

AWG-LCA AND AWG-KP HIGHLIGHTS: THURSDAY, 13 AUGUST 2009

Throughout Thursday, several informal groups under the AWG-LCA and the AWG-KP met to discuss issues, including finance, adaptation, mitigation, technology and capacity building, Annex I parties' emission reductions, the flexibility mechanisms and potential consequences.

AWG-LCA INFORMAL GROUPS

FINANCE: In the morning, AWG-LCA Vice-Chair Machado presented a non-paper identifying elements common to many proposals and highlighting areas where better understanding is required.

The Philippines, for the G-77/CHINA, pointed to parallel views on the issues and a lack of common understanding of the term "country-driven." Advocating attribution, she expressed concern with the structure of the revised negotiating text, which she said made it difficult to find the Group's proposals.

The EU, Uganda, for the LDCs, and others stressed that a sense of urgency to undertake enhanced action on financing for mitigation, adaptation and technology transfer should be stated clearly, as well as the need to prioritize support for vulnerable developing countries. AOSIS said that provision of financial resources must be guided by developing countries' priorities, which he said should be contained in the overarching principles. He noted the possibility of enumerating numbers in the form of a budget, which should have a top-down approach.

CANADA acknowledged strong convergence on the principles of equity and common but differentiated responsibilities, noting that the majority of parties have taken concrete actions, leading to concrete impacts. He said turning attention to key functions of the financial architecture would lead to understanding of how specific issues will work in practice.

ANTIGUA and BARBUDA supported differentiating countries based on vulnerability and supported direct access through a financial mechanism under the COP. COLOMBIA highlighted differentiation of countries in terms of vulnerability as a cross-cutting issue, and proposed that it be based on an ecosystem-based approach.

The US stressed the necessity of ascertaining the connection between the provision of finance and actions, including what finance is being provided for.

TECHNOLOGY AND CAPACITY BUILDING: Facilitator Kumarsingh presented a consolidated text. He clarified that the insertion of subheadings under capacity building was for

navigation purposes only. A number of delegates noted the usefulness of the exercise. The Philippines, for the G-77/CHINA, Uganda, for the LDCs, and EGYPT called for attribution of submissions.

On capacity building, NORWAY, with JAPAN, AUSTRALIA and others, underscored that it was a cross-cutting issue and should be integrated into relevant chapters. Tanzania, for the G-77/CHINA stressed the need to retain capacity building as a distinct section. He requested a subsection delineating actions, and proposed a mechanism to enable financing. The EU supported moving proposals related to capacity building to the relevant sections, while expressing willingness to work with the section as it stands on the understanding it would not prejudice the final structure of the AWG-LCA text.

BRAZIL highlighted capacity building as a cross-cutting issue that must be strengthened in many areas, including REDD, and, with EGYPT, noted the need for more collaboration on specific mechanisms to build capacity, including south-south cooperation. TANZANIA stressed that capacity building is a commitment under the Convention. Facilitator Kumarsingh highlighted consensus on the "what" of capacity building, and encouraged informal discussions to further discuss the "how."

In the afternoon, Facilitator Kumarsingh asked whether and how the consolidated text could be used in Bangkok. The G-77/CHINA requested affirmation that the text should be seen as a consolidated list of paragraphs based on the negotiating text and underscored that financing and effective transfer of technology are the two key priority areas.

The EU highlighted the necessity of starting negotiations on the text and listed paragraphs where he believed rapid progress could be made. SOUTH AFRICA, supported by CHINA, cautioned against focusing on peripheral areas of convergence and avoiding core issues.

AUSTRALIA expressed interest in talking with interested parties on areas that could be moved forward. The EU, supported by the US, CANADA, JAPAN and SOUTH AFRICA, suggested working in smaller groups to facilitate discussions. The LDCs, with SOUTH AFRICA, stressed that positive signals from developed countries on addressing development and transfer of technology were required, and that smaller groups would not necessarily solve this issue. EGYPT cautioned against overstretching delegations.

AOSIS said they were prepared to move forward and, with SOUTH AFRICA, hoped that the consolidated paragraphs could become the basis of a negotiating document. The G-77/CHINA

emphasized that it was not willing to talk about assessments, plans or developing country responsibilities, but that it wanted to enhance the Convention's implementation. CHINA called for clear temporal goals for addressing critical issues and suggested prioritizing institutional arrangements.

