

Third World Network  
**Bonn Climate  
News Updates**

(June 2011)



**TWN**

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# CONTENTS

## NOTE

<b>Update No.</b>	<b>Title of Paper</b>	<b>Page</b>
1.	Climate Fund's Design Committee Wrestles with Process Problems at First Meeting	1
2.	Technology Mechanism: Need for Country-driven Approach	8
3.	Concerns on Process to Design Climate Fund Raised by Developing Countries	16
4.	Climate Fund Workshop Discusses Issues on Fund Governance	19
5.	Transition Committee Workshop Discusses Climate Fund Design	22
6.	Wrangling over Agenda Delays Opening of SBI by over a Day	26
7.	Developing Countries Form Solid Front to Advance Kyoto Protocol	28
8.	SBI and SBSTA Agendas Still Not Adopted	32
9.	G77 and China Cautions against Transfer of Issues to Subsidiary Bodies	34
10.	SBSTA Session Remains Suspended	37
11.	Proposals Forwarded at Workshop on Enhancing Engagement of Observers	39
12.	SBSTA Agenda Adopted	42
13.	Developed Countries Condition Future of the Kyoto Protocol	44
14.	Subsidiary Body on Implementation Commences Work	47
15.	EU Disappointed over Countries Not Committing to Kyoto Protocol	49
16.	Developing Countries Explain Mitigation Actions	52
17.	Wish-list for Durban Climate Conference	55
18.	Lively Exchange over Need for Additional Fall Meeting	59
19.	Divergent Views on Financing Forest Activities	61
20.	Developed Countries Insist on Post-Kyoto Protocol Market Mechanisms	63
21.	Special Event on Response Measures Warns against Trade Protectionism and "Unjust Transition"	67
22.	Strong Disagreements over Way Forward on Legal Options Group	71

23. Deep Differences over Establishing a Forum on Impact of Response Measures	74
24. Parties in the AWG-LCA Insist on Meeting in the Fall	77
25. Working Groups to have Additional Session before Durban, Parties Outline Expectations	80
26. Scientific Body Adopts Conclusions at Closing Plenary	84
27. Kyoto Protocol's Future Hangs in the Balance	87
28. India Proposal on Neglected Issues for Durban Discussions Raises Controversy	91
29. Subsidiary Body for Implementation Adopts Conclusions	94

## **NOTE**

This is a collection of 29 News Updates prepared by the Third World Network for and during the recent United Nations Climate Change Talks – the 34<sup>th</sup> sessions of the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA), the second part of the 14<sup>th</sup> session of the Ad Hoc Working Group on Long-term Cooperative Action under the UN Framework Convention on Climate Change (UNFCCC AWG-LCA 14), and the second part of the 16<sup>th</sup> session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP 16) – in Bonn, Germany from 6 to 17 June 2011.

# TWN

## Bonn News Update

# 1

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### **Climate Fund's Design Committee Wrestles with Process Problems at First Meeting**

The first meeting of the Transitional Committee to design the Green Climate Fund held in Mexico City from 28-29 April 2011 wrestled mainly with process issues surrounding the election of officers, the agenda and work plan, rules of procedure, selection of staff to the Technical Support Unit and avoiding a conflict of interest.

Bonn, 6 June (Meena Raman) – The first meeting of the Transitional Committee (TC) to design the Green Climate Fund (GCF) established under the United Nations Framework Convention on Climate Change (UNFCCC) kicked off on Thursday, 28 April in Mexico City, following protracted discussions behind closed doors over election of officers of the meeting.

On the first day of the meeting, Parties also had an intense exchange of views on the agenda of the meeting, with the African Group proposing an alternative agenda and the Alliance of Small Island States asking for an amendment to the agenda proposed by the Executive Secretary of the UNFCCC. While the AOSIS proposal was accepted, the African Group proposal was not accepted despite several proposals by some countries to take into account the issues raised by the Group and there being no objections.

There was also a lively exchange on the purpose, principles and scope of the GCF. Many countries, both developed and developing, stressed the need for a new financial architecture in climate financing which brings transformational changes in developing countries in addressing climate change and that also enables developing countries to have direct access to funds.

On the second and final day of the meeting on Friday, 29 April, developing countries on the TC raised concerns that there could be a conflict of interest if World Bank personnel are seconded to the Technical Support Unit to help in the design of the GCF.

(See below for further details on day two of the meeting. A technical workshop for the TC was also held in Bonn from 30 May to 1 June and further updates will follow in this regard.)

The first day of the meeting in Mexico City on 29 April was supposed to begin at 10 am but got delayed for more than 6 hours, as informal consultations among TC members took place behind closed doors and was closed to observers.

According to sources, Mexico, the host of the TC meeting (and which was also the President of the 16th Meeting of the UNFCCC Conference of Parties), insisted on wanting a key role as Chair or Co-Chair of the process. Its representative on the TC is its Minister of Finance and Public Credit, Mr. Ernesto Cordero Arroyo.

Several Parties had wanted two Co-Chairs to steer the TC meeting – one from an Annex 1 (developed) country and another from a non-Annex 1 country, as is commonly the practice under the UNFCCC.

Mexico, though an OECD country, is a non-Annex 1 Party under the UNFCCC but is not a member of the G77 and China.

It was also learnt that South Africa (which will host the next meeting of the Conference of Parties in Durban later this year) had wanted its representative, Mr. Trevor Manuel, the Minister in the Presidency in charge of the National Planning Commission, to be also considered as Chair or Co-Chair of the process. Mr. Manuel was however not present at the meeting in Mexico City.

This would have meant two Co-Chairs from non-Annex 1 Parties, which was not acceptable to some developed countries.

The Asian Group had also proposed a representative from Asia to be considered as a possible Co-Chair, given that none of the existing subsidiary bodies under the UNFCCC and the Kyoto Protocol are led by a member from the Group.

Following intense consultations, a compromise was finally reached with Parties agreeing to the TC being led by three Co-Chairs, comprised of Mexico, South Africa and Norway, with the last represented by its State Secretary from the Ministry of Finance, Mr. Kjetil Lund.

The delegations of the Philippines and Pakistan, during the formal session of the TC, expressed the extreme flexibility shown by the Asian Group in the discussions in agreeing to the compromise reached.

The Philippines said that its understanding was that the role and mandate of the Co-Chairs will emanate from the TC members and also that there would be roles for other TC members to also drive the process forward.

Ms. Christiana Figueres, the Executive Secretary of the UNFCCC, declared open the meeting in the late afternoon, and explained that at Cancun (last meeting of the COP in 2010), Parties had agreed that the GCF would be designed by a Transitional Committee comprised of 40 members, with 15 members from developed countries and 25 members from developing countries.

She stressed that the task of the TC was to design the GCF in time for its approval at the South African COP meeting in Durban and the Fund spelt a new era for climate change financing. Figueres also said that the GCF would benefit from a robust, transparent and flexible design to deploy climate funding both for adaptation and mitigation.

Once the Parties had confirmed the election of the 3 Co-Chairs, Mexican Finance Minister Cordero conducted the meeting. He said that the work of the TC would be conducted in an inclusive and transparent manner to achieve satisfactory results.

When it came to the consideration of the agenda for approval of Parties, Samoa, speaking for AOSIS, wanted an additional agenda item to consider the “purpose, principles and scope” of the GCF. The proposal by AOSIS was accepted by members of the TC as an exchange of views on this matter. An interesting discussion followed under this agenda item.

Egypt submitted the proposal of the African Group for an alternative agenda for the consideration of Parties. The African Group proposal was more detailed than that provided by the Executive

Secretary. Egypt said that its proposal was for a work programme that was taken from the operative paragraphs of the Cancun decision and would encompass the work needed for the lifetime of the TC. The agenda provided by the Executive Secretary included the following items: working arrangements for the TC; work plan of the TC and other matters.

The African Group proposal included agenda items on procedural matters (relating to rules of procedure for the TC meetings; designation of a secretariat of the TC; budget for the TC meetings, secretariat etc; division of work of the elected TC officers); 2011 work programme of the TC (including legal arrangements, institutional arrangements, financial matters relating to resources of the GCF, modalities of contributions to the Fund etc, role and responsibilities of the Fund’s trustee, advisory and technical expertise of the Board, complementarity between the Fund’s activities and those of other funding mechanisms and institutions); monitoring and evaluation of the operation of the GCF and modalities for involving stakeholders in the Fund operations.

In the Mexican Co-Chair Cordero’s response to the African Group proposal, while saying that the comments of Group were well taken, he said that Parties had to be practical to advance discussions. Cordero said that the agenda proposed by the Executive Secretary was general enough to capture the suggestions of the African Group and these issues could be added when the specific agenda items were being addressed.

Several delegations expressed support for consideration of the African Group proposal, including Nicaragua, the Philippines, Bangladesh, India and Singapore and no objections were raised by any TC member. Singapore in fact suggested that the African Group’s listing of issues could be an annex to the agenda with the understanding that it was an indicative list of issues though not exhaustive, as the general agenda by the Executive Secretary did not give the assurance that all the issues were on the table.

Despite these interventions, Cordero insisted that the agenda be adopted as proposed by the Executive Secretary, with the additional amendment made to include the AOSIS proposal. Cordero said that there was no consensus to accept the African Group proposal. He said this despite the fact that there were no objections to considering them.

In fact, as shown above, several delegations had supported the listing of the issues for consideration of the TC.

The TC members then adopted the agenda as proposed by the Mexican Co-Chair. The meeting

proceeded to deal with the agenda item on an exchange of views between Parties on the purpose, principles and scope of the GGF.

**Brazil** said that the fund should be governed by the principles of the Convention. Among them was the primary responsibility of the developed countries to provide financial resources to developing countries. There was a need to balance the resources for mitigation and adaptation. Brazil also said that there was a need to promote through democratic governance the developing countries' sense of ownership of the fund.

**Samoa**, speaking for AOSIS, said that the purpose of the Fund was to enhance implementation of the Convention and its ultimate objective by scaling up the delivery of new, additional, predictable and adequate multilateral climate financing to catalyze transformational changes in developing countries in accordance with their sustainable development priorities, as well as to support adaptation actions. It said that the Fund functions under the guidance of, and is accountable to, the COP and supports projects, programmes, policies and other activities in developing countries related to mitigation, adaptation, capacity-building, technology development and transfer. It also stressed the need for the Fund to operate as a financial instrument with implementation responsibilities, including direct access.

**The United Kingdom** said that it was important to ask what the objective of the Fund was and how to ensure value for money. It also asked the question of the purpose of the Fund and the problem it was trying to fix in terms of the existing architecture. Some of the problems it identified included the issue of fragmentation of the funding, the responsiveness and ability to respond at a speed and scale to deliver finance to where it needs to go quickly and to address direct access. It also stressed the need to leverage private sector financing.

**The United States** said that it was useful to have a short statement of purpose which related to the need to address the challenge of addressing climate change through deploying financial instruments that leverage private sector investment. It said that there was a need to refer back to what was decided at Cancun and not to re-litigate what was decided but to focus on the mechanics of the GCF.

**Pakistan** said that the principles and provisions of the Convention must apply. It stressed the importance of the Fund having an international legal personality, which was capable of getting into contracts with member states and operationalising direct access of the funds to developing countries.

It said that there was a need for a transformation and a new business model that also ensured sufficiency of funds, predictability and delivery.

**Nicaragua** referred to the Cancun decision and said that Parties had agreed to scale up new and adequate funding, taking into account the urgent and immediate needs of developing countries. It also stressed that direct access was important to operationalising the GCF. There was also a need to operationalise the need to derive funds from a wide variety of sources, including alternative sources. It said that there was a need to operationalise the GCF to be accountable to, and function under the authority of, the COP and to enable thematic funding windows. It said that the work of the Board of the Fund should be Party-driven.

**China** said that the objective of the GCF was to establish support to developing countries to combat climate change. The mandate of the TC is from the Cancun decision. On the principles of the GCF, as an operating entity of the financial mechanism of the Convention, it should be consistent with principles of the Convention, the Kyoto Protocol and the Bali Action Plan (adopted at the COP meeting in 2007 as the mandate for the ongoing negotiations). It also stressed the need for easy access with no conditionality.

**Australia** said that there was a need for private sector involvement and the funding should be results-based, with strong country ownership and that enables direct access. The GCF should be flexible to a range of finances and financial instruments. It should also be based on robust fiduciary standards and effective use of funds.

**Germany** said that there was a need to assist developing countries for a low carbon path which cannot be business-as-usual and must ensure transformational change in energy, land use and forestry management. The purpose must be to build resilience to existing impacts in all areas. It said that there was a need to build on existing efforts and experience, and merge these into better design and framework.

