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SB 32 AND AWG HIGHLIGHTS: WEDNESDAY 2 JUNE 2010

In the morning and afternoon, contact groups and informal consultations took place on issues including privileges and immunities, national communications, LDCs, capacity building, financial mechanism and arrangements for intergovernmental meetings under the SBI, item 3 (preparation of an outcome to be presented to COP 16) under the AWG-LCA and Annex I emission reductions and other issues under the AWG-KP.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

PRIVILEGES AND IMMUNITIES (SBI): In the morning contact group on privileges and immunities for individuals serving on constituted bodies established under the Kyoto Protocol, Chair Tamara Curll (Australia) noted the contact group's mandate to work on the basis of text forwarded by SBI 30 with a view to forwarding draft decision text to COP/MOP 6. She proposed using "a building-block approach" and considering each issue without prejudice to the final form of the text. Parties agreed to the proposed method of work. Informal consultations will continue.

CAPACITY BUILDING UNDER THE CONVENTION

(SBI): Co-Chair Marie Jaudet (France) recalled that the objective is to conclude the second comprehensive review of the capacity building framework and finalize a draft decision for adoption by COP 16. She noted that the G-77/China and the EU have submitted proposals for a draft COP decision, and invited the G-77/China and the EU to explain their submissions.

Outlining their proposal, Tanzania, for the G-77/CHINA, highlighted, *inter alia*: their proposed expert group on capacity building; a plan of action for implementation of the capacity building framework; and performance indicators to monitor and evaluate the implementation of the framework.

On their proposal, Spain, for the EU, highlighted, *inter alia*: enhanced reporting of capacity building best practices through national communications in order to enable monitoring and evaluation of the implementation of the capacity building framework; and the indicative list of items to consider for further implementation of decision 2/CP.7 (capacity building in developing countries).

MAURITANIA, CHAD and MOROCCO underscored the need for capacity building for national climate change focal points, the US highlighted the role of the private sector in capacity building, and BOTSWANA supported the establishment of an expert group. Informal consultations will continue.

PROTOCOL ARTICLES 2.3 AND 3.14 (SBI/SBSTA):

During the first joint SBI/SBSTA contact group on matters relating to Protocol Article 2.3 (adverse impacts of policies and measures) and Article 3.14 (adverse effects and impacts of response measures), Co-Chair Andrew Ure (Australia) outlined progress on this topic under other UNFCCC bodies, and proposed moving forward based on a new Co-Chairs' draft text reflecting the "current thinking" on the issue.

Saudi Arabia, for the G-77/CHINA, and the UNITED ARAB EMIRATES said that separate draft conclusions should be prepared for the SBI and SBSTA. Spain, for the EU, with JAPAN, preferred joint SBI/SBSTA conclusions. Parties agreed to proceed with drafting separate conclusions that are reflective of each other, and to focus the morning discussions on Protocol Article 2.3.

The G-77/CHINA expressed concern that their views were not represented in the text. CHINA stressed that the text should include language on unilateral trade measures. CANADA, the EU, AUSTRALIA and TURKEY, noted that the text was a good starting point and reflected a balanced view. The EU and AUSTRALIA underscored the need to exchange information and said that national communications are an appropriate means for information exchange by all parties. The G-77/CHINA proposed adding language on the need to better understand the implementation of policies and measures by developed countries in order to strive to minimize adverse impacts. The EU emphasized the need to deepen understanding in order to strive to minimize adverse impacts. Informal consultations focusing on Protocol Article 3.14 continued in the afternoon.

FINANCIAL MECHANISM (SBI): In the morning, a SBI contact group considered the financial mechanism of the Convention. Co-Chair Zaheer Fakir (South Africa) explained that regarding the fourth review of the financial mechanism, the objective is to finalize the text prepared but not finished for COP15 (FCCC/SBI/2009/MISC.10 and Add.1). Many parties emphasized that much has happened since COP 15, in particular the GEF's fifth replenishment and the GEF's Fourth Assembly. Pakistan, for the G-77/CHINA, supported by others, requested background material and updates as a basis for negotiating text. The EU proposed that the Co-Chairs prepare an updated and streamlined text.