MITIGATION: During the informal group in the morning, Facilitators Margaret Mukahanana-Sangarwe (Zimbabwe) and Thomas Becker (Denmark) reported on progress made in their respective informal consultations on mitigation by developing and developed countries. They both noted the need to clean up and consolidate the text, without losing any of the proposals in order to have a workable document in Bangkok. Chair Zammit Cutajar said he would try to clarify structure and remove repetition in the introductory part of the chapter.

During the discussion, the REPUBLIC OF KOREA identified two key entry points regarding mitigation by developing countries: the legal nature of NAMAs and unilateral NAMAs. He said a future regime should provide a framework where developing countries can engage in mitigation without worrying about whether NAMAs are binding. With SINGAPORE, he said voluntary, unilateral NAMAs must be internationally recognized, and supported a registry for this purpose. COLOMBIA supported the need to recognize unilateral actions internationally.

SOUTH AFRICA, supported by CHINA, said NAMAs should not be used for offsetting and expressed concern over the possibility of double counting. Noting the dilemma over whether the financing or the NAMA comes first, she supported establishing a workable NAMA system to enable speedy action. MALAYSIA supported voluntary NAMAs, contingent on MRV of support. SINGAPORE said enabling support for NAMAs was paramount. PAKISTAN said unilateral actions should not be confused with NAMAs, which should remain loyal to the definition in the BAP. He said the registry notion requires further clarification, and should be placed in the finance chapter.

NEW ZEALAND noted that work under the AWG-KP should be kept in mind, and supported, *inter alia*: collapsing the section on comparability of mitigation by developed countries, and not negotiating a long list of criteria; and a broad and efficient carbon market.

AUSTRALIA supported QELROS for developed countries and differentiation among developing countries. She said flexibility must be built into the agreement for enhancing and updating commitments. Concerning developed countries, the US supported legally binding mid- and long-term quantifiable emission reductions with a timetable, in the form of an appendix, schedule or register. Concerning developing countries, he supported differentiation, noting that those with greater capacity, capability and responsibility would need to exhibit greater ambition. He explained that, for developing countries, the actions rather than the outcome would be binding. He said MRV proposals must be unified and integrated, while INDIA opposed integrating MRV sections for developed and developing countries.

Regarding compliance, the US supported effective and holistic MRV and facilitation, rather than a system based on consequences. CHINA proposed MRV of support as the entry point for discussing developing country mitigation. With BRAZIL, INDIA, MALAYSIA and PAKISTAN, he urged discussing paragraphs 1(b)(i) and 1(b)(ii) of the BAP separately, while JAPAN preferred discussing them together. AUSTRALIA said MRV needed further consideration, and that all actions should be subject to MRV.

MITIGATION (paragraph 1(b)(v) of the BAP): Facilitator Shimada highlighted that the issue covered various mechanisms on mitigation and was therefore broader than markets.

Parties addressed criteria and conditions for designing market mechanisms. The REPUBLIC OF KOREA stressed the need to decide whether market mechanisms are desirable and, if parties agree on this, they should cooperate to improve the proposals on the table, including his country's proposal. INDIA said cost-effectiveness and enhancing mitigation are fundamental conditions for market mechanisms. He identified the need to consider possible market failures in designing mechanisms, stressing environmental integrity and equity. He further stated that markets will not address equity and, calling for clear provisions, he highlighted, *inter alia*, regional distribution and distribution across rich and poor countries. CANADA agreed on the need to consider equity. CHINA noted that there are challenges related to market mechanisms and conditions for considering them. SOUTH AFRICA recognized the usefulness of market mechanisms, while emphasizing complementarity. SAUDI ARABIA stressed that some market mechanisms, such as taxes and subsidies, will have significant spillover effects on developing countries and trade. VENEZUELA stressed that no consensus existed on markets.

TUVALU warned against heading towards a "mega-CDM" and highlighted that new market mechanisms will have consequences for targets of Annex I parties and for the atmosphere. Underscoring questions such as permanence and leakage, he cautioned against references to markets in the context of REDD.

The EU highlighted that market mechanisms would enhance mitigation efforts. With NEW ZEALAND and several others, he stressed the importance of environmental integrity. In that regard, the EU identified the need to consider, *inter alia*, double counting and benchmarks, as well as defining sectoral boundaries. COLOMBIA and MEXICO, supported by SOUTH AFRICA, emphasized the need to consider sustainable development. MEXICO, supported by the EU, called for strengthening the technology component.