**The Philippines** said that there was a need to learn from lessons from the past. It referred to the G77 and China proposal for establishing a new financial mechanism which was underpinned by the principles of the Convention relating to equity, common but differentiated responsibility, operate under the authority and guidance of the COP, have equitable and balanced representation in the governance and be transparent and ensure direct access of funding for developing countries. It should be flexible and free from conditionality and be predictable as well as adequate.

**France** said that the GCF should help scale up climate financing and support the effort of existing institutions. There was a need to address the missing links and cover all thematic windows and streamline and reduce fragmentation.

**Japan** stressed the need to operationalise the Cancun decision and said that the GCF provided a historic and unique opportunity to address climate change and can be a game-changer. It said that there was a need to stock-take on why existing funds cannot bring transformational change and also address fragmentation and the governance structure. It asked if Parties were respecting ownership and if the voices of stakeholders were being heard. It said that there was a need to address the missing links and to address why there were problems and how to address them.

**Saudi Arabia** also stressed the need to adhere to the principles of the Convention and for the Fund to be comprehensive in serving the needs of all developing countries, including in addressing response measures and the need for diversification.

**Spain** said that the objective of the GCF should be to resolve the current problems of the financial architecture and that there was a need for a new financial architecture. There was a need for a new approach to adaptation and mitigation financing and to consider the needs of developing countries. The added value in governance was in having new actors; in identifying new sources and new financial instruments. There was a need for huge amounts of money for transformation.

**Denmark** asked what it would take the Fund to be a success and said that Parties needed to look at this when comparing with other institutions. There was a need to deliver results at speed. There was also a need for national institutions to ensure direct access (to funding).

**Barbados** said that it would like to see transformational change and that the GCF was established after experiencing frustration. It hoped that the GCF would be transformational and ambitious.

**India** reiterated that the GCF should be demonstrably new and additional. The funds should be primarily in the form of grants. It said that it must be recognized that the overriding priority for developing countries is to overcome poverty and that there are trade-offs for developing countries in the short term in addressing climate change. It stressed that there should be no conditionality for financing and that the institutional mechanism should be innovative with a new architecture and governance.

**Singapore** said that the GCF must make a difference in achieving the ultimate objective of the

Convention in stabilizing greenhouse gases. It must also be a model of efficiency in terms of administration with no wastage.

### **World Bank's conflict of interest in Green Fund design?**

Developing countries on the Transitional Committee for the design of the GFC raised concerns that there could be a conflict of interest if World Bank personnel are seconded to the Technical Support Unit to help in the design of the GCF.

This issue of the conflict of interest was raised during the second day of the meeting of the Transitional Committee on Friday, 29 April in Mexico City, by developing countries including the Philippines, Nicaragua and India, when the working arrangements for the TC and the role of the TSU were discussed.

They said that since the World Bank has been invited to serve as the interim trustee for the GCF under the December 2010 Cancun decision [of the Ad-hoc Working Group on Long-term Cooperative Action under the UNFCCC], staff connected to the World Bank could not be involved in providing consultancy services related to the design of the GCF which is about its governance.

**Nicaragua** said that this would be contrary to international fiduciary standards, citing the case of Arthur Andersen, the audit firm involved in the Enron Corporation scandal in the United States, where as auditors of Enron, Arthur Andersen was also involved in providing consultancy services to the company and this was found to be a conflict of interest.

Nicaragua said that it is not internationally acceptable for the World Bank to be involved both in a consultancy function (in designing the GCF) as well as in being a trustee of the GCF. This would be a violation of international fiduciary standards, as there is an apparent conflict of interest to be involved in the role of designing the GCF that relates to the governance structure of the GCF when the World Bank is a trustee of the GCF. In such a situation, any World Bank personnel should excuse themselves from such a role as in the designing of the GCF, said Nicaragua.

**The Philippines** referred to the "sunset-clause" under the World Bank's Strategic Climate Fund (SCF) that provides for the cessation of the SCF once a new financial architecture becomes effective under the UNFCCC.

It referred to the 'sunset clause' of the Climate Investment Funds (CIF) of the World Bank as contained in paragraphs 57 and 58 of the Strategic

Climate Fund (SCF) where the World Bank as the trustee of the SCF is involved in decisions about the continuity of the SCF. (The SCF is one of the two funds of the CIF, the other being the Clean Technology Fund.)

The Philippines said that anybody who is connected with the CIF and the SCF would be in a conflict of interest situation if they were also involved in the design of the GCF. It also referred to the 'Arthur Anderson syndrome' (in the Enron scandal).

(Paragraphs 57 and 58 of the Strategic Climate Fund of the World Bank's "sunset-clause" are as follows:

*"57. Recognizing that the establishment of the trust fund is not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture, the SCF will take necessary steps to conclude its operations once a new financial architecture is effective. Specifically, the Trustee will not enter into any new agreement with donors for contributions to the trust fund once the agreement is effective. The Trust Fund Committee will decide the date on which it will cease making allocations from the outstanding balance of the Trust Fund.*

*58. Notwithstanding the above paragraph, if the outcome of the UNFCCC negotiations so indicates, the Trust Fund Committee, with the consent of the Trustee, may take necessary steps to continue the operations of the SCF, with modifications as appropriate."*)

In response to this, the **United States** did not agree that there was a conflict of interest involved and said that any determination relating to the sunset-clause as to whether the CIF was to continue or not would be done by the Governing Body of the CIF and not the trustee (the World Bank).

(Paragraph 58 above clearly shows that the consent of the World Bank as trustee of the SCF is necessary in determining the continuation of its operations.)

**Germany** also disagreed that there was a conflict of interest and said that there was no need to overstate the issue as the Technical Support Unit was not an independent consulting body but is working through the Transitional Committee and therefore, it did not have independent judgment. On the sunset-clause of the CIF, it said that the Bank worked under the direction of governments and did not have an independent role. It was the governments that decided what the priorities are.

**Sweden** agreed that the issue of conflict of interest must be taken seriously and there was a need to ensure impartiality on the part of members of the Technical Support Unit.

**Nicaragua**, in response to the interventions by developed countries, said that it could not agree that there was an abdication of a situation of conflict of interest just because the Technical Support Unit functioned under the Transitional Committee. It said that if Parties were applying international fiduciary standards, then a consultancy function (of persons in the Technical Support Unit) could not be combined with a fiduciary function of being a trustee of the GCF (as in the case of the World Bank).

**India** said that the issue was not just of whether a conflict of interest existed in reality but whether there was also a perception of such a conflict and this must be prevented.

The Cancun decision requested the UNFCCC secretariat to make arrangements enabling relevant United Nations agencies, international financial institutions and multilateral development banks, to second staff to support the work of the Transitional Committee for the design phase of the GCF.

Pursuant to this, the Executive Secretary, Ms. Christiana Figueres, informed Parties that arrangements have been made for establishing the Technical Support Unit, which is to be operational immediately after the initial meeting of the Unit. The Unit consists of the secretary to the Transitional Committee and a substantive team drawn from the UNFCCC secretariat staff and staff seconded from relevant organizations to support the work of the Committee.

In an information note by the UNFCCC secretariat, Parties were informed that a fund design specialist will be seconded from a multilateral development bank (MDB) and will inter alia, coordinate the preparation of design options papers, including assessment of governance options.

**The Philippines** requested the deletion from the information note of any reference to a fund design specialist being seconded from an MDB.

Another issue of controversy that arose during the meeting related to how decisions are to be made by the Transitional Committee and what the meaning of consensus was.

Developing countries led by the **Philippines** and supported by **China, Saudi Arabia, India, Egypt, Pakistan, Nicaragua and the Democratic Republic of Congo (DRC)** wanted the existing United Nations rules of procedure to continue and for consensus to mean that no single member has made a formal objection to adopting conclusions. They did not want a repeat of what happened in Cancun where despite the express objection by Bolivia, decisions were adopted.

The **DRC** and **Pakistan** also said that since the Transitional Committee was a body created by

the Conference of Parties (COP), the rules of procedure of the COP applied, and this could be modified as necessary but there was a need for explicit consensus in this regard which must be clearly reflected under the working arrangements of the Transitional Committee.

Developed countries such as the **United States, Spain** and **Canada** wanted a more flexible approach. The US said that it was possible to have “consensus voting” and that it was not appropriate to use the UNFCCC rules wholesale and there could be important modifications and Parties can look to the UNFCCC rules for guidance.

**Spain** said that there was a need for flexibility on the consensus rule according to the work that was needed and would not support a strict definition of consensus.

**Canada** said that a hard rule on consensus could lead to “filibusters” (referring to tactics used in the US Congress to prevent a measure from being brought to vote).

**Italy** said that the TC was not a decision-making body and could provide options that can be brought to the decision-making bodies, while ensuring a transparent process.

A further matter that was controversial was in relation to a request by members of the Asian Group of the Transitional Committee to have a representative from the region to serve as Vice-Chair to the Committee, in addition to the three Co-Chairs that were agreed to through a compromise reached on the first day of the meeting on 28 April (see TWN Info. Service on Climate Change April 11/01 dated 30 April 2011 for a report of meeting held on 28 April).

The current 3 Co-Chairs are Mr. Enersto Cordero Arroyo of Mexico, Mr. Trevor Manuel of South Africa and Mr. Kjetil Lund of Norway.

**Saudi Arabia**, speaking for the **Asian Group**, said that the Group had shown great flexibility on the issue of the election of the Co-Chairs. It said that the Group deserved a seat on the leadership of the Transitional Committee and would like to be assured that there was a place for it in the process as Vice-Chair.

**Pakistan** supported Saudi Arabia and said that at the time of the election of the 3 Co-Chairs of the TC, the issue of the Vice-Chair was not addressed and this did not mean that the position was precluded. It said that before the next Committee meeting, the Asian Group needed a chance to be represented.

**The Philippines** said that when the Asian Group agreed to the suggestion for the 3 Co-Chairs, it was made clear several times that the Group would also have a role. The Asian Group wanted

Singapore’s Transitional Committee representative, Ambassador Burhan Gafoor, to be considered as Vice-Chair of the Committee.

The request by the Asian Group was supported by the **Democratic Republic of Congo** for the **African Group, Nicaragua, El Salvador** and **Brazil**.

The developed countries, led by the US, did not want the discussion on the matter to continue.

**The US** suggested that the matter be left to the Co-Chairs to decide when and how additional Vice-Chairs can be allowed and that this issue be brought to the next meeting.

**The UK** and **Australia** echoed the US suggestion and the Mexican Minister of Finance Mr. Cordero, who was chairing the Transitional Committee meeting, said that discussion on this issue should be resumed at the next meeting of the Committee.

An interesting exchange also followed on the kind of experts needed for the Technical Support Unit with the Alliance of Small Island States (AOSIS) setting out principles for its staffing and operation, including a call for an additional expert familiar with the specific constraints faced by developing countries in accessing climate finance.

**Barbados**, speaking for **AOSIS**, said that among the principles that should operate for the staffing and operations of the Technical Support Unit should be the guarantee of independence and impartiality of each member; it should be composed of experts and specialists who have demonstrated and recognized technical expertise in the relevant field of work; the selection of experts and specialists should be made through a transparent and fair process; no dominance or over-representation of one single institution in the Unit; avoidance of conflict of interest; and the need for geographical balance in the representation of regional development banks.

Several developing countries including **Nicaragua** and the **Democratic Republic of Congo** also stressed the importance of the work of the TSU to be mandated by the TC. Nicaragua said that the TC should not be a “rubber-stamp” of the TSU.

The TC meeting also considered a revised discussion note prepared by the Co-Chairs which was entitled “*Revised draft work-plan for the TC (Transitional Committee)*” with a proposal for 4 work-streams on (1) scope, guiding principles and cross-cutting issues; (2) governance and institutional arrangements; (3) operational modalities; and (4) monitoring and evaluation.

**Nicaragua** said that the document was not a work-plan for the TC but was a proposal for work-streams. The Co-Chairs were requested by Parties

to revise the document following inputs received during the meeting.

There was also disagreement between developed and developing countries over whether the Transitional Committee should address the roles and functions of the Standing Committee (SC).

Under the Cancun decision, Parties decided to establish the SC to assist the Conference of Parties in exercising its functions in relation to the financial mechanism in terms of improving coherence and coordination in the delivery of climate change financing etc.

Under work-stream 2, the Co-Chairs' note referred to the relationship between the Green Climate Fund and other bodies including the SC. The US wanted the reference to the SC to be removed as it said that the SC was yet to be established.