AFGHANISTAN called for easier procedures to access GEF funding, saying that current procedures favor countries with greater human and financial resources. BANGLADESH and TIMOR-LESTE requested enhanced financial resources and

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easier access to implement national adaptation programmes of action (NAPAs). ECUADOR suggested a focus on governance issues, saying that some developing countries are concerned that the GEF favors mitigation over adaptation and is driven by donor interests. He called on the GEF to focus on the implementation of adaptation plans, including NAPAs.

Parties then agreed to: further consult on the fourth review of the financial mechanism, concentrating on the issues where information is available; postpone the review of the GEF's report and guidance to the GEF until the report is available, with NORWAY asking the Secretariat to provide information on guidance to the GEF under other conventions; and postpone the assessment of the Special Climate Change Fund to SBI 33, as no reports or submissions by parties are available at this moment.

ITEM 3 (AWG-LCA): During the AWG-LCA contact group in the morning and afternoon, parties considered the enhanced provision of financial resources through an indicative list of questions identified by the AWG-LCA Chair (http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/questions_institutional_arrangements_01.06.10.pdf).

On sources of funding, Pakistan, for the G-77/CHINA, proposed assessed contributions starting at 1.5 % of developed countries' Gross National Income as the primary basis of funding. He advocated a strong and direct relationship between the proposed thematic bodies and the finance board, noting that the specific roles of the thematic bodies would need to be discussed further. He suggested that the finance board undertake the facilitation and matching functions, and emphasized that the proposed fund should have the capacity to allocate and determine financial resources.

Zambia, for the LDCs, stated that funding should be over and above official development assistance (ODA), derived from public sources and comprise 1.5% of GDP from developed countries with the private sector playing a complementary role. She stated that the provision of funds should be undertaken by the respective thematic boards with overall supervision by the finance board.

Egypt, for the AFRICAN GROUP, said scaled up funding should mainly come from developed countries' public resources, amounting to 1.5% of their GDP, with supplementary funding from the private sector. He explained that the proposed new finance board should allocate funding based on recommendations from technical committees established under the thematic areas.

Barbados, for AOSIS, underscored compliance, noting that MRV of financial support from developed countries should be undertaken in "a robust and rigorous manner." He emphasized the importance of ensuring coherence between the financial mechanism and the thematic bodies, with each body having its own governance structure. He said the registry mechanism should be a stand-alone structure with clear and direct links to the financial mechanism.

The US highlighted the Copenhagen Accord as a "big step" in clarifying the financial architecture with the Copenhagen Green Climate Fund as the operating entity of the financial mechanism. He said the new fund and the GEF would each play an important and complementary role, with the green fund focusing on large-scale investments. He also explained that no new committee or board is necessary.

NORWAY identified the need for reformed financial architecture designed to meet the scale of financing requirements. AUSTRALIA expressed commitment to the establishment of the Copenhagen Green Climate Fund, proposing that its board decide on how thematic areas will be funded. NEW ZEALAND noted the need to consider the functions of

the finance board as well as the strengthening of existing bodies. On funding sources, the US, AUSTRALIA, NEW ZEALAND, SWITZERLAND and others stressed the need to consider the report by the UN Secretary-General's High-level Advisory Group on Climate Change Funding.

Pakistan, for the G-77/CHINA questioned the role of the Secretary-General's High-level Advisory Group on Climate Change Finance and highlighted the importance of the finance board. VENEZUELA underscored that the Secretary-General's High-level Advisory Group on Climate Change Finance is a process outside the UNFCCC with limited participation and noted the need to think about the lack of coordination between bilateral and multilateral levels.

BOLIVA stressed that developed country commitments based on their GDP offer the necessary predictability of funding. Gabon, for COMIFAC, stated that funding should be derived from developed countries' public resources, amounting to 1.5% of their GDP and that institutional arrangements should be under the authority of the financial mechanism.

JAPAN cautioned against duplication of efforts and the creation of an "oversized" or "overlapping" organization. He called for the establishment of the Copenhagen Green Climate Fund and use of existing organizations. He also noted that there had been no consensus on the establishment of a finance board in Copenhagen.

The EU recalled that they did not favor the establishment of the green fund last year but stated that they now "strongly support" it as something that was agreed in Copenhagen. He said other bodies would have an advisory role and would not be disbursing funding. The EU said the proposed finance board was "very problematic" and identified the need to discuss functions first, and then decide which institutions should undertake them. He proposed a matching platform for developing countries to list their needs and match them with support.