JAPAN emphasized the need for coordination with the AWG-KP, especially concerning the CDM. With the FEDERATED STATES OF MICRONESIA, he identified the need to consider compliance. As an entry point for discussions, the US suggested considering how the CDM relates to this process, also mentioning additionality, encouraging economies to move towards cleaner technology and sending signals to the private sector. The FEDERATED STATES OF MICRONESIA noted the need to consider consistency with the Protocol architecture, the question of offsetting, sectoral coverage and MRV, as well as the relationship to the Kyoto units. BRAZIL agreed on the need to consider essential points such as additionality. CHINA highlighted that credits should not be used as offsets. CAMBODIA urged for mechanisms that benefit LDCs. VENEZUELA stressed the need to keep the AWG-KP and AWG-LCA separate.

UKRAINE, supported by CANADA, COLOMBIA, the EU, NEW ZEALAND and others, proposed a table or matrix to compare the various proposals and criteria for market mechanisms. The US, supported by COLOMBIA, but opposed by some parties, proposed also including the project-based mechanisms. CHINA and BOLIVIA said a comparison table is premature. SAUDI ARABIA, supported by BOLIVIA and CHINA, stated that discussions should first focus on principles. After discussion, parties agreed that the Facilitator can compile information to assist discussions in Bangkok.

MITIGATION (paragraph 1(b)(iv) of the BAP): In the afternoon, parties continued discussing paragraph 1(b)(iv) of the BAP (cooperative sectoral approaches and sector-specific actions). Facilitator Khan first outlined a non-paper, which organized proposals under five questions to provide clarity on the objective and scope, as well as guiding principles. After a brief discussion, he presented a “non-non-paper,” explaining that it aimed to structure and bring further clarity to the text. He also identified questions for consideration, including: nature of sectors; level of guidance; and integration in the climate change regime. NORWAY and others requested that the questions be made available before Bangkok. Several parties welcomed the non-paper while expressing reservations about the “non-non-paper.” Following discussion, Facilitator Khan said the “non-non-paper” would not be considered further, while the non-paper would be put forward as a useful guide for discussions.

He also asked whether parties had “an appetite” for inviting relevant international organizations to Bangkok to answer parties’ questions. Several parties, including NORWAY and SINGAPORE, supported inviting ICAO and the IMO to Bangkok, while SAUDI ARABIA opposed.

MITIGATION (paragraph 1(b)(vi) of the BAP): In the afternoon, Facilitator Konaté facilitated the informal subgroup on paragraph 1 (b)(vi) of the BAP (response measures). He introduced a non-paper, which he explained had maintained all the proposals and ideas, while changing the order of paragraphs.

CHINA, INDIA and SINGAPORE, opposed by the US, suggested that India’s proposal relating to prohibiting unilateral trade measures against exports from developing countries should also be included in the preambular part of the shared vision section.

Parties then discussed the status of the titles reflected in the non-paper. The US, the EU, CANADA, JAPAN, NORWAY and others, objected to the insertion of certain titles in the paper, while ARGENTINA, SAUDI ARABIA and CHINA supported retaining the titles. CANADA requested reflecting that the titles had been inserted by the facilitator. SAUDI ARABIA proposed bracketing and renaming some of the titles. AUSTRALIA proposed stating that titles are provided for guidance only.

SINGAPORE underscored the importance of open markets for goods and services from developing countries. INDONESIA and BRAZIL proposed bracketing of paragraphs on biofuels, as well as on REDD and emissions displacement.

ADAPTATION: In the afternoon, Co-Facilitators Kolly and Agyemang-Bonsu presented a consolidated text for the subsection on implementation along with a guiding table identifying specific paragraphs from the original text being consolidated and the rationale for that consolidation.

COLOMBIA proposed that the consolidated paragraphs and the guiding table be merged into a single document. The EU said the consolidating process was valuable and could help in the line-by-line negotiations. The Cook Islands, for AOSIS, with EGYPT, proposed similar consolidation for other subsections and distribution as soon as possible before Bangkok. The Secretariat said it could be requested to complete consolidation of other subsections and post it on the website, but that a final decision would be made during the closing meeting on Friday.