The Mexican Co-Chair agreed with the US that the SC had not been created.

**The Philippines, Pakistan, China and India** all insisted that the Cancun decision established the SC and that it was an integral part of the Transitional

Committee process. India said that the Cancun decision established the SC but what remained to be done was for the SC to be operationalised. The Philippines opposed the removal of any reference to the SC as suggested by the US.

The Mexican Co-Chair also proposed that two facilitators facilitate each work-stream, with one from an Annex 1 country and one from a non-Annex 1 country. Work-stream 1 would be facilitated by Barbados and Spain; work-stream 2 by the Democratic Republic of Congo and Switzerland; work-stream 3 by Pakistan and Australia and work-stream 4 by Bangladesh and Sweden.

The UNFCCC Parties at the meeting also expressed support for workshops to learn the lessons from the (UNFCCC) Adaptation Fund as well as from other existing funds, including from beneficiaries of the funds.

The Parties also agreed that the second meeting of the two facilitators would be held in early July in Japan, while further meeting venues were offered by Switzerland (Geneva), Singapore and South Africa.

### Technology Mechanism: Need for Country-driven Approach

At a two-day expert workshop in Bangkok held from 4-5 April, participants stressed that the Technology Mechanism must be a country-driven process with developing countries setting out their own needs. Also discussed among other matters was the relationship between the Technology Executive Committee and the Climate Technology Centre and Network, the governance structure of the Centre and its relation to the Network as well as the issue of IPRs and technology assessment.

Bonn, 6 June (Meena Raman\*) – As the next round of climate negotiations takes place from 6 to 17 June in Bonn, Germany under the United Nations Framework Convention on Climate Change (UNFCCC), a key issue on the agenda for consideration of Parties is that of technology development and transfer.

In Cancun, at the 16th meeting of the Conference of Parties (COP), a decision was adopted to establish a Technology Mechanism comprising a Technology Executive Committee and the Climate Technology Centre and Network. This was the outcome of the Ad-hoc Working Group on Long-term Cooperative Action under the UNFCCC (AWG-LCA).

In Bangkok, at a two-day expert workshop (4-5 April 2011) many critical issues were raised on how to operationalise the Technology Mechanism (TM) with a view to achieving a fully operational and effective mechanism in 2012.

One area of convergence among participants was for the TM to be a country-driven process with developing countries setting out their own needs.

Parties from developing and developed countries as well as experts that included presenters from the South Centre, the United Nations Environment Programme (UNEP), and the Consultative Group on International Agricultural Research (CGIAR) exchanged views.

The workshop was facilitated by Jukka Uosukainen of Finland, who asked Parties to address:

(i) the relationship between the Technology Executive Committee (TEC) and the Climate Technology Centre and Network (CTC&N);

(ii) the governance structure and terms of reference for the CTC&N and how the CTC will relate to the Network;

(iii) the procedure for calls for proposals and criteria to be used to evaluate and select the host of the CTC&N;

(iv) the potential links between the TM and the financial mechanism; and

(v) consideration of additional functions for the TEC and CTC&N.

Uosukainen, in his report to the AWG-LCA on the outcomes of the workshop, (which was displayed at the UNFCCC website as he was not present at the plenary session of the AWG-LCA on 8 April), said that the workshop was very practical and dynamic with participants presenting their ideas and exchanging views on how to achieve a fully operational Technology Mechanism by 2012. He said this meant that Parties will need to work hard this year to define the following:

(i) the terms of reference and governance structure for the CTC&N;

(ii) the criteria and selection procedure for the host of the CTC&N;

(iii) the relationship between the TEC and the CTC&N to ensure coherence, and the reporting lines of these two bodies within the Convention;

(iv) how Parties are going to finance the TM;

and

(v) how the TM is going to interact with other parts of the international climate change architecture in the most efficient and effective way.

He said that there was a high level of convergence among Parties on many aspects of the design of the CTC&N. According to Uosukainen, many participants emphasised the need for a prompt start to the TM and suggested that the CTC&N could start small and be flexible so that it can grow over time in response to the needs from developing countries.

All participants emphasised that the TM must engage the private sector at many levels, and leverage its expertise and resources to accelerate and scale up technology development and transfer, he further said.

On the governance and Terms of Reference (TOR) of the CTC&N, Uosukainen said that participants generated many ideas on how to achieve both accountability and a flexible and innovative CTC&N that is responsive to the needs of Parties and is responsible to the Convention. From the discussion, many possible elements of the TOR were identified, he added.

Another key point he noted was the role of national institutions in relation to the CTC&N to ensure a country-driven approach and to build in-country capacity over the long term.

On the procedures for the selection process for the host of the CTC&N, he said that participants emphasised the need for transparency and for a well defined set of criteria. He added that participants suggested specific ideas for a list of criteria that will be useful to discussions in the more formal setting of the AWG-LCA.

On the relationship between the TEC and the CTC&N, Uosukainen said that there were different views on the role of the TEC in guiding or governing the CTC&N. He said that participants emphasised the importance of achieving a coherent TM.

On the issue of financing the TM, he said that all participants emphasised the need to ensure adequate and stable financial support for the operations of the TM, including for the services that would be provided by the CTC&N.

There was a need to identify sources of finance in the short term for the prompt start of the TM, as well as long-term sources that will allow it to grow and develop in response to the needs of Parties, he said further. The question of whether there should be a specific funding window for technology development and transfer was also discussed, he said.

On the links between the TM and other parts of the UNFCCC climate change architecture,

Uosukainen said that participants were of the view that the TM would be an important part of the international climate change architecture that would need to interact with all other components, particularly the bodies supporting adaptation, mitigation and finance. The focus should be on efficient and direct linkages that do not create additional layers of complexity.

**India**, in reflecting on the various presentations from Parties, said that it saw convergence emerging on the following matters: (i) the need for a country-driven process with developing countries setting out their own needs; (ii) the CTC being an enabling centre which receives requests from Parties and is in touch with a team of experts, and be located in an existing institution and there is a group who will be in it, with a CEO; (iii) when services are provided, these are provided by teams of service providers in the Network who can be drawn from a certain number of organizations which can put together a team.

India said that there was a good discussion on some issues although there was no convergence and identified 3 such issues: (i) the size of the CTC; (ii) governance of the CTC and attention is needed on the issue of transparency of the governance process and its responsibility to the COP; and (iii) the vexed issue of intellectual property rights (IPRs) and how to address this. It said that there was a need to establish a process on how to move on the IPR issue.

Following calls by some developing countries for the TEC to address the issue of IPRs, the United States said that it was agreed in Cancun that IPRs are not a hurdle to technology transfer.

Following is an account of the presentations by various Parties and experts.

**Dr. Jonathan Pershing**, who spoke for the **United States**, said that there was a need to elaborate on the specifics to move rapidly to operationalise the CTC&N, including enabling the issuance of request of proposals in Durban (South Africa, where the next COP meeting will be held in December 2011) to host it.

For this purpose, it was useful to discuss the objective, core responsibilities, tasks, governance, and relationship between the Centre and Network. It said that the CTC&N could help developing countries identify and implement technology project strategies to enhance low emission climate-resilient development. It was not to do basic research or provide money or allocate intellectual property but to draw from others.

On how the CTC&N could deliver results, the US said that it could be a significant new avenue for technical assistance in identifying and securing

appropriate technologies. In this regard, it could be the first stop for technology information, analysis tools, best practices and ideas on financing options.

It can help in identifying technology needs and options as well as policy barriers based on country requests. It could also provide access to a global network of regional and sector experts for knowledge sharing to build capacity and knowledge.

On the tools to deliver results, the US said that there could be expert team responders drawn from the Network of institutions both in developed and developing countries and support in-country visits and provide capacity building for project or policy proposals for example on feed-in tariffs or solar panels.

There could be trainings which could be country, region or issue specific. There could also be identification of funding through the use of the CTC&N financial and business planning expertise to advise on how to structure project finance or programmes. The eventual goal is for the CTC&N “stamp” to enable funders to know that the project/programme has been vetted.

It said that there were many models for the structure to work but it should be results-oriented, cost-effective and efficient. Among the considerations could be: (i) for the centre to play a coordinating role, matching requests to right parts of the Network; (ii) a single centre or regional ones but should not be too many; (iii) for the Network to undertake most of the substantive work; (iv) the Network is arranged in sectoral areas such as in renewable (energy), efficiency, water, agriculture etc. and (v) the private sector and academia could have an important role in the Network.

The US gave an example of the CTC&N in action. A country contacts the CTC with a request for assistance in securing a type of project or policy. If accepted, a case manager is assigned to help ensure transparency and responsiveness. The CTC works with the country to develop a work-plan and timeline; define the project scope; identify the Network team and consult with stakeholders.

The US also raised questions about the budget for the CTC&N as to how much goes to the Centre versus the Network. On the structural issues to be resolved, it identified the following: responsibilities of the Centre versus the Network; Network membership; collaboration with the private sector and academia; accountability, oversight and reporting including the governance system, e.g. if the CTC&N should be run by a Board of Governors.

**Dr. Ajay Mathur** spoke for **India** and said that the CTC has 3 functions viz. to stimulate technical

development and transfer; provide technical assistance and facilitate and establish networks. A developing country makes a request to the CTC, e.g. to develop a project for installation of renewable energy. This could involve project preparation, capacity building or innovation or encompass all 3 aspects.

The Centre will ask a group of experts to respond to the request which is a Network to provide services. The Network is self-organised and could be at the country, regional or international level. The Network needs a hub or a coordinator which draws on various experts including regional experts, sectoral experts, industry experts and financial experts.

Initially, no networks exist. The CTC will need to facilitate the establishment of networks that respond to country requests. The developing country partners need to provide early intimation of the kinds of requests and of the volume of requests. The CTC may assess the feasibility of the requests and prioritise requests. The CTC may, through a transparent process, invite, evaluate and select a consortium/network that meets the requests. Future requests may be directed to the appropriate network.

In the selection of the CTC, India said that there was a need to ensure experience in technology development and transfer, innovation in technology and business models, collaborative actions and project management. It must have the capability to host the CTC in terms of office space, expatriate staff and logistic support and provide access to technical, human and financial resources. There must be willingness for long-term commitment as well as financial, infrastructural and human resource support. There must be ease of travel and connectivity and should preferably be in a developing country.

On the activities of the CTC, India said that it should receive developing country requests for technology development and transfer, and identify the appropriate network to respond to the requests. It must stimulate collaboration with a range of institutions for technology development and transfer. It must enable learning and transfer of experience and knowledge as well as manage the request-response process and facilitate the necessary funding to enable timely implementation by the appropriate network.

On the governance structure, the CTC should have a governing body of senior technical experts drawn from various countries (both developed and developing), elected by Parties. The governing body will provide policy on issues such as prioritization,

operational criteria and guidelines, human resource policies, response to requests, timelines and appropriateness of response and budget, resources, audit etc.

The TEC could be the governing body of the CTC.

In relation to the financing of the CTC&N activities, the core funding could come from the Green Climate Fund, the host country/institution and other donors. The activity funding could also come from the Climate Fund as well as from donors, the host country and the private sector.

**Tomasz Chruszczow for the European Union** said that it envisioned the CTC as being light with a small team with a clear and effective structure and is cost efficient and able to undertake administrative support. The CTC is to be small compared to the Network and should only play the facilitator role, with a country-driven approach being assured.

The Network should be as flexible as possible, facilitating a project/country-driven approach based on ‘national circumstances and priorities’.

For the EU, the terms of reference of the CTC should focus on how to facilitate the Network and manage information; collect and maintain information on the Network members; collect and receive nominations; set up and maintain database, web-based networking and registration tools; seek memberships amongst relevant existing organizations; promote and stimulate cooperation between the members of the Network; information and reporting on activities: engagement with Network members and disseminate information on Network members.

The key role of the Network is to advise and provide support for identifying technology needs and implementing technologies on the ground; support networking and capacity building for developing countries; stimulate technology development and transfer e.g. through public and private collaboration at all levels; disseminate good policies and best practices for technology planning and diffusion. The Network should be open to applications and draw from existing public and private institutions; help improve the quality of projects to make them more fundable; and make information available for the identification of potential funding sources, as appropriate.

The EU stressed the need for a country-driven action based on national circumstances and priorities. It said that the CTC catalyzes action in developing countries by facilitating information and access to a network of organizations and initiatives; connects institutions and makes information available on them

with the purpose to facilitate/enhance action on technology development and transfer in support of action on mitigation and adaptation, stimulates North-South, South-South cooperation; provides information on the organisations and initiatives but Parties will have the final decision on the partnerships for collaboration.

