

SB 34 AND AWG HIGHLIGHTS: TUESDAY, 14 JUNE 2011

Contact groups and informal consultations were held throughout the day under the AWG-LCA, AWG-KP, SBI and SBSTA. In the afternoon, the SBI and SBSTA Chairs organized a joint forum on the impact of implementation of response measures.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

NATIONAL ADAPTATION PLANS (SBI): In the morning informal consultations on national adaptation plans (NAPs), parties focused on reviewing draft text.

Several developing country parties requested additional emphasis on reference to Decision 1/CP.16 (outcome of the AWG-LCA's work), regarding the needs of the LDCs. A number of developing countries reiterated the need for clarity on support for NAPs, calling for addressing this issue in Bonn and reflecting it in the text. One developed country pointed to the need for progress in discussions on finance under the AWG-LCA and drew attention to the Green Climate Fund's potential role in supporting NAPs.

On the integration of NAPs into national planning processes, one party warned against being prescriptive and called for a country-driven approach. Others requested clarity on the definition of NAPs as a process. One developed country also identified the need to clarify the guidance that the LDC Expert Group (LEG) could provide.

On the way forward, several parties reiterated their interest in future workshops on different aspects of the NAPs. Small group consultations will continue.

FINANCE (AWG-LCA): During morning informal consultations on finance under the AWG-LCA, parties continued their consideration of the Standing Committee. They exchanged views on: the distinction between improving coherence and coordination in the delivery of climate change financing, and rationalization of the financial mechanism; the role of the Standing Committee in measuring, reporting and verification (MRV) of support; and the Committee's relationship with the COP.

On coherence and coordination, some parties drew attention to the fragmentation of climate change financing within and outside the Convention, and the coordination function that the Standing Committee could exercise, such as identifying

financing gaps, providing an overview of financial resources within and outside the Convention, and collecting information on financial flows and progress towards global goals. Discussions also addressed the need to rationalize the "plethora of funds" under the Convention and to redefine their role and relationship to the Green Climate Fund.

Parties continued to express divergent views on whether the Standing Committee's role should be advisory or supervisory. Some parties proposed focusing on the functions/activities of the Standing Committee. Others proposed a pragmatic approach and cautioned against prejudicing the ability of the Standing Committee to play an effective role in the evolving international climate change architecture, identifying the need to focus on guidance for a COP decision.

On MRV of support, issues highlighted included: whether MRV is restricted to mitigation; the need for instruments such as a registry; and mechanisms under the Convention to address this.

MARKET AND NON-MARKET APPROACHES (AWG-LCA): During morning informal consultations on market and non-market approaches, parties continued presenting on their submissions on the elaboration of market and non-market mechanisms, followed by a discussion of these presentations by all parties.

Parties then moved to a discussion on the way forward, focusing on clarifying expectations for draft decisions to be forwarded by the AWG-LCA to the COP in Durban, including specific elements and structure of the draft decisions. One party said any new market mechanisms must be established within an international framework. Regarding specific elements, one party highlighted, among other things, measures to avoid double counting. Another party called for two decisions, one creating new market mechanisms and the other containing non-market approaches. "Informal informal" consultations will continue.

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS (SBI): During the morning contact group, parties considered draft SBI conclusions paragraph-by-paragraph. No agreement was reached on proposed language recommending that arrangements be made to organize the high-level segment of the COP and COP/MOP in line with the positive experience of the Cancun Conference. Divergent views also remained on the desirability of an additional one-week intersessional

meeting. Parties considered text on the engagement of observer organizations, with many supporting enhancing their participation.

REVIEW (AWG-LCA): In the informal group on review of the long-term global goal, parties commented on a note prepared by the facilitator, summarizing issues highlighted during previous discussions and in parties' written inputs.

On the scope of the review, several parties said this should be limited to a review of the adequacy of the long-term goal, while others said it should also include actions to be taken by the COP on the basis of the outcome of the review. One party also proposed reviewing support to developing countries.

On modalities, some parties expressed preference for using existing mechanisms to undertake the review and opposed the establishment of a new mechanism. On the inputs, parties highlighted the IPCC's Fourth Assessment Report (AR4), IPCC working group contributions to the Fifth Assessment Report (AR5) and the proposed biennial reports. One party said the review should also consider avoided damages and the benefits of lowering the 2°C goal.

Parties then considered the way forward, including whether the facilitator should revise the note to include new views and inputs, or whether the note should be translated into negotiating text. Informal consultations will continue.

ANNEX I FURTHER COMMITMENTS (AWG-KP): In the morning AWG-KP contact group, spin-off group facilitators provided updates on negotiations.