Co-Facilitator Agyemang-Bonsu reassured delegates that new text could be introduced up until the last day in Copenhagen. The US asked for clarification as to whether the text going forward to Bangkok will include any new proposals. The EU said that text should not include new proposals, but that new proposals should be communicated during meetings in the presence of parties, rather than through indirect communication

of submissions. EGYPT noted that attribution of proposals in the consolidated text was more important than in the original text. BOLIVIA requested attribution and allocating brackets in a more balanced manner. Co-Facilitator Bonsu noted the whole text was in brackets. AOSIS expressed concern that attributions might further complicate the text and suggested a column in the guiding table instead. TANZANIA noted some inconsistencies with consolidated paragraphs and those in the original document.

AWG-KP INFORMAL GROUPS

OTHER ISSUES (FLEXIBILITY MECHANISMS):

In the morning, Vice-Chair Dovland introduced a draft non-paper, explained that it will act as “institutional memory” and be forwarded to the AWG-KP Chair. INDIA underscored the right to bring options not addressed in the non-paper back to the table. EGYPT, with ALGERIA, called for including a separate paragraph on co-benefits.

Vice-Chair Dovland suggested going through the non-paper and identifying issues for negotiation in Bangkok. SOUTH AFRICA outlined two procedural scenarios: to continue refining options until agreement on the whole range of issues in Copenhagen; or considering the mandate problem and which issues may be addressed in the negotiations. SAUDI ARABIA, with CHINA, INDIA, OMAN and ETHIOPIA, called for a focus on Annex B and Protocol Article 3.9 (Annex I further commitments). EGYPT, with CHINA, endorsed differentiation between elements requiring Protocol amendment and those that can be adopted as COP/MOP decisions. BRAZIL, with many others, suggested postponing discussion on elements requiring Protocol amendments until Copenhagen. COLOMBIA cautioned against addressing issues for the first time in Copenhagen and suggested discussion on whether issues should be handled by amendment or decision were best left to the legal group. AUSTRALIA, JAPAN, the EU and NORWAY highlighted the futility of lengthy mandate discussions. AUSTRALIA noted lack of agreement on whether the AWGs will meet in Copenhagen.

AWG-KP Chair Dovland noted parallel discussions under the AWG-LCA and, supported by JAPAN and NEW ZEALAND, suggested discussing the addition of new mechanisms through an “academic” seminar in Bangkok. BANGLADESH preferred not to discuss new mechanisms, and CHINA highlighted the need to focus on aggregate and individual targets for Annex I parties.

POTENTIAL CONSEQUENCES: In the morning, the informal group continued moving bracket-by-bracket through annex I (FCCC/AWG/KP/2009/9), addressing issues related to framing of the work, vulnerability and ability to respond to the impacts of potential consequences, and deepening understanding. Parties agreed to return to framing of the work and vulnerability after more progress has been made on substance.

On deepening understanding, SAUDI ARABIA noted that the issue to be addressed is more fundamental than wording in the text suggests, and that improving institutional capacity is not directly relevant to minimizing impacts of potential consequences. The G-77/CHINA underscored that deepening understanding is a complicated issue, including challenges related to attribution, capacities and regulatory frameworks, but that the main message in the text needs to be simplified.

Some developing countries questioned the meaning of “actual impacts.” Developed countries preferred “actual” or “observed” impacts, while developing countries emphasized the need to include “possible” consequences as well. SAUDI ARABIA highlighted that models could be used as evidence of possible consequences.

The EU expressed concern with language requiring regional and global assessments, noting that if every mitigation action undertaken by Annex I countries has to undergo a regional and global review process, it would significantly undermine the purpose of the Protocol to take prompt mitigation actions.

In the afternoon, parties continued discussions on deepening understanding. They were unable to agree on language related to institutional capacity. The EU highlighted complexity added by lack of institutional capacity to the determination of potential consequences, with SAUDI ARABIA stating that this shifted the blame of consequences to developing countries. On global and regional assessments, SAUDI ARABIA clarified that these are complementary to individual assessments of impacts by developed countries and would examine classes of policies and the resulting consequences. AUSTRALIA noted a possible role for such assessments, but requested identifying that the terms of reference for such assessments would be negotiated at a later date. The EU noted that the global and regional levels may not be the proper levels at which to conduct assessment and wondered where funding for such large assessments would come from.

The co-facilitators noted that following modifications to the title to reflect its changed status, the outcome of the work of the informal group would be forwarded to the Chair of AWG-KP as a non-paper, who would then forward it to Bangkok to serve as the basis of continued negotiations.

ANNEX I EMISSION REDUCTIONS: In the afternoon, the informal group commenced with a technical exercise on assigned amounts and translation of commitments into QELROs, followed by discussion of aggregate and individual targets, the gap when aggregating pledges, and comparability and related criteria.