On the selection process of a host for the CTC, the EU said that the process should be open, transparent, fair and neutral and the host should inter alia demonstrate expertise and knowledge of technological processes. The EU expressed the preference of the CTC as an intergovernmental institution within the UN system.

As regards the link between the TEC and the CTC, the EU said that both these institutions are to promote coherence and synergies in relation to technology transfer. The CTC facilitates access to a Network and shall operate independently within its TOR and take into account the strategic guidance provided by the TEC. The CTC and the TEC will report on an interim basis to the subsidiary bodies of the UNFCCC and the TEC recommendations are to be provided directly to the COP, which decides which recommendations it will take into account.

In reference to some developing countries calling for the CTC to be under the TEC, the EU said that the TEC and CTC are in “different worlds” and there is no hierarchy between them.

In relation to the TEC’s relationship with other institutional arrangements, the EU said that there should be a clear separation between the strategic policy level advice from the TEC and operational aspects related to the work of the entities entrusted with the financial mechanism.

There was a need to ensure that the Technology Mechanism is not a stand-alone arrangement but should enhance synergies with other institutional arrangements.

Bolivia’s Ambassador Pablo Salon presented on the CTC governance structure and its Terms of Reference (TOR). He stressed that the explicit goals of the CTC are to enable the transfer of skills and know-how to use, operate, maintain as well as to understand the technology hardware; promote research and further independent innovation by developing countries; facilitate the development of technology through imitation or reverse engineering to adapt it to local conditions; finance and acquisition of equipment and innovation; identify, suggest and promote initiatives to remove obstacles for technology transfer to developing countries such as intellectual property rights; support the recovery and promote traditional and indigenous knowledge; and

support the evaluation, in an independent manner and without conflict of interest, of the potential environmental, health, social, and economic impacts of new technologies before they are spread.

Bolivia also emphasized the importance of safeguards in relation to the use of technologies and said that many dangerous technologies have been released in the market before their environmental or health impacts are known, or before their social and economic impacts on poor people and developing countries are understood. This, it said, is currently the case with genetically modified organisms, agrochemicals, biofuels, nanotechnology and synthetic biology. Further, geo-engineering and all forms of artificial manipulation of the climate should be prohibited, said Bolivia, for they (bring) enormous risk of further destabilization.

Bolivia also cautioned that the CTC should not be reduced to a show-case for sale of new technologies by developed countries and should not be a source of monopoly profits.

In terms of structure, Bolivia sees the CTC as operating under the TEC. At the national level, it should be led and coordinated by the national state-involved entities. At the regional level it is necessary to identify existing entities that can coordinate the CTC. It should not only be limited to public-private partnership but also public-public partnership and public-social partnership.

Bolivia also identified several obstacles for technology transfer which included finance, high cost of certain technology and equipment suppliers, inadequate laws and regulations, lack of absorptive capacity, shortage of skilled personnel, poor infrastructure, and intellectual property rights (IPRS), particularly patents and trade secrets.

On the issue of IPRs, Bolivia said that it is often argued that availability of effective IPR protection provides foreign companies an incentive to transfer protected technologies to developing countries and will encourage the inflow of FDI (foreign direct investment). It said that the availability (and enforceability) of IPRs is by no means a sufficient condition for an increase in FDI or for transfer of technology to occur. Countries with weak IPR regimes have been among the major technology borrowers (e.g. South Korea, Taiwan, Brazil in the years preceding the coming into force of the World Trade Organization), while many countries (including many African countries) with IPR regimes comparable to those of developed countries have a poor record of being technology importers.

It said that strong IP protection means that the IP holder can control the use of his technology, and

decide when, where and how to use it and whether to transfer it and the ways in which the technology can be utilized, if at all, in those countries where protection has been obtained.

Bolivia pointed out that 10 developed countries account for 84% of resources spent on R&D (research and development) globally, control 94% of the technological output in terms of patents taken out in the US between 1977 and 2000 and received 91% of global cross-border royalties and technology licensing fees in 1997.

Bolivia cited the example of India where prior to 1970, when India allowed patent protection for pharmaceuticals, multinational corporations dominated the supply of medicines and the Indian manufacturers supplied a much smaller share of the Indian market. It said that in 1970, the Indian law was amended and patents on pharmaceutical products were not allowed, and provided some figures to show that over the years the share of the Indian pharmaceutical market supplied by domestic companies increased dramatically, and India moved from being a net importer of medicines to a net exporter, with exports to a large number of countries, including developed regions such as the United States and Europe and developing countries.

Bolivia said that as regards the CTC in relation to the issue of IPRs, it was important to identify the concrete IPR obstacles and propose alternatives, and provide support in the use of flexibilities available within the TRIPS Agreement (such as the use of compulsory licenses, exceptions to patent rights, regulating voluntary licenses and ensuring strict application of patentability criteria).

It said that the CTC must support in the development of proposals for national legislation that allowed more flexibilities in IPRs, initiatives to promote and fully benefit from innovations that are in the public domain, and analyze and propose initiatives to deal with other patent issues.

Australia's Louise Hand wanted a country-driven CTC that is adaptable and responsive to national circumstances. It stressed the need for enhancing conditions necessary for investment and a key role for the private sector. The TM and its aspects must be leveraged around existing processes and structures and should be hosted by existing institutions. It said that both the TEC and the CTC&N are complementary and non-subservient, with each being accountable to the COP in its own right and reporting as such.

**Dr. Al Binger** spoke for the **Alliance Of Small Island States (AOSIS)** and said that the function of the TM and its key aspects should focus on creating

the environment for more technology development and transfer. It should increase the availability of green technologies for development including social development. The TEC must be Party driven and the financial mechanism provide resources for development of projects. This must be an integrated approach.

On the issue of governance of the TM, AOSIS supported a distinct Board of Directors with regional representation, including from SIDS and LDCs (Least Developed Countries). The TOR should be decided by the COP, including fiduciary responsibility, and have oversight of the business plan, developed in response to the needs of Parties liaising with the TEC. There should also be operational oversight and reporting to the COP.

AOSIS presented two options for the appointment of the Board of Directors, which could either be appointed by the COP or the TEC.

In terms of the day-to-day functions, the TM must respond to the needs of developing countries. The funding should come from the financial mechanism under the UNFCCC and should be coordinated with the work of the TEC. Other functions include the preparation of reports and proposals for mobilizing financial resources, identifying technologies to meet members' needs; developing strategies for further development testing/criteria for new technologies; facilitating collaborative agreements between the private sector and research institutes and facilitating training to help develop capacity.

On the staffing, it said that the key administrative officer should be an executive director with two deputy directors (one each for adaptation and mitigation); and sector specialists, with regional distribution mainly from developing countries. It should be located preferably within host institutions with technology development experience and international accounting standards and credible international status.

On the composition of the Network, AOSIS wanted the establishment of regional and national centres of excellence, with criteria set by the TEC. It said that initial members of the Network should be identified by the TEC and the membership be open to all who meet the criteria. There is a need also to have memoranda of agreement between the CTC and institutions.

Apart from an effective and efficient technology transfer mechanism, AOSIS also called for capacity building support and a loss and damage mechanism to help SIDS recover from adverse climatic impacts.

**Dr. Ainun Nishat** of **Bangladesh** said that the major task of the CTC will be, but not limited to, supporting the establishment of regional Centres and its networks; the selection of best available technologies; the diffusion of new technology; resolving issues related to IPRs; supporting R&D for hard and soft technologies as well as enabling capacity building including skills training programmes to its Network.

Bangladesh also envisioned the governance structure of the CTC to comprise an Expert Group that will provide strategic guidelines to the CTC for technology selection, review, assessment, evaluation, and monitoring of technology innovation, development, deployment and diffusion as requested by its Networks. It also advocated the need for a secretariat that will be responsible for day-to-day management and in supporting the Expert Group.

It also proposed the creation of Regional Climate Technology Centres (RCTCs) to be set up in all the UN Regions as Networks of the CTC, with mandates of the RCTCs being similar to that of the CTC.

Japan's Mr. Jun Arima said that the main task of the CTC is to provide advice to developing country governments on technology needs assessment, low carbon development strategies and nationally appropriate mitigation actions (NAMAs) through its Regional Centres. It would also support developing countries to identify technology options and conduct capacity building/training programmes and facilitate communications among "networks" of national, regional, sectoral and international technology centres, networks, organizations and initiatives.

The CTC is also to provide support and advice to CTC&N members/network organizations to develop and implement projects related to technology transfer.

Japan said that technology transfer requires a tailor-made approach and the CTC should function as an efficient gatekeeper, which enables efficient implementation of technology transfer, and utilizes outside experts to respond to the needs and requests of developing countries. It also said that sectoral/regional approaches are effective to identify available technologies/experts and to create efficient networks to support developing countries. It wanted the CTC's operation to be prompt and flexible enough to engage companies. It proposed the CTC governing board to have 10 members in total with an Executive Director.

**Mr. Can Wang** of **China** said that there was a need for an appropriate coordination, management and accountability system within the TM. It said that the TEC provides the broad framework, directions

and strategy for technology development and transfer under the Convention and guides the CTC and Network. It said that the TEC could serve as the governing body of the CTC&N.

China wanted the CTC&N to be accountable to the TEC, which could ensure that its activities are closely aligned with the needs of developing countries. The CTC&N would report to the TEC, through which the report of the TM as a whole would be submitted to the COP.

On the linkage between the TM and the financial mechanism, China said that there was a need for a specific window for technology development and transfer. The TEC would recommend the policies, programme priorities, eligibility criteria for support and actions that are necessary to accelerate technology development and transfer. The TEC would have a role of overseeing and providing recommendations for the review process of the operating entities of the financial mechanism. It said that the TEC would also have a role in the regular performance evaluations of projects. The results of the evaluations would feed into the TEC's guidance to the CTC&N and on programme priorities, policies and eligibility criteria to the COP.

China said that the additional functions of the TEC could be to evaluate the performance of development and transfer of environmentally sound technologies in terms of speed, range and size of the technological flow; measure, report and verify (MRV) the technology support for developing countries' actions on mitigation and adaptation and properly deal with IPRs.

**Dr. Carola Borja** of **Ecuador** addressed the issue of additional functions for the TEC and proposed two key functions which relate to policy and enabling functions to remove technology transfer barriers for adaptation and mitigation actions. This was needed, it said, as developing countries faced many challenges in relation to technology transfer that included the high prices of technologies that prevent its adequate use by developing countries; IPRs; technologies that are not adequate for the realities of developing countries and the lack of resources to devote to research and development in developing countries.

Ecuador presented data showing how OECD countries dominated the field of clean energy technologies through patents.

As regards the policy functions of the TEC, Ecuador said that this included ensuring that environmental-climate related technologies are in the public domain and free of patents. The TEC should foster technology disaggregation; influence

multilateral entities to enact policies to facilitate the transfer of clean technologies and reduce IPR barriers; guarantee the access to the needed resources for capacity building, at a sectoral level according to the priorities of each developing country; lead to innovation through the development and improvement of endogenous technologies and determine policies to develop the "know-how" for the new and existing technology, research and development needs.

On the enabling functions, Ecuador said that the TEC should provide the means to facilitate the establishment of technology transfer sharing arrangements between providers and users; find enough resources to transfer technology; build institutional arrangements so that developing countries can have easy access to technology providers; encourage developing countries to conduct their technology needs assessments; facilitate the mapping of technologies available from developed countries; foster the exchange of experiences and technological solutions and once a technology is developed, it becomes part of the public domain for easy and fast transfer to countries who are in need of it.

It said that the TEC should recommend actions to address the barriers to technology transfer through policies and enabling functions and deal with the necessity of applying a flexible system of IPRs with respect to clean technologies.

**Mr. Aziwimpheleli Makwarela** of **South Africa** proposed some additional functions of the TEC which included examining the draft work programme and the budget of the CTC and making recommendations to the governing body of the TM (represented by the Parties); reviewing the implementation of the approved work programme and reporting back to the governing body; elaborating on the medium and long-term potential of the CTC's programmes and planning, including specialized and new fields of research, and making recommendations to the governing body and assisting the heads of the CTC&N on all substantive, scientific and technical matters concerning the activities of the CTC, including co-operation with other centres and networks.

**Mr. Martin Khor** of the **South Centre** was one of the experts invited to share perspectives on the form and content of the TM. He said that the big challenge was to combine the big policy issues relating to technology transfer, while seeking to stimulate a bottom-up approach.

He said that the functions of the TM must include helping developing countries identify technology needs in the different sectors; help to

assess which technologies are suitable (environmentally-sound, socially appropriate and efficient economically) and identify the policy and other barriers for access to technologies at affordable prices.