SINGAPORE highlighted that financial entities should focus on how to provide funding and technical entities should decide what to fund. He noted the need for a new financial oversight entity to complement the Copenhagen Green Climate Fund. INDONESIA noted the need for coordination between a finance board and the technical committees of thematic bodies. PERU called for a bottom-up approach to finance, based on integrated national programmes that define the scope of funding required.

ANTIGUA and BARBUDA highlighted the need improve governance to ensure that the smallest and poorest have a voice. GUATEMALA called for human development indicators to be included in funding criteria.

Continuing the discussions in the afternoon, TUVALU identified a "clear need" to establish a finance board whose primary role would be to oversee MRV of finance. He characterized the green fund as "a political promise that is not part of our discussions" and lamented that it is being used "to force countries to sign up to the Copehagen Accord."

BRAZIL emphasized that the G-77/China has a "strong view" on the country-ownership of NAMAs and that the process of recording and financing NAMAs should not have any bearing on the country-driven process of design and implementation. BRAZIL stressed the importance of coordination and coherence, explaining that the financing board would provide a structure focusing on the "big picture" and the adequacy of what is being done in different places. He stressed accountability to the COP as an important aspect of the discussions.

CHINA called for assessed contributions by developed countries, expressed as a percentage of annual GDP. She supported the development of a multi-window system with a

strong link between the financial mechanism and the thematic bodies. She also said governance should be under the authority and guidance of the COP. While welcoming the UN Secretary-General's initiative, CHINA emphasized that decisions must be taken by the COP.

ARGENTINA supported a new fund and facility, governed by a board and assisted by thematic bodies. He said funding proposals would be analyzed by thematic bodies providing guidance to the finance board for disbursement. The PHILIPPINES stressed that any outside process, including the Secretary-General's initiative, can only inform UNFCCC parties. She emphasized that ensuring coordination and coherence is impossible while governance remains outside the Convention and called for a separate finance chapter.

COLOMBIA reminded parties that the establishment of the Protocol's Adaptation Fund (AF) took nine years and suggested enhancing the AF and injecting "substantial funds" to it. She highlighted that the green fund does not exist but needs to be approved by the COP. She also said it would be "almost impossible legally" for one fund board to govern the World Bank and regional banks, identifying the need to be practical.

CANADA identified, as a key objective, a new financing facility with an accountable body making decisions on funding, well informed by expert-level decisions. He supported having a breakout group to focus on establishment of a new climate finance facility.

INDIA questioned whether the US\$100 billion envisaged under the Copenhagen Accord was adequate for covering mitigation and adaptation costs. He emphasized that bilateral assistance provided outside the UNFCCC could not be regarded as fulfilling Annex I countries' obligations under the Convention and that differentiation between developed and developing countries should not be "diluted at any cost" during the consideration of a new financial architecture.

PAPUA NEW GUINEA called for a bottom-up analysis in order to identify financial requirements. SWITZERLAND noted that the new fund should complement existing financial mechanisms.

NICARAGUA called for commitment of 6% of developed countries' GDP. BANGLADESH requested text identifying a preference in financing for LDCs and SIDS. KYRGYZSTAN said financing for mountainous countries should be included in the text.

The US suggested the Copenhagen Green Climate Fund would have its own board composed of finance experts with equal representation of developing and developed countries and would be accountable to the COP. He expressed skepticism that the proposed finance board would be more effective at oversight than the SBI. The EU said the proposed finance board would not deliver an overview of international climate finance flows, highlighting the need to split the political and operational functions. He underscored the need for rapid delivery of funding.

SOUTH AFRICA envisaged a mitigation registry closely related to the financial mechanism and said the registry could, *inter alia*, record and match actions and support, and provide technical analysis. BARBADOS underscored the need for a registry to be linked to the financial mechanism and reiterated the call for a breakout group on how the whole architecture, including the adaptation, technology, registry and finance mechanisms, will work.

