

## AWG-LCA 12 AND AWG-KP 14 HIGHLIGHTS: FRIDAY, 8 OCTOBER 2010

On Friday, various drafting groups convened under the AWG-LCA to consider shared vision, adaptation, mitigation, and finance, technology and capacity building. Contact groups and informal discussions under the AWG-KP addressed potential consequences, LULUCF, mechanisms and Annex I emission reductions. The AWG-KP also met in an informal plenary in the afternoon to discuss elements of a balanced outcome in Cancun.

### AWG-LCA DRAFTING GROUPS

**SHARED VISION:** Discussions focused on the structure and content of a decision on shared vision. Some parties suggested a framing paragraph setting out the context for a shared vision and made textual proposals in this regard. In terms of the content, several parties preferred to focus on the long-term goal for emission reductions, observing that this is the only element that can be agreed upon in Cancun. They maintained that other outstanding issues could be resolved next year and noted the possibility of agreeing on a process towards this in Cancun. Other parties emphasized that the purpose of a shared vision is to enhance the implementation of the Convention and that, therefore, all the proposed elements, including mitigation, adaptation, finance, technology and capacity building, must be addressed along with the global goal for emission reductions.

Some parties, opposed by others, proposed that the Co-facilitator prepare text to facilitate negotiations. Parties agreed that Co-facilitator Turesson will produce a “sheet of paper” containing headings, bullet points and references to relevant paragraphs from the negotiating text, and consultations will continue.

### FINANCE, TECHNOLOGY AND CAPACITY

**BUILDING:** The drafting group considered finance in the morning and technology in the afternoon. During discussions on finance, parties addressed long-term financing, MRV of support, the role of the Global Environment Facility (GEF) and expectations for Cancun. On the scale of long-term financing, many parties highlighted the need for new, additional, adequate and predictable finance, as well as assessed contributions derived mainly from public sources. Other parties cautioned against proposing “simplistic percentage figures” and looked forward to the outcomes of the UN Secretary-General’s High-Level Advisory Group on Climate Change Financing. On MRV of financial support, some parties advocated using and building on the existing national communications systems, rather than recording financial support provided to developing countries in a registry.

Some parties supported reaffirming the GEF as the operating entity of the financial mechanism, while others advocated further reform of the GEF to make it more responsive to the Convention. The need to link discussions on the role of the GEF with discussions on rationalizing the financial architecture was also raised.

On technology, parties considered the composition, operation modalities and procedures of the TEC and the mandate of the CTCN. Some parties cautioned against opening up previously-agreed text. Co-facilitator Goote said he would capture suggestions in an updated version. Parties briefly discussed intellectual property rights and Co-facilitator Goote noted that this text remained unchanged and will be revisited in Cancun.

**ADAPTATION:** In the morning, the drafting group discussed reporting. Some parties highlighted the need to: report activities undertaken and support provided and received for adaptation actions; and ensure transparency, mutual accountability and robust governance. Other parties stressed the need to report on support provided in order to identify insufficiencies and discrepancies in support, and to provide information on experiences and lessons learned. Parties also considered revised text on national level institutional arrangements.

In the afternoon, parties discussed institutional arrangements for adaptation and considered a proposal for an adaptation committee and its functions. Other parties insisted on using existing institutions and expertise under the Convention, while recognizing the work undertaken by other bodies.

### MITIGATION (sub-paragraph 1(b)(i) of the BAP)

**(developed country mitigation):** In the morning, the drafting group discussed: the concept and criteria for graduation of countries into Annex I; inscription of targets for developed countries; language and focus of MRV for developed countries; and compliance.

Many parties objected to the discussion of graduation, stressing that it is not part of the BAP and therefore not within the AWG-LCA’s mandate, also pointing out that the Convention already allows countries to voluntarily join Annex I. Some parties also stressed that graduation does not fall into the category of what can be achieved in Cancun. Others pointed to the improved economic circumstances of many countries since 1992 when the Convention was agreed and said this should be reflected. Some parties proposed differentiated obligations and commitments for developing countries instead of graduation.