Khor said that there were three kinds of technologies relevant to this discussion viz. technologies in the public domain which needed to be expanded; technologies with proprietary rights, where there is scope to exploit the flexibilities under the WTO's TRIPS (Trade-related Aspects of Intellectual Property Rights) agreement, including compulsory licensing; and future technologies that require international cooperation in R&D and for this to be in the public domain and that could be funded by the TM.

Khor said that adaptation of technology relates to transfer skills, equipment and climbing up the technology chain. The roles of the public and private sector such as SMEs (small and medium sized enterprises) need to be supported as well as public sector investment especially in energy and water.

He highlighted that in technology needs assessments (TNAs), the issue of greenhouse gases was only one aspect. Other aspects that are critical to the TNA process include sustainable development aspects such as job creation, poverty, health and social and economic cost factors.

He stressed the need for a bottom-up process that helps build technological capacity at the base in developing countries. He said that while the Network can be dense with bases at the country level, the global structure of the CTC should be quite light. He cautioned against a big top-heavy global CTC structure.

In this context, Khor gave two examples of the IPCC (Intergovernmental Panel on Climate Change)

and the Montreal Protocol Fund (related to ozone depletion) models. In the case of the Montreal Fund, he pointed out that it works because they established ozone national focal points in various countries. The CTC could function in a similar fashion as the IPCC or the Montreal Protocol Fund with a light secretariat, voluntary technical committees plus networks utilizing an implementing agency such as the UNDP (UN Development Programme).

**Mr. Emile Frison** from the **Consultative Group on International Agricultural Research (CGIAR)** shared some lessons. He said that it was important to keep the TM simple and avoid complexity so that there could be creativity without a bureaucratic organization. There is a need to build trust and the principles must be agreed to before legal experts write agreements.

**Mr. Mark Radka** from the **UNEP** said that from its case studies, attributes of successful centres and networks showed that there must be shared interests among partners, with strong incentives for collaboration; stable and long-term funding and political support; clearly defined missions and metrics; open and efficient information sharing; commitment from senior managers; participation of both public and private sectors; flexibility to respond to evolving conditions and opportunities; integrated approaches to R&D, demonstration and deployment; appropriately sized networks for effective cooperation and provision for capacity building of members where needed.

Many of these issues raised in the April workshop are expected to be considered at the June meeting of the AWG-LCA in Bonn.

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(\* With inputs from Majorie Williams)

### Concerns on Process to Design Climate Fund Raised by Developing Countries

Bonn, 6 June (Meena Raman) – Representatives of several developing countries on the Transitional Committee (TC) for the design of the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC) raised serious concerns over the process to design the GCF at the first technical workshop of the TC held in Bonn, Germany from 30 May-1 June.

The developing countries also raised these concerns in their written submissions to the TC Secretariat following the first meeting of the TC held in Mexico City from 28-29 April.

The first two days of the Bonn workshop consisted of exchanges between TC members and the Co-facilitators of the work-streams, while the last half-day on 1 June involved an exchange between the Co-facilitators, TC members and observer organizations.

[The four work-streams which were launched following the first meeting of the TC in Mexico City comprise (1) scope, guiding principles and cross-cutting issues facilitated by Mr. Derek Gibbs (Barbados) and Ms. Alicia Montalvo (Spain); (2) governance and institutional issues facilitated by Mr. Tosi Mpanu Mpanu (Democratic Republic of Congo) and Mr. Bruno Oberle (Switzerland); (3) operational modalities facilitated by Mr. Farrukh Khan (Pakistan) and Mr. Ewen McDonald (Australia); and (4) monitoring and evaluation facilitated by Mr. Aparup Chowdhury (Bangladesh) and Mr. Jan Cedergren (Sweden)].

The concerns raised by the developing countries about the process in the design of the GCF included:

- The absence of an adequate report of the first meeting of the TC in Mexico City despite a request by several developing country members of the TC for this. What was provided to TC members was a Co-chairs' summary report

instead of a report of the meeting subject to the adoption of Committee members. The Co-chairs' report of the initial meeting was said to contain certain inaccuracies and also failed to reflect many important suggestions from developing countries, as in the case of proposals for an alternative agenda by the African Group as well as a proposal for a work plan for the TC by the Alliance of Small Island States;

- The role and level of engagement of the Co-chairs in the process (two of them did not attend the workshop, and one did not attend the initial Committee meeting);
- Questions about who was driving the TC process when it is supposed to be a process led by the members themselves;
- Lack of clarity on who was producing the documents for the meetings/workshops and
- Insufficient time allocated for the TC meetings and budgetary constraints for the completion of the task at hand. The members are concerned that only a few days of negotiations have been set aside for the TC between now and Durban, while there are many complex issues to resolve.

Sources indicate that only 2 official meeting days per meeting have been scheduled and with 3 meetings planned from now till Durban, the total number of days for completing the design of the GCF would only be 6 days. Several developing country delegates from the TC wondered how they were expected to execute the difficult and important task in such a short period of time.

Concerns were also raised along the corridors by some members of the TC from developing countries that when they raised issues to ensure transparency and to bring order to the TC meetings through proper documentation and keeping of

records, they were being perceived by some quarters as “blocking progress” in the efforts to design the GCF.

None of the Co-chairs were present at the opening session of the first technical workshop in Bonn on 30 May. Mr. Kjetil Lund of Norway attended parts of the session on the last two days. Another Co-chair Mr. Ernesto Cordero Arroyo from Mexico was not at the workshop while Co-chair Mr. Trevor Manuel from South Africa was not at the workshop or at the first meeting of the TC in Mexico during which he was elected.

The absence of the Co-chairs during the technical workshop prompted members of the TC from Egypt, the Philippines, Nicaragua and Saudi Arabia to raise with Mr. Lund at the wrap-up session on 31 May to consider the proposal by the Asian Group for a Vice-chair in addition to the 3 existing Co-chairs, as the existing Co-chairs were high-ranking officials with important responsibilities and might not be able to participate in all meetings.

The Asian Group had in Mexico City proposed Singapore’s TC representative, Ambassador Burhan Gafour, as the Vice-chair. Saudi Arabia as Chair of the Asian Group wanted this issue of the Vice-chair to be addressed as a matter of priority in Japan at the next TC meeting.

Outside of the TC meeting or workshop, one senior developing country negotiator who is not a TC member remarked that it was “ridiculous to have 3 Co-chairs” and that there had never been such a precedent before in the UNFCCC. He stressed further that a Co-chair should not be an honorary role.

The Philippines, Egypt and Nicaragua stressed at the beginning of the technical workshop on 30 May that the process of work of the TC needed to be clear as to who was driving the process, i.e. whether it was the Co-chairs and Co-facilitators, or members of the TC themselves.

They raised questions as to who was drafting the various documents for the consideration of the TC members for the workshop. They also stressed the need for more time for the meetings to carry out the work needed to be done by TC members.

These matters were also raised with Mr. Lund from Norway at the wrap-up session of the workshop on 31 May.

During the wrap-up session, Egypt and the Philippines said that the financial resources needed for the TC meetings must be organized to do what is needed to fulfill the huge tasks of the TC. They also stressed the need for more dedicated time for the duration of the future meetings to deliver the job.

Mr. Lund at the session said that he took note of the views of the TC members and would look into the issue of the length of the meetings. He said that the primary task was to ensure a good process and to find balance in working efficiently together with the engagement of all TC members.

Egypt and the Philippines also raised their concerns in their written submissions to the TC Secretariat following the first meeting of the TC.

In his submission to the TC Secretariat, **Mr. Omar El-Arini** of **Egypt** said that there should be a report of the first meeting of the TC and not a Co-chairs’ summary, and this should be prepared and submitted to the TC members for adoption.

He submitted that “all documents prepared for the TC meetings, including reports of the meetings, should follow the same format as that of documents prepared for meetings of other bodies of the Convention. The format used by the Adaptation Fund Board for its meetings’ reports (for each agenda item/sub item, a summary of the discussion is provide, followed by the decision taken on the issue and the decision having a number that can be referred to in future documents) would be a good example to follow in the preparation of the TC meetings reports.”

He had also raised other issues including the election of offices, adoption of the agenda, working arrangements and work-plans.

**Ms. Bernarditas Mueller** of the **Philippines** in her submission said that there should be a clear delineation between a “Co-chairs’ Summary” and a report of the first meeting of the TC, and these cannot be made in one document.

She said further that “a Co-chairs’ summary is prepared under their own responsibility as their appreciation of what occurred, which, in principle, cannot be subject to consideration and adoption of the TC. A Report of the Meeting is a document which comes at the end of the meeting, usually prepared under the guidance of a Rapporteur who is an officer of the meeting, and which informs on the discussions and results of each item of the agenda of the meeting.”

Ms. Mueller said that this was very important because it lays out the agreements, if any, reached at the meeting held. She said that the Co-chairs’ summary report was incomplete and contained inaccuracies.

Ms. Mueller said that there was no understanding that the Co-chairs were elected “on a permanent basis”, as reflected in the Co-chairs’ summary.

She submitted that “what was clear, was that the Co-chairs remain under the authority and

mandate of the TC, and that they are elected in their personal capacity and that I also later specifically clarified my understanding that the officers of the meeting, given its mandate, will end in Durban, and that a new set of officers would have to be elected should the mandate of the TC be extended, under a new decision by the Conference of Parties. At no moment was there agreement that the officers were elected at this first meeting on a permanent basis”, she said in the written submission.

She said further that there should be mention of the draft agenda presented and circulated by the TC members representing the African Group, with support from other TC members, and that the Co-chairs did not open discussions of this draft, although it remained on the table and could still be taken up.

“All submissions from TC members, including the draft agenda submitted by the African Group, should be compiled in a MISC. document of the meeting”, submitted Ms. Mueller.

She submitted further that the very serious concerns raised over the issue of conflict of interest by some TC members should be mentioned in the report, and included in Annex I to the report.

(Developing countries on the TC had raised concerns that there could be a conflict of interest if World Bank personnel are seconded to the Technical Support Unit to help in the design of the GCF.)

“There was even general agreement, including by the Co-chair, that even the perception of a conflict of interest should be avoided. Mention must be made of the suggestion to delete the reference to the specific institution that will provide the different members of the TSU as stated in the Annex to document TC 1/4, in order not to prejudice the expertise that could be provided by other institutions, including at regional levels,” she submitted further.

Ms. Mueller added further that she did not remember “that members in any way endorsed the TSU arrangements, but instead received the assurances of the Executive Secretary (of the UNFCCC) that all concerns raised will be further discussed.”

She also submitted that “what should be stated (in the report) is that TC members of the Asian Group recalled its understanding that there will be a Vice-chair from Asia among the officers of the TC, to reflect regional balance, as well as balance of expertise which, with the three Co-chairs, only reflect financial expertise without climate expertise. The Asian Group offered a candidate that had both expertise. TC members from Africa and GRULAC (Group of Latin American and Caribbean Countries) supported the Asian proposal. It was agreed to revert to this issue at the next TC meeting.”

The next TC workshop is to be held in Tokyo, Japan on 13-14 July, to be preceded by a second technical workshop on 12 July.

### Climate Fund Workshop Discusses Issues on Fund Governance

Bonn, 6 June (Meena Raman) – The first technical workshop of the Transitional Committee (TC) for the design of the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change held in Bonn, Germany from 30 May-1 June witnessed a broad and wide-ranging discussion on several critical aspects relating to the GCF.

The workshop discussed the four “work-streams” that had been introduced by the transition committee’s Co-chairs at the committee’s first meeting in April in Mexico City. The work-streams comprise (1) Scope, guiding principles and cross-cutting issues facilitated by Mr. Derek Gibbs (Barbados) and Ms. Alicia Montalvo (Spain) (2) Governance and institutional issues facilitated by Mr. Tosi Mpanu Mpanu (Democratic Republic of Congo) and Mr. Bruno Oberle (Switzerland) (3) Operational modalities facilitated by Mr. Farrukh Khan (Pakistan) and Mr. Ewen McDonald (Australia) and (4) Monitoring and evaluation facilitated by Mr. Aparup Chowdhury (Bangladesh) and Mr. Jan Cedergren (Sweden).

This first day of the workshop on 30 May mainly discussed work-streams 2 and 3, while the second day dealt with work-streams 4 and 1 and some aspects of work-stream 3. The workshop on 1 June saw an interactive discussion between observers (civil society and international organizations) and TC members.