On numbers and amendments, Leon Charles (Grenada) noted that the aggregate scale of Annex I emission reductions, individual targets and conversion into quantified emission reduction and limitation objectives (QELROs) remain political issues. He highlighted divergent views on the length of the commitment period, but noted that parties had clarified considerations.

On LULUCF, Peter Iversen (Denmark) said discussions focused on *force majeure* and the need to ensure clarity and consistency in its application. He explained that further discussion was required.

On the flexibility mechanisms, Pedro Barata (Portugal) said there had been "little success" in streamlining the text but that parties had identified some issues that should be addressed by Durban, including the inclusion of nuclear energy under the CDM and JI, and the establishment of new mechanisms.

On the basket of methodological issues, AWG-KP Vice-Chair Diouf Sarr noted differing views on the common metrics to calculate carbon dioxide equivalence of greenhouse gases, including which global warming potential values should be used. On new greenhouse gases, she noted diverging views but growing convergence on inclusion of nitrogen trifluoride, new hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs). She invited New Zealand to convene a drafting group to find solutions on common metrics and new gases.

During discussions, SAINT LUCIA said eligibility criteria and accounting issues related to the flexibility mechanisms should be addressed in the spin-off groups and emphasized that parties should move to the higher end of their pledge ranges without conditionalities. BOLIVIA said discussions should focus on reducing the gap between pledges and what is required.

AUSTRALIA, with CANADA, said addressing climate change is best served by a regime that includes commitments from all major emitters and said that the regime constructed under the AWG-LCA should "draw together actions by all." AUSTRALIA underscored the need to resolve technical issues related to LULUCF under the AWG-KP track.

The EU reiterated that translation of pledges into QELROs depends on defining applicable rules. He emphasized that progress on large parts of the text, including on market mechanisms, is vital. He said a decision on a second commitment period would be considered in the context of progress on MRV and international consultation and analysis (ICA), and progress towards a comprehensive, legally-binding framework capturing all major emitters.

NORWAY said their overarching condition is that the Durban outcome should be environmentally meaningful in line with the 2°C target. She stressed that certainty is needed on inclusion of all major emitters in a global framework and a complete system of MRV.

TUVALU underscored the importance of discussing rules in the context of a second commitment period, rather than as an information base for negotiations in other tracks. AUSTRALIA and NEW ZEALAND highlighted the need for coherent rules across tracks, noting that "a managed forest is a managed forest" regardless of whether parties take commitments under the Kyoto Protocol or under a broader climate regime.

AWG-KP Chair Macey said work in the various spin-off groups and political discussions would continue. He invited Alf Wills (South Africa) to undertake informal consultations on the necessary steps between now and Durban.

LEGAL OPTIONS (AWG-LCA): In the AWG-LCA informal group on legal options, parties acknowledged the diversity of views on the need for a legally-binding outcome under the AWG-LCA and discussed the way forward.

Many developing countries highlighted that progress in the AWG-KP track is necessary to enable progress under the AWG-LCA, and that a possible, legally-binding outcome under the AWG-LCA would be complementary to a Kyoto Protocol second commitment period. They also said that discussions of the legal form could prejudice the outcomes under other AWG-LCA informal groups, suggesting that those outcomes are required for addressing the legal form. Many highlighted that the AWG-LCA's outcome should be based on the Convention's principles and provisions.

Based on proposals previously submitted by parties in accordance with Convention Article 17 (protocols), many parties supported the preparation of a paper on options for the legal form by the facilitator. They noted that looking into the substantive elements of the proposals could enable further understanding among parties. Some developing countries opposed this, saying that the discussions were too immature for such exercises. One party suggested, and many supported, that the facilitator prepare a summary reflecting discussions.

Some parties shared their views on which elements should be included in a legally-binding outcome under the AWG-LCA. Some developed countries suggested considering quantified emission reductions by developed countries and nationally appropriate mitigation actions (NAMAs) by developing countries in a top-down approach, and incorporating key elements, such as market mechanisms, in a legally-binding instrument.

Other parties suggested including emission reductions in a legally-binding instrument, while other elements requiring more flexibility could be included in a COP decision. Some underscored how their proposals reflected the Convention's provisions, including the principle of common but differentiated responsibilities.

JOINT SBI/SBSTA FORUM ON RESPONSE

MEASURES: In the afternoon, the Chairs of the SBI and SBSTA convened the forum on the impact of the implementation of response measures. Parties first heard a report on the special event on the forum held on Monday.

Argentina, for the G-77/CHINA, requested clarification on the status of Monday's event and stressed the need to reflect in the report that the "vast majority" of parties support the establishment of a forum on response measures. SAUDI ARABIA underscored that Monday's event should be characterized as something more than an exchange of information among parties.