On inscription of targets, some parties highlighted the need to discuss both the nature of commitments and the relationship between Kyoto Protocol Annex I countries and non-Kyoto Protocol Annex I countries, in order to ensure coherence and comparability of commitments. Several parties stressed that the approach should be top-down and involve commitments rather

than targets, while others said a bottom-up approach is more practical. Some parties also supported a decision in Cancun that begins the process, recognizes pledges and encourages parties to increase their ambition. They stressed that such a decision would only be an interim step towards a legally-binding agreement that captures developed country mitigation commitments and developing country actions in a differentiated manner. Others stressed that the commitments of all major economies, not just of Annex I countries, should be inscribed in a decision in Cancun.

**MITIGATION (sub-paragraph 1(b)(ii) of the BAP) (developing country mitigation):**

Discussions in the drafting group focused on national communications and ICA, addressed in paragraphs 28 to 43*septies* of the negotiating text. Co-facilitator Rosland asked parties to suggest ways of streamlining the text and to identify issues that can form part of a Cancun decision. Many parties highlighted the need for more frequent and comprehensive reporting by non-Annex I countries, underlining that this is crucial for a balanced outcome in Cancun. Parties reiterated various proposals for achieving this, including: reporting of all mitigation actions, both supported and autonomous; domestic and international MRV and ICA of supported actions, and domestic MRV and ICA of autonomous actions; and domestic reporting and verification of autonomous actions, and domestic reporting and international verification of supported actions. In terms of what should be reported, some parties said all NAMAs should be reported, with differentiation between the mode of reporting for supported and autonomous NAMAs. Others stressed that only supported NAMAs should be subject to any form of MRV or ICA.

Some parties highlighted that the focus of discussions should be on support for development and implementation of NAMAs, rather than on MRV of NAMAs, noting that without adequate support, NAMAs will not be implemented and there would be nothing to MRV. Several parties said the agreed full costs of any additional obligation must be provided. Other parties also objected to some of the issues in the current negotiating text, such as the issue of low-emission development strategies and plans, saying this concept is not part of the Convention or the BAP.

Regarding the content of a Cancun outcome, some parties suggested agreement on the basic idea of enhanced reporting of actions and a system to facilitate dialogue and exchange information, leaving the operative details to be agreed on next year. Discussions will continue in a spinoff group facilitated by Co-facilitator Rosland.

**MITIGATION (sub-paragraph 1(b)(vi) of the BAP) (potential consequences of response measures):** Parties continued consideration of the negotiating text. Language on recognizing the importance of meeting the specific needs and concerns of developing countries arising from the impact of the implementation of response measures taken by developed countries was bracketed. A proposal on requiring international consensus on measures that would have an effect on international trade, in particular on developing country exports, was also bracketed. A proposal on ensuring that climate change trade-related measures taken by developed countries do not transfer the burden of climate change mitigation to developing countries or limit their social or economic development was also bracketed.

**AWG-KP CONTACT GROUPS**

**ANNEX I EMISSION REDUCTIONS:** In the contact group, Co-Chair Lefevre highlighted that the purpose of the meeting was to discuss how ideas and proposals in the other issues group affect the numbers. AUSTRALIA requested an update on AWG-KP Chair Ashe's consultations on legal matters and noted the centrality of clarifying legal options on the rules. Co-Chair Lefevre responded that consultations were still ongoing.

On LULUCF, Co-facilitator Iversen noted advances on treatment of *force majeure* and harvested wood products (HWP), limitation of HWPs under the CDM, and a review process

for forest management accounting reference levels. The EU, supported by NEW ZEALAND, ICELAND and others, reiterated the importance of fixing LULUCF rules before agreement on further commitments. The Federated States of Micronesia, for AOSIS, expressed continued concern with implications of LULUCF proposals for accounting and transparency and stressed the need to consider quantitative impacts of the proposals. NEW ZEALAND underscored that if there is a significant change of rules, it would have to recalculate its target.

The FEDERATED STATES OF MICRONESIA noted concerns with the quantitative ambition and environmental integrity of pledges and said proposals would be submitted on carryover of AAUs, the second sentence of Article 3.2 (base year LULUCF emissions) and Articles 3.3 and 3.4 (LULUCF). NEW ZEALAND suggested that some of these proposals would likely require amendments to the Kyoto Protocol.