This article reports on the discussion on work-stream 2 on governance/institutional issues. Among the issues were how to ensure that the GCF is accountable to the Conference of Parties; how to enable the GCF to have legal personality; how to enable direct access by all developing countries to the GCF; and how to avoid a conflict of interest as regards the trustee and its relationship to the GCF.

Mr. Farrukh Khan of Pakistan, in his opening remarks of the workshop on behalf of the Co-chairs

of the TC, said that the purpose of the workshop was to provide an opportunity to the TC members to discuss in-depth various matters related to the design of the GCF. He said that the inputs from the workshop would be captured in reports to be prepared under the responsibility of the respective co-facilitators. A deadline of 8 June was also set to receive written submissions from the TC members on the various issues raised.

**When discussion began on work-stream 2 on governance and institutional arrangements**, the co-facilitators of the work-stream presented a draft work plan for consideration, which proposed the organization of work according to the following issues:

1. Legal and institutional arrangements – Fund’s legal status; legal relation with partners; accountability relation between COP and GCF Board, secretariat, trustee;

2. Board issues – composition and election, role of NGOs, Chair election, term of service of members; mandate and responsibilities of Board (extent of engagement in project approval); rules of procedure and functioning, especially in decision-making;

3. Secretariat – establishment of independent secretariat, legal status, composition, recruitment procedures; mandate and functions (including role if any in project review and MRV; relation with implementing institutions including project cycles and division of responsibility;

4. Trustee arrangements: role of trustee and investment strategy; from where it gets its instructions (Board, secretariat); relation of trustee and implementing agencies; review of interim and process to select permanent trustee; and

5. Relation between GCF and the Standing Committee; GCF and other funding entities with national entities and GCF with Adaptation Fund.

**The Philippines** said that the GCF was established as an operating entity of the financial

mechanism of the UNFCCC and functions under the guidance of and is accountable to the Conference of Parties. It said that it is the COP that decides on the policies and programme priorities, and that the Board of the GCF follows its guidance and does not decide.

**Egypt** said that there was a need to also address the legal arrangements between the Board and the implementing entities as members were talking about the legal personality and status of the GCF. As regards the Secretariat, Egypt said that there was a need to address its relation to the trustee and it was not clear if this is a function of the Board or the TC.

In relation to the trustee, Egypt raised the issue of the auditing of accounts. It also raised the issue of legal arrangements between the Board and the Trustee and asked if it would be a Memorandum of Understanding or a binding legal agreement between the two entities.

Egypt also pointed out factual errors in a factsheet prepared as regards the Multilateral Fund (MF) under the Montreal Protocol which described the MF as not having any legal capacity when in fact it did have juridical personality.

**Italy**, while agreeing with the division of work as proposed by the work-plan, was not clear about the prioritization of work. It suggested that the issue of the legal status can be dealt with first and the role of the Board and Secretariat later and there were also some issues that can be left to the Board.

**Nicaragua** stressed the need for a clear picture of the division of labour between the different structures of the GCF in terms of tasks and that the new fund should not be "business-as-usual" but must address the shortcomings and difficulties of the existing funds. It stressed the need to respect the principle of universality and non-discrimination as regards developing countries' access to the resources of the GCF. It also stressed the need to address the issue of conflict of interest as regards the role of the trustee.

(The World Bank has been proposed as the interim trustee of the GCF under the Cancun decision. At the first meeting in Mexico City, Nicaragua said that since the World Bank has been invited to serve as the interim trustee for the GCF, staff connected to the World Bank could not be involved in also providing consultancy services related to the GCF.)

**China** shared the views of the Philippines and said that the GCF is accountable to the COP and is under its guidance. It was therefore important to finalise the method of accountability as regards the Board to the GCF. On the issue of the representation of countries on the Board, it said that the Cancun decision was clear on the need for regional

representation according to the UN regional groupings and it was not the mandate of the TC to decide on the distribution of the Board.

**Singapore** said it was wary about discussing the coherence issue as regards the relationship of the GCF and the Standing Committee (SC) as the role of the SC was still under negotiations and a discussion in the TC presupposes that the TC knows what this role is.

(Under the Cancun decision, Parties decided to establish the SC to assist the Conference of Parties in exercising its functions in relation to the financial mechanism in terms of improving coherence and coordination in the delivery of climate change financing etc.)

**Canada** said that since the SC is to assist the COP, it has no relation to the GCF and it was not for the TC to decide.

**Australia** said on the issue of legal and institutional arrangements, as a first step, the experience of other funds such as the Adaptation Fund, the Multilateral Fund under the Montreal Protocol and the Global Fund on HIV-AIDS could help. On the issue of the GCF being accountable to the COP under Article 11 of the Convention, TC members could also draw from the experience of the Global Environment Facility (GEF), which is also an operating entity of financial mechanism and is accountable to the COP.

**Denmark**, on the issue of coherence of the GCF with other entities, said that this will depend on the Board and how the GCF positions itself in the international financial architecture and asked if the GCF is a fund of funds and called for more reflection on this.

**Spain** said that while it was important to learn from the past as regards other funds, there was a need to consider fresh approaches and for the GCF to be creative, while respecting the elements of the Cancun decision which prescribes the boundaries in terms of the formalities.

**India** stressed the need to address the legal status of the GCF upfront as the degree to which the GCF is a success depends on the contributions it receives. It said that when the Cancun decision tasked the TC to design the GCF, it was about the form and not how it functions, which is for the Ad-hoc Working Group on Long-term Cooperative Action to decide. It said that it was premature to go into the functions debate. The TC is supposed to address the institutional arrangements.

On the issue of the implementing entities, India said that everything depended on access to funds and the principles adopted for contributions and disbursements. It could be that no implementing

agency at all may be needed. If the principle was one of direct access, then the funds could pass through directly through national entities.

India also stressed the need to avoid any conflict of interest as regards the trustee and there was a need for an appropriate relationship between the GCF and the trustee in this regard. On the issue of conditionalities, India said that members were discussing issues that did not belong to the TC as this was the domain of the negotiations. (It was referring to issues such as MRV of mitigation actions.)

**The United States** agreed with China that the Cancun decision has made clear how the Board composition is to be decided and it was for the developing and developed countries to decide. As regards the legal issues, there was a need for sequence as to what the fund should do and then address the legal personality. It was also of the view that it was premature to discuss the link to the Standing Committee when the COP was still deciding this.

Pakistan said that the work-plan was only a guiding tool and not cast in stone and additional issues might arise. As regards what is missing such as the issues of MRV and SC which are being dealt with by the AWG-LCA, these still have to be reflected as this was a back and forth process and keeping the issues in the TC is reasonable and to maintain the communication with the two processes. It stressed the need to focus and sequence the issues. The nature of the legal personality is important and is crucial for direct access if this principle is to be operationalised, either by way of a country incorporating it by domestic law or by Parliamentary ratification. Pakistan said that the best way is to incorporate it under domestic law like the Adaptation Fund. There was also a need for a description of fiduciary standards.

On the issue of the Secretariat, Pakistan said that there is a need to define its mandate and this is

linked to the scale of the Fund. If we channel a large scale, then there was a need for a bigger Secretariat. On the role of the trustee and its fiduciary management, it is important to establish the relationship with the GCF by a Memorandum of Understanding or by other ways.

**France** said that on legal arrangements it was important to draw on the experience of the GEF, which is under the guidance of the COP. While there were criticisms of the GEF, it said that learning from its lessons was important. It also did not want the TC to prejudge discussions on the SC and said that this could be postponed until its role is clarified.

**Samoa** said that it was important that there be no conditionalities as exist under existing Funds. When we talk of the GCF, it has to be different from all existing funds and avoid the pitfalls.

**Barbados** said that the GCF should have legal capacity to enable direct access and enter into contractual agreements. The Board should be elected by the COP to ensure accountability and transparency and its membership should be for a period of 2 years. The composition should be consistent with the Cancun decision. Decision-making should be by one member one vote. Functions of the Board should be to address the strategic priorities and policies and recommend them for adoption by the COP. It should also decide on the operational policies and provide guidance for administration and financial management. It should also decide on projects including allocation of funds in accordance with the guidance of the COP.

The independent Secretariat should be tasked with executive policies, resource mobilization, providing financial, legal and administrative support and overseeing monitoring and evaluation. On the trustee, it said that there should be open bidding to determine the permanent trustee.

(Further updates will follow in relation to the workshop's discussion on other work-streams.)

### Transition Committee Workshop Discusses Climate Fund Design

Bonn, 7 June (Meena Raman) – In discussing the operational modalities of the Green Climate Fund, several developing countries cautioned against over-estimating the role of the private sector and the carbon markets in generating climate finance while developed countries stressed their importance.

This debate took place at the first technical workshop of the Transitional Committee (TC) for the design of the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change held in Bonn, Germany from 30 May-1 June.

Many developing countries emphasized that the GCF needed predictable and sustained funds and that this was only possible through public sector financing on an assessed basis.

However, some countries also expressed caution that the TC should not be discussing the sources of funds as this was the remit of on-going negotiations under the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA).

On the scope of the GCF, the United States expressed caution that the GCF should not seek to resolve the political commitments of Parties, and said that there would not be USD 100 billion a year in the GCF. It said that there were many sources of funds which are complementary and the GCF did not have an exclusive role.

On the issue of monitoring and evaluation, many members of the TC, from both developing and developed countries, expressed that the fiduciary standards as well as the environmental and social safeguards should not be prohibitive for developing countries and hinder their access to the funds.

Below are some highlights from the intervention of TC members in work-streams 1, 3 and 4. (Please refer to our earlier report for discussions on work-stream 2.) (The 4 work-streams are (1) scope, guiding principles and cross-cutting issues; (2) governance and institutional issues; (3)

operational modalities; and (4) monitoring and evaluation.)

#### Work-stream 3 on ‘Operational Modalities’

According to the co-facilitators’ note, this work-stream addresses the following issues:

(1) Methods to manage large-scale financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities (including direct access), with the objective of a balanced allocation between adaptation and mitigation; (2) Methods to mobilize and leverage private sector finance (foreign and domestic); (3) Modalities for contribution to the Fund; (4) Financial instruments the Fund can use to achieve its priorities; (5) Methods to ensure balanced mitigation/adaptation allocation; (6) Mechanisms to ensure expert and technical non-binding advice, including from relevant thematic bodies under the Convention; and (7) Mechanisms to ensure stakeholder input and participation.

**The United Kingdom**, on the issue of the private sector, said that it was important to ask what the private sector would prioritize if they had resources. Hence, it asked for good analysis on identifying where gaps are in the existing financial architecture and what new instruments are needed to leverage these resources.

On private finance, it was important to distinguish between private financing substituting for public financing and how to use public subsidy to leverage private finance. It said that it was referring to the latter. The UK also suggested considering insurance as a way of hedging in relation to climate variability.

On the issue of direct access, the UK asked how this could be structured in the GCF window. It enumerated reasons why direct access was good – it improves responsiveness; gives choice on what to

fund and who would fund it; gives control and choice to the lowest level possible and has potential to improve accountability. It said that the principles in the Paris Declaration on Aid Effectiveness were being reviewed and this needs to be looked at in relation to the issue of direct access.

**Belize** said that the modalities for contribution should accept resources from a wide range of sources, both public and private, including grants and investments. Public sources should be the primary source through direct contributions from developed countries on an assessed scale. Other sources from the carbon markets, taxes and levies can be supplementary.

**The Philippines** also stressed that the principle source of financing should be from the public sector and other sources would be supplementary. It said that the predictability of funds through an assessed contribution was key. It said that the use of market mechanisms is a problem in ensuring environmental integrity as it would shift emission reductions from developed to developing countries.

**Nicaragua** expressed concern over the focus on the private sector not in a complementary role but as a substitute for public financing. It called for support for direct access which must come mainly from ear-marked and assessed contributions, and be predictable on a long-term basis. It expressed caution over viewing the GCF as an investment promotion agency.

**Ethiopia** said that private sources of funding are more volatile.

**Canada** said that there was a need to address how public funds can mobilize private financing with sustainability criteria.

**Spain** said that creating a new fund which is part of a new international financial architecture that is transformational and ambitious needs new sources of finance that are predictable and innovative.

**China** said that it was not the mandate of the TC to deal with the specific sources of funding especially where there were different views and there are ongoing negotiations. It also said that the private sector role is only complementary and cannot be overestimated. The involvement of the private sector from developed countries in emissions trading in developing countries cannot be regarded as climate change financing because this is double counting, as it goes to the counting of emission reductions of developed countries.

**Brazil** said that there was little doubt that the GCF should cope with different sources of funds although the sources are still a matter of debate and ongoing negotiations. It said that it was important

for the TC to design and know what decisions have to be made and what will not pre-judge or hinder the on-going negotiations.