ANNEX I EMISSION REDUCTIONS (AWG-KP): The contact group focused on organization of work. Co-Chair Leon Charles (Grenada) suggested the following as areas for the group to focus on: making significant progress on Annex I parties' aggregate and individual numbers, including raising the current

level of ambition; narrowing down the options for the base year and number and length of commitment periods; beginning the process of converting pledges into quantified emission limitation or reduction objectives (QELROs), including through discussion of the Secretariat's technical paper (FCCC/TP/2010/2); analyzing efforts and achievements to date, as well as addressing the issue of surplus Assigned Amount Units (AAUs); and deciding on negotiating text, including whether to give instructions to the AWG-KP Chair to revise the documentation. He said the group's discussions would be based on document FCCC/KP/AWG/2010/6/Add.1 (proposed amendments to the Protocol pursuant to its Article 3.9).

AUSTRALIA, supported by NORWAY, NEW ZEALAND and ICELAND, but opposed by BOLIVIA and BRAZIL, suggested having more time dedicated to discussing the overlap between LULUCF and the numbers, and proposed a joint session of the numbers and LULUCF groups. Spain, for the EU, preferred discussing technical issues relating to LULUCF rules and surplus AAUs before discussing how to raise the level of ambition, stressing that the rules affect the level of ambition. The FEDERATED STATES OF MICRONESIA suggested also exploring the consequences of the various options regarding base year, LULUCF scenarios and treatment of surplus AAUs, together with their impacts on the desired environmental outcome. NEW ZEALAND noted that pledges will not simply be translated into QELROs, but that QELROs will have to be negotiated at the higher political level. JAPAN emphasized that for the relevant political decision to be taken, there is a need for clarity on the technical issues. CHINA cautioned against splitting the group's mandate into political and technical issues, underlining that the mandate is to conclude on Annex I parties' further emission reductions.

Ethiopia, for the LDCs, supported by SOUTH AFRICA, said the issue of timing and procedures for entry into force of Protocol amendments should be discussed, in order to ensure there is no gap between the first and second commitment periods. THAILAND, supported by the LDCs and SOUTH AFRICA, proposed referring this question to legal experts, with SOUTH AFRICA adding that the timing of entry into force was not a purely legal matter.

Co-Chair Charles said he would inform the AWG-KP Chair about the group's desire to forward this issue to the legal issues group.

OTHER ISSUES (AWG-KP): In informal consultations on the flexibility mechanisms in the morning, parties focused on ways to reduce the options in the text. They considered issues that had previously only received limited attention, including the share of proceeds and supplementarity.

In informal consultations on LULUCF in the afternoon, parties considered reference levels, with some parties saying they may be open to the use of reference levels. Others noted a lack of transparency in establishing reference levels. Informal consultations will continue.

RESEARCH AND SYSTEMATIC OBSERVATION (SBSTA): During informal consultations on research and systematic observation, some parties called for discussions on enhancing the interactions between scientific and political issues to widen the appeal of the topic. Some parties lamented that the Secretariat had only received a few submissions on the topic. Informal consultations will continue.

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS (SBI): In the contact group, parties discussed organization of work at COP 16 and COP/MOP 6. MEXICO reiterated that they were working towards convening an "inclusive" COP for parties and observers, including unrestricted

access to the conference facilities. Bangladesh, for the G-77/CHINA, INDONESIA, COLOMBIA and others called for enhancing the facilitation of visas for intersessional meetings, as well as for Cancún.

Barbados, for AOSIS, proposed the early closure of SBI and SBSTA in Cancún to focus on the AWG-LCA, AWG-KP, COP and COP/MOP. The RUSSIAN FEDERATION stated that the AWGs should finalize their work before the start of COP/MOP 6. COLOMBIA and SINGAPORE requested clarification on the status of the high-level segment, regarding whether it would be at summit level involving heads of state and government. MEXICO responded that this scenario was not envisaged.

Parties also discussed the duration of the high-level segment. The G-77/CHINA preferred a three-day high-level segment, rather than a four-day one. AUSTRALIA expressed support for efforts to facilitate the involvement of ministers to the fullest extent possible. The EU and JAPAN favored a longer high-level segment as required. While supporting enhanced ministerial engagement, AOSIS expressed doubt about whether a longer high-level segment would translate into greater ministerial engagement. SINGAPORE stressed that the method and mode of ministerial engagement must be inclusive and transparent.