On the flexibility mechanisms, AWG-KP Vice-Chair Macey described discussions on carbon capture and storage (CCS) and the CDM, standardized baselines, new market mechanisms, discount factors on issuance of certified emission reductions and the carryover of surplus AAUs. On carryover, he raised the question of whether this is an issue for the numbers or mechanisms discussions. The EU highlighted the need to focus on the consistency of rules to ensure that new mechanisms are "firmly rooted" in the international system. NEW ZEALAND called on parties to resolve tensions between a "deep and fluid" carbon market and the use of markets to rectify other problems.

On the basket of methodological issues, Vice-Chair Macey highlighted work on new greenhouse gases and global warming potentials. The FEDERATED STATES OF MICRONESIA, supported by many others, suggested consolidating options for greenhouse gases under Annex A. NEW ZEALAND underscored the importance of addressing global warming potential, considering the large contribution of methane and nitrous oxide to her country's emissions profile.

In the afternoon, Co-Chair Lefevre presented eight documents including: a revision of the table presenting options to address the carryover of surplus AAUs; submissions containing parties' views on the Chair's text (FCCC/KP/AWG/2010/MISC.6); a proposal to represent the options table in Annex B to allow for comparison of the table headers; an Australian revision of its proposals in option B; a proposed revision of options on new gases in the text based on the outcomes of discussions under the other issues contact group; an Australian proposal on AAUs; an AOSIS proposal on AAUs and LULUCF crediting; and a proposal by the Co-Chairs to reduce text duplicated in both option A and option B. Parties then worked through the text to integrate each of the proposals into the Chair's text. Parties noted that while consistency between option A and option B might be useful, they expressed concern that removing duplicate text in the two options may lead to further confusion. In the evening, parties continued working through the text to insert party proposals.

**POTENTIAL CONSEQUENCES:** Parties continued their consideration of options for establishing a permanent forum or using existing channels. Co-Chair Buendía noted that the word "forum" has legal connotations in some languages and that perhaps another name would resolve some of the disagreement. SAUDI ARABIA, with the EU, called for addressing function prior to the issue of a name. The EU asked for clarification on what the "evaluation" function of the proposed permanent forum would entail. Co-Chair Buendía said party submissions, including possible text and clarifications on the proposals in the Chair's text, would be made available online prior to Cancun.

**AWG-KP INFORMAL GROUPS**

**FLEXIBILITY MECHANISMS:** In consultations on the flexibility mechanisms, parties discussed the regional distribution of CDM projects, supplementarity, carryover of AAUs and share

of proceeds. Textual proposals were made on each item and parties were asked to continue work informally on these issues to streamline the text.

**LULUCF:** In afternoon consultations, parties discussed proposals on establishing forest management reference levels by averaging over commitment periods, timing related to developing supplementary methodologies and the proposal for a review of submissions on forest management reference levels. Some parties expressed concern that the proposal on the review process implies a gap between commitment periods, while others said they do not anticipate such a gap. They highlighted that the review process will ensure transparency in the setting of QELROs. Parties considered the consequences of the review process in the event of inconsistent results. Parties also discussed potential procedures related to the proposed review process. In the evening, Co-facilitator Iversen presented a non-paper highlighting updates to the text made in Tianjin.

#### **AWG-KP INFORMAL PLENARY**

AWG-KP Chair Ashe opened the informal plenary and asked parties to consider what would constitute a balanced package of decisions for Cancun under the AWG-KP.

Yemen, for the G-77/CHINA, expressed concern over “extremely slow progress” under the AWG-KP track and emphasized the need to avoid a gap between commitment periods. He said a balanced outcome for Cancun would contain an amendment of Annex B and definition of Annex I parties’ further commitments. Several parties highlighted the need for parties to commit to a second commitment period and to preserve the Kyoto Protocol. AUSTRALIA, the EU, NORWAY and SWITZERLAND emphasized the importance of framing Kyoto Protocol commitments in the context of a global legally-binding agreement. AUSTRALIA said that a Cancun outcome should capture progress and could include: an intention to work towards a second commitment period; text to serve as the basis for negotiations; a schedule; and clarity on rules, such as on LULUCF and the mechanisms.