**The United States** was also troubled by discussion about the sources of funds and said that the TC was not the best forum for it. The focus should be on the design of the GCF. On the private sector, it said that it was important to see how they can be leveraged and suggested having a conversation with the private sector to identify specific areas.

**Egypt** said that in the short term, resources for the Fund must come from public sources. The first 3 to 5 years are the formative years and there needs to be a predictable amount of money which can be assessed. There needs to be an estimate of what is core funding or a seed fund. The core funding should be reasonable and predictable and should create confidence in the system.

**India** said that it was premature to discuss the sources of contributions as addressing modalities means ensuring predictability of resources. There was a need to ensure how the flow of funds can be recurring, sustainable, predictable, additional and measurable. Logically, public financing is the only sustainable way of ensuring predictable resources.

If funds are generated through the markets, there are risks and thus there is the question of who is addressing these risks. The needs of the climate cannot be predicted in a manner in which returns are expected by the private sector. Governments at the national level can involve the private sector but not at the global level.

**Singapore** said that the discussion on sources goes beyond the remit of the TC. Sources from taxes on aviation and maritime transport have impacts on small island states and views on the sources should not jeopardize the design of the GCF.

**France**, on the modalities for contribution, said that there was a need to know first what type of instruments are involved and there could be different scenarios from 3-5 years on the scale and sizes of allocations. It also said that there was a need for a structured dialogue with the private sector not only in the design of the GCF but also early in the project cycle. France wanted a window in the GCF for private sector participation. It wanted the GCF to be attractive enough for funds from the capital markets.

**Saudi Arabia** said that direct access is key to avoid fragmentation of funds and any funding outside the Convention should not be regarded as fulfillment of obligations under the Convention.

Spain said it was important to see the public sector cooperating with the private sector but

members should not promote business for the private sector. Instead the focus should be on what we want them to do. It also suggested insurance to deal with extreme weather events, and also mobilizing resources from the carbon market.

**Germany** also wanted to see how insurance schemes can be included in dealing with risk management.

#### **Work-stream 4 on ‘Monitoring and Evaluation’**

According to the Co-Chairs’ note, this work-stream will address two main areas (A) and (B).

A. Evaluation mechanism for overall performance of Fund – results achieved, efficiency, effectiveness – (1) Take account of the goal and objectives of the fund; (2) Look at mechanisms and learn from the experience of other climate and other relevant Funds; (3) Consult with evaluation experts (4) Need for practical and not complicated mechanism; (5) Consider specific characteristics of the GCF, potential multiplicity, its variety of windows, instruments; (6) Consider special circumstances, relevance, concerns, national priorities of LDCs and SIDS; (7) Consider need for initial baselines to facilitate evaluation studies; (8) Consider institutional aspects of periodic independent evaluations.

B. Activities supported by the GCF: B1– Evaluation and monitoring of activities to ensure environmental and social safeguards (1) Define concept of environmental and social safeguards; (2) Consult other organizations with same systems; (3) Develop simple guidelines to be used by clients and the GCF; (4) Consider institutional aspects of implementing this monitoring and evaluation and division of responsibilities.

B2 – Ensure financial accountability, good fiduciary standards and sound financial management (1) Definition of financial accountability, good fiduciary standards and sound financial management; (2) Consult other funds and organizations re good experience and systems eg Adaptation Fund; (3) Consult financial experts in relevant international organizations; (4) Develop standards that are not prohibitive to developing countries; (5) Guidelines and protocols, considering national circumstances of developing countries; (6) Capacity and technical support to clients in financial area; (7) Institutional aspects of developing this mechanism and division of responsibilities.

**Germany** said that the monitoring and evaluation should be linked to the purpose of the GCF to stay below the 2 degree C and to deal with

the inevitable consequences. There is a need for evaluation also of the Board, trustee and secretariat. Monitoring should be an ongoing exercise.

Italy said that on the safeguards, there is a need for harmonisation with others and to be clear as to how safeguards will apply especially in direct access.

**Singapore** said that what is essential is the idea of a bottom-up evaluation and not just to focus on what appears to be a top-down process.

**The United Kingdom** said that it is important for donors to justify to tax payers that the money is spent effectively. The challenge is to integrate good strong monitoring and evaluation into the work of the GCF.

**Spain** said that there was a need to integrate the evaluation with the recipients of the funds, not only those who manage but also those who benefit from the project and the donors. It said that there was a need to define financial accountability, as well as the environmental and social safeguards. The environmental and social safeguards should not be prohibitive, not only in terms of cost alone but must be feasible.

Bangladesh, who is one of the co-facilitators of this work-stream, in response, said that support for the Small Island Developing States (SIDS) and LDCs should not be eliminated due to the issue of the safeguards.

**India** supported the view that the evaluation should not only be done on the achievement of outcome but also on the impact on ground level which is done in a participatory and bottom-up manner. The reason is the outcomes are not decided at a global level but in the course of national development strategies especially mitigation and adaptation. The outcomes and goals are part of the national strategy. The monitoring and evaluation should not be limited to the achievement of outcomes but also of monitoring additionality of funds.

**The Democratic Republic of Congo** said that effective governance requires appropriate checks and balances to assess performance and enable course corrections when required. Independent monitoring and evaluation of the fund, fund entities and fund operations and projects plays a key role in enhancing decision-making, accountability and effectiveness. Monitoring and evaluation is required on a number of related levels – fund level, entity level, thematic level and project level.

Monitoring and evaluations must be independent to be informative. In this regard, a body or bodies that are independent of the Fund Board, Secretariat and other entities should undertake the monitoring and evaluation function, while also remaining accountable to the Board and the Parties.

## **Work-stream 1- Scope, guiding principles, cross-cutting issues**

According to the co-facilitators' note, this work-stream addresses the following areas: (1) Objectives – why the GCF is it different; broad objectives and guiding principles; (2) Principles; (3) Thematic scope/ windows – how many windows and the activities in each window; all windows now or possible additions later; define mitigation/adaptation balance ; (4) Size and scalability – size of GCF compared to existing funds, what is large scale (minimum/maximum volume?), should GCF design be scalable over time or design match volume goal immediately? (5) (i) Country-led approach (how to encourage this principle; how to ensure it alongside safeguards and financial standards and management); (ii) Results-based approach – how to encourage it among thematic areas, and options to implement it, including possible different approaches per thematic area; (6) Value added and complementarity of fund – Fund's value added to be put in design and operations; what is the GCF role among climate finance entities; how will the GCF ensure complementarity in activities vis-à-vis other bilateral, regional and multilateral mechanisms and institutions?

**Samoa** for the AOSIS said that the GCF should support low carbon, equitable, sustainable development on the basis of common but differentiated responsibility and to overcome the proliferation of existing funds and to ensure the predictability of long-term public finance. It said that 50% of the funding should be for adaption and be on a grant basis. The guiding principles should include that it must benefit every developing country and equity be applied in ensuring access to especially those who need it most.

**Germany** said that the objective of the GCF should be to facilitate transformational efforts of developing countries to contribute towards global warming increase staying as much as below 2 degrees C, with a significant deviation from business-as-usual. It should also support adaptation actions that can assist climate resilient development.

**The United States** said that the GCF should be a state of the art for financing climate that leverages private sector confidence. It should be attractive to donors and the private sector. It expressed caution that the GCF should not seek to resolve the political commitments of Parties. On the

size and scale, it said that the GCF should be designed in a way that allows for transformational investments. It said that there would not be USD 100 billion a year in the GCF and that there are many sources of funds which are complementary and the GCF does not have an exclusive role.

**The Philippines** said that members talk about transformation, it should also be in the way we deliver funds.

**Ethiopia** said that there is a need to have a sense of the magnitude of funds in the GCF by 2020; otherwise the TC's work would not be fruitful. There is also a need to agree on the allocation of funds between mitigation and adaptation. It asked what portions of the funds will be directly implemented by the GCF and through other agencies.

**Denmark** said that the GCF should be efficient, country-driven and managed locally by a designated entity, as a centralized organisation will not be efficient. The GCF should be simple, flexible, quick and efficient.

**Nicaragua** said that the Paris Declaration on Aid Effectiveness and the Accra Agenda were drafted outside the UN process and therefore, their standards which are not negotiated by all are difficult to accept.

**Brazil** said that the GCF should address both the quantitative and the qualitative gaps in terms of the scale of financing and the support for programmes and policies that will have a transformative impact on the ground. Every country should be guaranteed access, it said.

**Sweden** said for transformational change, the GCF must enhance country ownership and direct access must be promoted.

**India** said that the Cancun decision made clear that the GCF should have a flow of resources which are predictable, new and additional. These are the agreed principles and the TC must ensure the achieving of these principles.

**The Democratic Republic of Congo** said the GCF must be consistent with the basic principles of the Convention of common but differentiated responsibility and equity. It must also be consistent with the principles of being new and additional with an assessed contribution.

**China** said that the objective of the GCF should be for long-term financing in all the thematic areas of the Bali Action Plan, viz. adaptation, mitigation, technology transfer and capacity building with specialized windows and it must be adequate to meet the needs of developing countries.

### Wrangling over Agenda Delays Opening of SBI by over a Day

Bonn, 7 June (Meena Raman) – The opening of the 34th session of the Subsidiary Body for Implementation (SBI) of the United Nations Framework Convention on Climate Change (UNFCCC) could not take place on 6 June as scheduled in Bonn because of a wrangle over the agenda of the SBI's work. By 7 June noon, the opening had still not taken place.

Many developing countries requested the Chair of the body to amend the provisional agenda, and closed door meetings were held throughout the morning, while the opening session was delayed several times as participants waited.

A new agenda was issued just before 5 pm but more closed meetings continued as some countries were still unhappy with one or more items on the agenda. Eventually the Chair of the SBI, Mr. Robert Owen Jones of Australia, announced that the opening would be postponed till Tuesday 7 June.

Behind the apparent wrangling over the agenda was a larger issue – whether some issues considered to be key to the developing countries would be discussed in the SBI or in another body – the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA), which is charged with producing an outcome for the Bali Action Plan adopted in December 2007.

By the evening of 6 June, the remaining contentious issue related to the Cancun decision (para 66) on the reporting by developing countries on their mitigation actions (including the controversial issues of MRV (measurement, reporting and verification) and ICA (international consultation and analysis). A related item is the reporting by Annex I parties on their mitigation actions. The question is whether these should be discussed at the AWG-LCA or the SBI.

Most developing countries want the issues to be negotiated in the AWG-LCA where they

originated rather than have them transferred to the SBI, especially since the Cancun decision did not mandate this transfer to the SBI.

The original provisional agenda dated 16 May 2011 was prepared by the Executive Secretary of the UNFCCC, Ms. Christiana Figueres, with the agreement of the Chair of the SBI and was planned to be presented for adoption on 6 June.

On 24 May Saudi Arabia had communicated to the secretariat requesting deletion of some items and an inclusion of other items on the provisional agenda. Following this, a supplementary provisional agenda was issued on 1 June 2011.

It is learnt that Saudi Arabia communicated to the secretariat that “the SBI Chair had done some major rearrangements and shuffling of items as well as introducing new items at his own discretion, even though there are very clear rules and procedures for how agenda items are introduced or removed once concluded”.

Saudi Arabia proposed corrections to be made to the original agenda “to avoid wasting the whole meeting discussing and trying to adopt the agenda, like what happened in Bangkok”.

It was referring to intense two-and-a-half-day negotiations in Bangkok over the agenda to be adopted under the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) in early April this year in which the G77 and China proposed an alternative agenda to that proposed by the Chair of the AWG-LCA.

Among the proposals made by Saudi Arabia to correct the SBI agenda included the removal of the following agenda items -

- “Other matters relating to the work programme referred to in decision 1CP/16 (the Cancun decision on the outcome of the work of the AWG-LCA) paragraph 46” and “Other matters relating to the work programme referred to in

decision 1CP/16, paragraph 66” as there was no mandate for the SBI to do any work in this regard;

- “Matters Related to Adaptation” (and all sub headings)” as this was not part of the SBI agenda and was incorrectly added.
- “Matters Related to the implementation of response measures” (and all subheadings) as this agenda item was not part of SBI agenda, and was incorrectly added.

