizing it is a mid-term target on the pathway towards a 60-70% reduction relative to 2006 by 2050. He underscored that this commitment is not conditional on the outcome in Copenhagen. On the choice of base year, he noted that 2006 is the first year for which complete and accurate data is available. On LULUCF, he explained that its inclusion depends on changes in the accounting rules to eliminate penalties for countries with highly variable LULUCF emissions due to natural disturbances.

The RUSSIAN FEDERATION outlined plans to reduce emissions by 10-15% by 2020 in comparison to 1990 levels. He explained the national goal does not include offsetting or LULUCF and that emission levels will not peak until after 2020. He also said the target was not conditional on the pledges of other states, but was conditional on the state of the Russian economy.

BELARUS confirmed its target of reducing emissions between 5 -10% from 1990 levels by 2020. He lamented the limited rate of technology transfer and highlighted improvement in carbon intensity.

On their pledge to reduce emissions by 30% from 1990 levels by 2020, NORWAY noted that LULUCF comprises between 3-6% of their target but that certain changes in the LULUCF accounting rules are necessary to achieve this. In addition, she explained that two-thirds of the reduction would come from domestic mitigation actions.

During broader discussion on the Secretariat's paper on possible QELROs as submitted by parties, SOUTH AFRICA noted the importance of including information on what proportion of the QELROs are to be achieved through flexibility mechanisms. Several developed countries said that this information was not yet available. AUSTRALIA and NEW ZEALAND highlighted the principle of least-cost emission reductions in the Convention. SOUTH AFRICA underscored that the alternative would be to establish a cap on the use of the flexibility mechanisms. The EU emphasized that the full costs of offsetting through flexibility mechanisms was covered by developed countries. BRAZIL said that developed countries want to both differentiate between developing countries and establish targets for them without any commensurate commitment to actual reductions themselves. JAPAN opposed introducing a cap on the use of flexibility mechanisms, while recognizing the benefit of domestic mitigation.

SOUTH AFRICA, supported by INDIA and AOSIS, said the use of offsets through the CDM is antithetical to the principle of common but differentiated responsibilities because it allows developed countries to use the least-cost mitigation opportunities in developing countries to fulfill their own obligations while leaving the expensive mitigation to be undertaken by developing countries. The EU highlighted their cap on use of flexibility mechanisms, and underscored proposals to avoid double counting.

INDIA expressed concern that NAMA trading would be used to create harmonization of emissions standards and noted that only one proposal on the table eliminates double counting by restricting trading to use against financial commitments to developing countries rather than against mitigation commitments. He noted that there might be convergence around that proposal.

Noting the absence of some major emitting countries under the Protocol, the EU suggested a joint session on pledges and targets with the AWG-LCA. JAPAN emphasized that the impact of Annex I countries that are Protocol parties is limited because they account for only 30% of total emissions.

IN THE CORRIDORS

With Bonn III passing the midway point, taking stock of progress and - more importantly - figuring out how to move forward in Bangkok were among the key topics in the corridors. Emerging from informal consultations under the AWG-LCA on the organization of work late in the evening, delegates expressed divergent views on the state of play under the AWG-LCA. Several characterized progress as "painfully slow," while the more optimistic ones believed that the fruits of their labor would become clearer after the facilitators of the various informal session reported on inroads made towards consolidating text on Thursday.

The issue of attributing proposals in the negotiating text came up in various AWG-LCA groups throughout the day, and countries reportedly debated over the topic in the evening's informal meeting. Developing countries cited concerns relating to transparency and complained that the negotiating text (sometimes referred to as "the brick") was "confusing," with one adding that "our proposals have been lost, issues dear to us have been marginalized and the text no longer represents the parties." Many developed country delegates, however, disagreed. One delegate said he was "floored" by the issue of attribution since this was not what had been agreed to in Poznan. He explained that attributing text at this juncture would constitute a step back, taking into account the more than 2000 brackets in the document, and detract from substantive discussions. Sighing with despair he wondered: "When will we ever take collective ownership of this text?"

Under the AWG-KP, the informal group on Annex I emission reductions proved popular as Annex I parties continued to clarify their pledges and the underlying assumptions. While some participants seemed almost excited, describing the sessions "interesting" and "necessary," questions returned to reference years and the role of LULUCF. "Without clarity on LULUCF rules for the second commitment period, the national targets are just not comparable," sighed one delegate. Another questioned the utility of discussing individual country targets, stating "if we want to judge the effect of our commitments on the atmosphere, we have to look at all the targets together."

The role of carbon markets and offsetting also featured significantly in the day's discussions - especially as they were taken up by both AWGs. While the vast majority agreed that the carbon market will continue beyond 2012 and the main focus was on the details of the existing and proposed mechanisms, some more fundamental questions continued to float in the meeting rooms and corridors. One AWG-KP delegate expressed concern that, "Annex I countries are attempting to shift the burden of mitigation onto developing countries." Another voiced concern that the low-hanging fruit would soon be out of reach for developing countries. Some developed country delegates, however, were happy to see what they felt was positive movement by some developing countries. "Today, we were able to discuss details of sectoral crediting and trading with some major developing countries asking detailed questions - this is something that has not happened before," commented one negotiator.