The EU described the special event as an opportunity to share ideas and stated that the present meeting was the place for parties to present their ideas formally. With the US, he stressed the need to work efficiently and take into account existing agenda items and work streams on response measures. The US, opposed by the G-77/CHINA, identified the need to streamline discussions on response measures. The G-77/CHINA underscored specific mandates to consider related issues separately under the AWG-KP and AWG-LCA.

SBSTA Chair Konaté clarified that Monday's special event was organized to deepen understanding on the new concept of a forum on response measures. He noted that the Chairs had clarified during the SBI and SBSTA plenaries that the forum would be set up as a contact group. He then invited parties to consider elements of the work programme on response measures and modalities to operationalize it.

The G-77/CHINA called for a platform for a direct exchange of views on the impact of developed countries' response measures on developing countries. She said that the forum would, *inter alia*, address the design of specific response measures such as trade-related ones and consider technical input from experts. SAUDI ARABIA suggested starting by considering the objectives of the work programme on response measures.

MEXICO recognized the need for a platform to address response measures, calling for "a central and unique space" to address response measures. The EU highlighted the need to consider positive impacts of response measures and, with AUSTRALIA, called for focusing on existing channels and processes. The G-77/CHINA emphasized that the existing channels, such as national communications, are not adequate for sharing information on the negative consequences of response measures. She underscored long time lags between non-Annex I national communications. The EU highlighted annual reporting by Annex I parties under the Protocol, while CHINA noted that the EU's fifth national communication contains only 2-3 pages on the impacts of response measures and focuses on positive impacts. The forum will reconvene on Wednesday.

APPEALS AGAINST CDM EXECUTIVE BOARD DECISIONS (SBI): During afternoon informal consultations on appeals against decisions of the CDM Executive Board, parties considered draft text on the procedures, mechanisms and institutional arrangements for appeals against CDM Executive

Board decisions. Divergent views remained on whether the scope of the appeals should include CDM Executive Board decisions to approve requests for project registration and issuance of Certified Emission Reductions (CERs), or only decisions to reject such requests. Parties' views also diverged regarding the appeals body, whether a new body should be established or the Enforcement Branch of the Compliance Committee should be used.

Several parties underscored that the focus of the group's work, as mandated by the COP/MOP, is on a procedure for appeals against decisions to reject project registration or CER issuance requests. Some parties noted that certain projects are registered automatically, as reviews are only undertaken if requested by three members of the Executive Board or a party involved in the proposed project. They said that in such cases, it might be appropriate to allow appeals against CDM Executive Board decisions to approve such project registration requests. One party highlighted that if parties decide to allow appeals against CDM Executive Board decisions to approve projects, this decision should not apply retrospectively, but should only apply to new projects approved after the appeals procedure has been established.

The co-chairs will revise the text to take account of parties' views and consultations will continue.

FINANCIAL MECHANISM (SBI): During afternoon informal consultations on the financial mechanism, parties addressed the implementation of the remaining elements of the LDC work programme and guidance to the Global Environment Facility (GEF). Parties also considered draft conclusions on the National Economic Environments and Development Study (NEEDS) for Climate Change project, and on the global climate observations under the Convention.

Parties were informed that matters pertaining to guidance to the GEF on implementing the LDC work programme had been moved to the group on the financial mechanism.

Parties then discussed the LDC Fund (LDCF) and also considered the type of guidance that the GEF would require. One party observed that Decision 5/CP.16 (further guidance for the operation of the LDCF), requesting the GEF to support the ongoing implementation of NAPAs to facilitate the implementation of the remaining elements of the LDC work programme, was too vague. Parties agreed to invite the GEF to the next meeting to clarify the type of guidance that would be required from the group.

METHODOLOGICAL GUIDANCE FOR ACTIVITIES RELATED TO REDD+ (SBSTA): During the afternoon informal consultations, parties discussed modalities for MRV of forest-related emissions and national monitoring systems. The facilitators also introduced draft conclusions.

Many parties highlighted that elements of MRV for REDD+ had already been agreed in Copenhagen and Cancun. Parties underscored that MRV for REDD+ should be, *inter alia*: consistent with any guidance on MRV for NAMAs; non-intrusive and respect national sovereignty, circumstances and capabilities; simple; transparent; flexible; and cost-effective. Some parties called for clarification on MRV in the context of conservation activities that are under the scope of REDD+ but do not necessarily result in emission reductions. Another party said clarification on the mandatory carbon pools and gases is key. One party supported MRV at the national level, to avoid sub-national leakage.

Some parties supported reporting relevant information through national communications. Other parties highlighted the link between reference levels and reference emission levels, and MRV. Some parties inquired how MRV could be addressed in pilot projects, while others called for considering capacity building needs at an early stage of the implementation of REDD+ activities.