SCIENTIFIC, TECHNICAL AND SOCIO-ECONOMIC ASPECTS OF MITIGATION (SBSTA): In informal consultations on scientific, technical and socio-economic aspects of mitigation, parties raised issues for further discussion including: technical papers on costs and benefits of achieving a long-term objective of limiting temperature increase to 1.5°C and the costs of not achieving this objective; aspects of agricultural mitigation and adaptation; and work on energy efficiency and supply. Informal consultations will continue.

LDCs (SBI): During informal consultations in the morning, discussions focused on the Chair's proposed draft conclusions. Parties discussed: further guidance to the LDC Expert Group; revision of NAPAs; and guidance to the GEF, particularly whether the group can provide such guidance in relation to the provision of financial support for NAPAs. Informal consultations will continue.

CARBON CAPTURE AND STORAGE (CCS) UNDER THE CDM (SBSTA): During informal consultations on CCS under the CDM in the morning, many parties agreed that CCS is a potentially important mitigation strategy, while some continued to oppose its inclusion under the CDM. Some parties stressed that parties should not mix their concerns over technological issues with market concerns.

INTERNATIONAL TRANSACTION LOG (ITL) FEES (SBI): In the contact group, the Secretariat introduced the technical paper (FCCC/TP/2010/1). After discussion on the options identified in the paper, he proposed, and parties agreed, to continue consultation on draft conclusions condensing option 1a (current methodology for new users).

GHG INVENTORY DATA IN ANNEX I NATIONAL COMMUNICATIONS (SBI): In the contact group, parties considered the status of submission and review of Annex I fifth national communications (FCCC/SBI/2010/INF.1) and the date of submission of sixth national communications (FCCC/SBI/2009/INF.9). AUSTRALIA emphasized that comprehensive reporting is fundamental for the adequate implementation of the Convention, and called on parties to use national communications as an opportunity to learn from each other. The EU highlighted national communications as an important contribution to capacity building for both Annex I and non-

Annex I countries. The US emphasized that her country has learned from in depth in-country review of their national communication, and invited other parties to do the same.

The Secretariat then presented the main findings from the report on Annex I national greenhouse gas inventory data for the period 1990-2007 (FCCC/SBI/2009/12). BOLIVIA said the report gives a good idea of the differences between countries regarding compliance, suggested reflecting these differences in the conclusions, and called for compliance mechanisms to ensure commitments are met by parties. CHINA expressed "deep concern" that emissions have increased in many developed countries during the period, requesting that the COP consider these concerns.

ANNEX B PARTIES' ANNUAL COMPILATION AND ACCOUNTING REPORT (SBI): In the contact group on annual compilation and accounting report for Annex B Parties under the Kyoto Protocol, the Secretariat introduced the main findings of its second report and said the next report will be presented to COP/MOP 6 in Cancún. BOLIVIA requested relating the numbers in these documents to numbers on the share of emission reductions that Annex B parties achieved through the flexibility mechanisms. Co-Chair William Agyemang-Bonsu (Ghana) clarified that the Co-Chairs will prepare a draft conclusion after receiving comments from parties.

IN THE CORRIDORS

On the third day of negotiations, many delegates spent the morning and afternoon in the AWG-LCA's contact group focusing on finance, which convened in the main plenary hall. Some commented on the tone being "much more constructive" than they had expected. "I heard some positive interventions from developing countries," explained a senior developed country delegate. Others complained, however, that while the tone was "mildly positive," parties had not really moved on from their "entrenched pre-Copenhagen positions." The assessment of a veteran developed country finance expert was that parties were "pretending as though the US\$100 billion pledged in Copenhagen never happened, or that the UN Secretary-General's High-level Advisory Group on Climate Finance has not been convened to consider sources of financing." Many others, however, saw the various parallel initiatives, including the Secretary-General's initiative and the Paris-Oslo REDD+ partnership, as threatening the role of the UNFCCC: "If these groups initiate institutions that start delivering significant funds while we are bickering, it will be hard to convince donors to bring the institutions into the UNFCCC," said one worried delegate.

"Déjà vu" was how one delegate described the AWG-KP contact group on numbers, saying he felt "extreme frustration" that discussions seemed to be going round in circles "as usual." Many said, however, that they were looking forward to discussions on the Secretariat's technical paper and presentations by various parties on their pledges and where they see discussions going.