The Secretariat presented three scenarios for the establishment of assigned amounts: using the Protocol rules; minimal changes to the Protocol rules, such as application of the 2006 IPCC Guidelines on National Greenhouse Gas Inventories; and changes to the rules as proposed under the AWG-KP, including adding new greenhouse gases, as well as changing the base year and LULUCF rules.

NEW ZEALAND emphasized that using actual emissions as a starting point more accurately reflects the costs countries face in meeting targets and avoids locking in current inequities in the Protocol. She noted that there is limited risk of countries gaming the system by increasing emissions to get more permits in future periods. The EU also emphasized that the starting point has significant implications for QELROs.

JAPAN underscored that use of 1990 as the base year makes comparing levels of effort more difficult and that using absolute emission levels was preferable. AOSIS stressed the need to retain the 1990 base year and percent-based QELROs so that they are comparable to the first commitment period. JAPAN explained that the 1990 base year is far more advantageous to some countries and influences how reduction targets look. BOLIVIA emphasized that an aggregate number is needed prior to determining assigned amounts.

AUSTRALIA noted that they had increased their pledge and wondered if other parties had processes for reviewing their pledges because some "had been on the table a long time." IRAN highlighted the gap between pledges and aggregate emission reductions needed from Annex I parties to stabilize greenhouse gas concentrations.

The RUSSIAN FEDERATION, supported by JAPAN and CROATIA, said that the aggregate range must be determined through a bottom-up approach. BOLIVIA advocated allocating

individual shares in a top-down approach. AOSIS agreed, stating that the impacts on SIDS and the most vulnerable countries should be the benchmark for measuring the levels of ambition. JAPAN, with AUSTRALIA, the EU and CANADA, emphasized that the aggregate range should be discussed in cooperation with the AWG-LCA. CANADA raised the question as to how contributions to other international reduction activities, such as investment in R&D with broader implications for the collective transformation from business-as-usual to low-carbon economies, would be accounted for.

IN THE CORRIDORS

On the penultimate day of the meeting, many non-papers and consolidated texts were distributed under the AWG-LCA and AWG-KP, and delegates rapidly tried to digest the substance to voice their reactions during the sessions. Many were pleased with the progress on consolidating text under the AWG-LCA up to this point, noting that they had not expected to engage in line-by-line negotiations at Bonn III anyway. "Fortunately it seems that we have reached the peak in terms of the length of text. At first I thought it was going to balloon even more, but I am comforted now by the very efficient work done on consolidation." Others, however, were concerned that in the consolidating process, their proposals had been left out, and they were not so pleased with the process.

In the afternoon, so many delegates lined up for a copy of the REDD-plus text that a second printing was required. Delegates were anxious to see how their proposals had been incorporated following three days of informal meetings with the facilitator, which many delegates felt were "positive" and "reassuring." Some enthusiastic parties and observers began analyzing the text in the corridors to prepare for Friday's session. One delegate said, with hope, "this text represents a solid chance to make some progress on REDD." However, participants following some of the other AWG-LCA issues expressed frustration at "beating around the bush on issues" in some of the informal groups. One frustrated delegate stated that "we can't continue to tinker around the edges of issues" and eventually we will have to "crack the tough nuts".

During the evening informal meeting under the AWG-LCA on the organization of work, delegates reportedly discussed whether they were comfortable continuing with the same working methodology in Bangkok as here in Bonn. Based on the fact that not all the sections of the text were covered this week, some suggested continuing the Bonn working method for at least part of the time in Bangkok, and transitioning into substantial negotiations after a few days. Some delegates expressed frustration with this, with one stating "Why can't we just jump into negotiations on day one in Bangkok? We are wasting time." Noting uneven progress in the informal groups, some delegates hoped substantial work could begin in contact groups at least on those issues where it was possible. One developed country negotiator believed some issues are ready to go for Bangkok, such as technology and adaptation and even certain aspects of mitigation. However, one developing country said jumping too fast might have "adverse impacts with unintended consequences." Many agreed that more clarity on the way forward might exist after the informal groups conclude their work on Friday.

ENB SUMMARY AND ANALYSIS: The *Earth Negotiations Bulletin* summary and analysis of the Bonn informal meetings will be available on Monday, 17 August 2009 online at: <http://www.iisd.ca/climate/ccwgi/>