A party suggested considering a land-based approach for the accounting system. Many developing countries pointed to the need for MRV of financing support, while a developed country noted this issue should be addressed elsewhere. A party suggested considering safeguards within an MRV system, but this was opposed by another party.

On the draft conclusions, many parties suggested inviting submissions from observers in addition to party submissions. On possible elements for modalities relating to safeguards, forest reference levels and forest reference emission levels, many parties suggested additions to the annex included in the draft conclusions. Parties requested the facilitators to update the draft conclusions with the main points from the discussions on MRV. Discussions will continue.

NAIROBI WORK PROGRAMME (SBSTA): The afternoon informal consultations on the Nairobi work programme on impacts, vulnerability, and adaptation (NWP) began with a report on the previous “informal informal” meeting where parties had discussed three options for the way forward: discontinuing the NWP as an agenda item because it lacked value; continuing a review of the NWP for the near future; or undertaking the review, forwarding information and advice to the SBI and defining activities for the future work programme. It was reported that parties had chosen to focus on clarifying advice to the SBI and defining activities for the future work programme.

Parties then worked through a draft text paragraph-by-paragraph. There was consensus on encouraging organizations to assist parties through action pledges and the provision of information to the SBSTA. Parties also considered text on outputs and products. They also reached consensus on language indicating, *inter alia*, that the SBSTA undertook a review of the NWP. On developing linkages, parties debated how to refer to the work of the SBI and the “future work” of the Adaptation Committee, with a few developing country parties insisting that reference to the Adaptation Committee be retained.

Informal consultations will continue in a drafting group.

MATERIALITY STANDARD UNDER THE CDM (SBSTA): In afternoon informal consultations on the materiality standard under the CDM, parties considered draft SBSTA conclusions and an annex paragraph-by-paragraph. On next steps, some parties supported having the SBSTA recommend a decision for adoption by COP/MOP 7, while others preferred that the SBSTA continue its consideration of this issue at SBSTA 35. Parties also considered language on the definition, scope and application of the materiality standard under the CDM. Informal consultations will continue.

NUMBERS (AWG-KP): In the afternoon AWG-KP spin-off group, the Secretariat presented a revised non-paper on options to address the carryover of Assigned Amount Units (AAUs), noting three options: leaving provisions on carryover unchanged; capping carryover to a specific percentage, restricting use of surplus AAUs to domestic compliance, and/or using high-trend adjustment; and abolishing carryover.

One party clarified the concept of high-trend adjustment, saying it is designed to address the issue of surplus generated during the second commitment period by linking AAUs with parties’ last reviewed annual greenhouse gas inventories. He explained that, during the second commitment period, parties with AAUs higher than their last reviewed emissions, due to “artificially high” QELROs, would be able to use the difference (the high-trend adjustment) only for domestic compliance. Noting that banking and trading would be legitimate for parties who have genuinely overachieved, he said those countries with AAUs below their last reviewed inventory amounts would be able to bank surpluses. Several countries expressed concern about the variability of emissions from year to year and suggested an average of several years might be preferable.

One developing country preferred no carryover of surplus AAUs but said the second best option is some combination of a cap, limitation to domestic use and high-trend adjustment. One developed country party said a cap should include a percentage and a fixed amount, and allow parties to use whichever was higher. She said this would provide needed flexibility for small developed countries and those facing business, forestry and commitment period cycles that do not match up. Discussions on carryover of surplus AAUs will continue.

IN THE CORRIDORS

While Tuesday was again packed with contact groups and informal meetings, many were beginning to worry that time was running out. The issue of the next intersessional meeting was therefore on the lips of many delegates, particularly in view of the Bureau meeting scheduled for Wednesday. Several parties had made the additional meeting contingent on progress in Bonn, and the UNFCCC Executive Secretary had informed delegates that if no commitments to fund the meeting were forthcoming by the end of the session on Friday, it would be impossible to organize the additional meeting. Despite this, many participants seemed optimistic and were taking bets on a possible venue, with far-flung Central American or Asian destinations being suggested as possibilities or, failing anything else, the familiar confines of the Maritim Hotel in Bonn.

The issue of observers and their participation also generated discussion in the corridors. Many informal groups decided to open their doors to observers on issues, such as legal options under the AWG-LCA and NAPs under the SBI. Referring to an exchange of opinions among parties concerning access by observers into the SBSTA informal session on REDD+, an experienced negotiator noted: “I was happy when the group finally agreed to allow observers in the room. It required some modification of the order of issues for discussion, as some parties were not comfortable with discussing draft text in the presence of observers, but it was worthwhile.” Emerging from the discussions, an NGO observer said, “We feel it is important to be involved in the discussions that will craft the key features of REDD+, as these features will probably affect us.”