The EU said a Cancun outcome could include inscription of reduction commitments, confirmation of the continuation of the Kyoto Protocol architecture and a work plan to move forward. He emphasized the importance of sending a strong signal on the continuity of the Kyoto Protocol institutions and mechanisms to the world. NORWAY noted the need to discuss and agree on the necessary parameters to take on commitments in a second commitment period, including legal matters. JAPAN emphasized that their participation in negotiations under the AWG-KP track is aimed at making progress on rules related to LULUCF, mechanisms and the basket of methodological issues, and that they expect these mechanisms to be part of a framework that includes all major emitters in a single, fair and effective agreement. NEW ZEALAND underscored that a final outcome must be ratifiable, stressed that rules must be agreed before commitments can be taken on, and noted that it is always necessary to “read the fine print before signing the contract.”

The Federated States of Micronesia, for AOSIS, called for consolidating the Kyoto Protocol foundation as part of the global climate change architecture. She said decisions should address: LULUCF accounting rules; surplus AAUs; new greenhouse gases; a clear path for increasing the emission reduction ambition of Annex I parties; and an unequivocal commitment to the Kyoto Protocol by Annex I parties. TUVALU lamented proposals for LULUCF that would create subsidies for the forest industry and noted that these would delay agreement on this issue in Cancun.

SOUTH AFRICA proposed an overarching decision covering both the AWG-LCA and AWG-KP negotiating tracks that would capture the elements of a complete climate change package, give parties assurance that they are working towards a two-track outcome and anchor elements under both tracks where progress has been made. The RUSSIAN FEDERATION said progress in the AWG-LCA track is not sufficient and highlighted that in the absence of certainty on a global agreement under the Convention,

they would be unlikely to support a second commitment period. Underscoring the need for continuity, INDIA emphasized that business and markets respond to mitigation policies and expect predictability; and therefore changes must be weighed against the scale of necessity.

The THIRD WORLD NETWORK urged parties to complete negotiations for a second commitment period by Cancun, cautioning against an inferior, deregulated and voluntary emission reductions regime. The INTERNATIONAL EMISSIONS TRADING ASSOCIATION noted “limited to no progress” on issues relating to improvements to the CDM and Joint Implementation and said investors still have no answer regarding a gap in the Kyoto architecture. The Carbon Markets and Investors Association, for BINGOs, stressed that in the absence of clear emission reduction targets, the business community needs, at least, clarity regarding the continued operation of the CDM before, during and after any second commitment period. Climate Action Network, for ENGOs, called for “sanity” in the LULUCF negotiations, encouraging Annex B parties to account for their emissions and not bring “a package of loopholes” to Cancun.

AWG-KP Chair Ashe then closed the informal plenary, noting that although there are still many differences among parties, there is still time between now and Cancun for consultations to resolve some of these differences.

#### **IN THE CORRIDORS**

The frenzied pace of negotiations continued unabated with only two negotiating days left before Cancun. Parties scrambled to finalize draft texts and ensure that their proposals are included. “I’m supposed to be in at least five places at the same time,” commented one harried negotiator, “and these numerous parallel sessions aren’t helping. It would be great to have texts ready to hand off to the plenaries on Saturday.” The direct effect of this was a multiplication of proposals and the gradual enlargement of the draft negotiating text in a few of the AWG-LCA drafting groups. Other groups strived to streamline text, with work on the Chair’s text in the AWG-KP numbers group continuing into the late evening to complete it for Cancun.

The AWG-KP informal plenary on a balanced outcome left many continuing to speculate on prospects for Cancun. “I can count at least a handful of different definitions of the term ‘balanced,’ all of which emphasize country or regional positions and highlight existing differences of opinion among parties,” lamented a seasoned observer. Others came away with a more optimistic view, with one pointing out that “at least now we understand what different groups envisage - we just need to work on bridging the gaps between them.”

Despite having only convened once in a drafting group during the week, many REDD+ delegates have, nevertheless, been extremely active on the sidelines, as the REDD+ Partnership, a group of 68 donor and recipient countries, held informal meetings. “We’re trying to establish procedures, develop a work programme and define stakeholder participation,” commented one weary delegate emerging from Friday’s late night session. She continued, “we are bringing our ministers to the meeting in Nagoya at the end of the month and want to make sure we have a partnership worth showing off during the Biodiversity COP.”

**ENB SUMMARY AND ANALYSIS:** The *Earth Negotiations Bulletin* summary and analysis of the Tianjin climate change talks will be available on Tuesday, 11 October 2010 online at <http://www.iisd.ca/climate/ccwg12/>



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