Among others, it wanted the following agenda items restored -

- “Matters Relating to Article 4, Paragraphs 8 and 9, of the Convention
  - (a) Progress on the implementation of decision 1CP/10;
  - (b) Matters Relating to the Least Developed Countries as work was not concluded under this agenda item, and all its subheadings, and thus it cannot be removed or changed
- Saudi Arabia also wanted the following additional agenda items to be included -
- Forum on the impact of the implementation of response measures (Paragraph 93 of Decision 1/CP16);
- Modalities and Guidelines to enable Least Developed Countries to formulate and Implement National Adaptation Plans (Paragraph 17 of Decision 1/CP16)
- Activities to be undertaken under a work programme to consider approaches to address loss and damage (Paragraph 27 of Decision 1/CP16)

Following informal consultations by the Chair with Parties on 6 June (the scheduled day of opening of the SBI), a revised version of the provisional agenda was issued in the late afternoon. This new agenda seemed to have taken on board the proposals by Saudi Arabia except the proposals for deletion of two agenda items on “Other matters relating to the work programme referred to in decision 1CP/16 (the Cancun decision on the outcome of the work of the AWG-LCA) paragraph 46” and “Other matters relating to the work programme referred to in decision 1CP/16, paragraph 66”, which appear as items 3(e) and 4(e) in relation to the national communications of Annex I and Non-Annex I Parties respectively.

Item 3(e) deals with reporting methods and procedures for the reporting of Annex I Parties’

mitigation actions and item 4(e) deals with non-Annex I Parties’ reporting of mitigation actions (including MRV and ICA).

It is learnt that many developing countries had supported the Saudi Arabian proposal for deletion of items 3(e) and 4(e) as there has been no mandate given to the SBI to undertake the work and these were matters for the AWG-LCA to continue to address and this concern had been brought to the attention of the SBI Chair.

When the revised provisional agenda was circulated to Parties at close to 5 pm on Monday, the G77 and China convened an informal consultation among members of the Group to consider the matter. The SBI opening was then suspended and is expected to reconvene on 7 June.

The contentious paragraph 66 from the Cancun decision (referred to in item 4(e) of the SBI provisional agenda) deals with “Nationally appropriate mitigation actions by developing country Parties”. It states:

“66. *Agrees* on a work programme for the development of modalities and guidelines for: facilitation of support to nationally appropriate mitigation actions through a registry; measurement, reporting and verification of supported actions and corresponding support; biennial reports as part of national communications from non-Annex I Parties; domestic verification of mitigation actions undertaken with domestic resources; and international consultations and analysis;”

The paragraph does not state that the “work programme for the development of modalities and guidelines” should be undertaken under the SBI.

In fact, paragraph 67 of the Cancun decision “*Invites* Parties to submit views on the items in paragraph 66, including with respect to the initial scheduling of the processes described in this section, by 28 March 2011”.

Several countries have in fact submitted their views in relation to items in paragraph 66 in accordance with paragraph 67 above, clearly indicating the need for further discussions and negotiations on how the work-programme is to be developed.

Paragraph 46 of the Cancun decision (which is referred to in item 3(e) of the SBI provisional agenda) deals with reporting by Annex I Parties of their mitigation actions. Many developing countries also want this item deleted from the SBI agenda.

### Developing Countries Form Solid Front to Advance Kyoto Protocol

Bonn, 8 June (Lim Li Lin) – The developing countries formed a solid front to advance the Kyoto Protocol when the opening session of the KP working group took place on 7 June morning. It was clear that a second KP period has become a rallying point for these countries as an essential component for a successful Durban climate conference in November-December.

The many groupings of the developing countries, led by the G77 and China, and supported by the groups representing Africa, LDCs, small island developing states, ALBA, and Arab countries, insisted that the Durban conference achieve a finalization of the negotiations for the KP's second commitment period for emission reductions. The Durban meeting is the last chance to try and ensure there is continuity after the first commitment period ends in 2012, and that there is no gap between the first and second periods.

They warned that failure to agree to a second period in Durban would put the international climate regime at risk, with serious consequences for developing countries already suffering from the effects of climate change. They called on developed countries which are KP members to show the political will needed to make the second period a reality.

Many developing countries also insisted that there should be no conditionalities set by developed countries for them to commit to a second period. In any case, discussions on such conditionalities should only be with developed countries that have signaled their willingness to enter into a second phase of commitments.

**The G77 and China** expressed concern at the slow progress of the KP talks and at attempts to erode the relevance of the KP as a key cornerstone of the climate regime. It stressed the need to avoid a gap between the commitment periods, and to overcome

the wide gap between the Annex I pledges and what is required. **The Africa Group** decried the lack of political will by developed countries, which could result in no legally binding instrument, which is unacceptable to the future of the multilateral climate change process.

**The LDC Group** was disappointed with the three countries that did not support a second period and said "history will not look favourably upon them". Small island states said the threshold for a 1.5 degree target may already be crossed, there is thus no room for delay, or reliance on a pledge and review system for emission reductions.

**The Arab Group** criticized some developed countries' attempts to avoid a second period by imposing conditionalities, as a refusal to accept legally binding commitments and disrespecting the negotiating process. **ALBA** stressed that aggregate and individual targets must be the central mitigation obligation; Cancun was a step backward that challenged this objective and the climate regime cannot be a weaker, voluntary regime.

In contrast to the strong developing-country statements, **the Umbrella Group** (which comprises Australia, Japan, Russia and Canada among others) indicated that they want a new agreement to replace the Kyoto Protocol. **The European Union** said committing to a second period was a "very difficult decision" for the EU and reiterated it can consider such a commitment only if its conditions are met, mentioning the need for all major economies to take ambitious actions.

**Argentina, speaking on behalf of the Group of 77 and China**, reiterated its serious concerns with respect to the slow progress of the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) in completing the milestones of its work programme. (Among others, this includes adopting conclusions on the

aggregate scale of emission reductions by Annex I Parties (developed countries) by April 2009 and on the contribution of Annex I Parties, individually or jointly, to the aggregate scale by June 2009.)

It said that the primary objective is to reach a second commitment period for Annex I Parties' emission reductions under the Kyoto Protocol, to avoid any gap between the first and second commitment periods. (The first commitment period ends in 2012.) In the meantime, developing countries are experiencing the adverse effects of climate change, including increasing frequency and intensity of extreme weather events, and face challenges from the impact of response measures, it said. Developing countries are the most affected, and have contributed less to the creation of the climate change problem. "Historical responsibilities cannot be disregarded," it said.

It expressed concern at attempts to erode the relevance of the Kyoto Protocol as a key cornerstone of the multilateral climate change regime. Substantive discussions on the scale of emission reductions must be concluded to overcome the wide gap between the Annex I pledges and what is required by science, equity and historical responsibility. It said that the Group was willing to engage in a discussion of the (accounting) rules, but it is clear that political will to have a second commitment period is key for the technical issues (on the rules) to go forward productively. A second commitment period for the Kyoto Protocol must be reached as part of a balanced and comprehensive outcome in Durban (where the 7th Conference of the Parties serving as the meeting of the Parties (CMP) will be held in December 2011), it said.

**Australia, on behalf of the Umbrella Group,** said that it is committed to building a new and effective global climate regime. It looks forward to progressing the discussion on how the Kyoto Protocol can contribute to that regime, as it has elements that it wants in the global regime, for example quantitative commitments, coherent MRV (measurement, reporting and verification) and flexible mechanisms. It said that the Kyoto Protocol is only part of our work, as it captures only 27% of global emissions and this is falling. This alone will never be effective, and an agreement with all major economies is needed, it said.

Australia said that Cancun moved us towards this outcome, and all countries have put forward targets, and are committed to achieving these targets even if there is no treaty. A more comprehensive regime remains somewhat off. However progress can still be made to improve and enhance Kyoto Protocol rules, as part of implementing the Cancun

agreements, and moving towards a new treaty, it said. It said that there was no point in a new agreement that Parties cannot sign up to, and it would be better to have one that Parties can agree on and improve.

**Hungary, speaking for the European Union,** said that it would like to build on the discussions in Bangkok (the previous session in April), and continue exploring the overarching political questions, as clarity is needed on the future of the Kyoto Protocol. It said that the EU was willing to consider a second commitment period in the context of conditions that are genuine, challenging but not impossible to meet. Solving the issue of the second commitment period alone, especially with limited participation of Parties with commitments, cannot keep the 2 degree objective within reach, it said. Committing to a second commitment period is a very difficult decision for the EU and will not be taken lightly. We need to ensure that all major economies take ambitious mitigation actions. We need assurances that the overall level of ambition will reach an adequate level, it said.

It said that spin-off groups are needed to continue working on the rules without delay. Many of the outstanding technical issues need to be resolved as soon as possible, and political questions framed for Ministers' considerations. It said that the rules should also serve as the basis for parallel work under the Ad hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA).

**Grenada, speaking for the Alliance of Small Island States (AOSIS),** said that every single Party has agreed in CMP decisions that the AWG-KP shall aim to complete its work and have its results adopted as early as possible and in time to ensure that there is no gap between the first and second commitment periods. This means that in Durban there should be a decision to finalise, and emission reduction numbers to lock in. Its position that temperature increase should be limited to 1.5 degrees Celsius is at risk if we do not take action now, and the threshold may already be crossed. There is no room for delay, or reliance on a pledge and review system for emission reductions, it said.

It said that in Durban, there should be agreement on the second commitment period under the Kyoto Protocol from 2013-2017 based on a single legally binding base year of 1990, as part of the two-track outcome. In addition, loopholes relating to land use, land use change and forestry (LULUCF) and surplus assigned amount units (AAUs) should be closed, market mechanisms improved, and new gases included. There should also be provisional application of new ambitious targets pending the

entry into force of the second commitment period.

Grenada proposed to (1) focus on working only with those Parties who have expressed willingness to enter into a second commitment period, (2) clearly identify and assess whether conditionalities for Parties to enter a second commitment period have been met or can be met, (3) agree on the process and timing for political decisions between now and Durban, (4) make as much progress as possible on technical issues so that the remaining political issues can be addressed in Durban, and (5) establish a spin-off group on legal issues to discuss the full range of legal options available to ensure no gap between the commitment periods.

**The Democratic Republic of Congo**, on behalf of the African Group, said that they wanted to make the upcoming African CMP a meeting that delivers the mandate that its people have been waiting for. "The message from the millions of African people is clear and loud. It is neither ambiguous nor complicated. The voice from Africa and other poor countries is calling for humanity to save the planet. The voice of our people speaks in unison in reaffirming its full confidence in the ability of the Kyoto Protocol Parties to deliver the deal that is essential to ensure their survival," it said.

It said that the long-term solution to the climate crisis is an effective and ambitious global effort to mitigate emissions of greenhouse gases. In this regard, it reasserted that agreement to a second commitment period under the Kyoto Protocol is absolutely essential. Africa requires a strengthened international climate regime that ensures ambitious reductions in greenhouse gas emissions from Annex I Parties in order to ensure that the impacts of climate change do not undermine its development goals.

It said that the most visible obstacle is the lack of political will by developed countries to meet their legal obligations under the Kyoto Protocol, which could result in no legally binding instrument for Annex I Parties' emission reductions. This is unacceptable to the future of the multilateral climate change process, it said. In this regard, it confirmed that developed countries must reduce their emissions by at least 40% below 1990 levels in the second commitment period and at least 95% below 1990 levels by 2050. It reiterated that there should be full separation between the two negotiating tracks and stressed that the AWG-LCA should not be used as a way to delay negotiations on the second commitment period.

It strongly opposed attempts to link technical and political decisions under the AWG-KP in order to create a gap between the first and second commitment periods, and emphasized the elaboration

of a detailed and clear work programme for the Kyoto Protocol in order to ensure the adoption of a final decision on the second commitment period in Durban. This must include a formal meeting under the CMP of high level decision makers and/or politically mandated representatives of Kyoto Protocol Parties.

In Durban, the international community must have a precise strategy for adopting an amendment to the Kyoto Protocol for the second commitment period. This amendment must contain deep economy-wide quantified emission reduction and limitation targets for all developed countries for the period 2013-2017. This requires, in accordance with the science and in line with their historical responsibility for emissions, all developed countries to commit to deep and ambitious emission reduction targets, it said.

**Papua New Guinea, on behalf of the Coalition of Rainforest Nations**, said that there should be ambitious targets to reduce emissions under the second commitment period for the Kyoto Protocol. It called for the introduction of a new REDD (reducing emissions from deforestation and forest degradation in developing countries) mechanism under the Kyoto Protocol, with national accounting systems and MRV at the national level in order to ensure environmental integrity. It said that loopholes relating to LULUCF and the carry over of surplus AAUs should be closed.

**Mexico, for the Environmental Integrity Group**, supported continuing the political discussions from Bangkok, and making progress on technical issues. It said that the commitments of Annex I Parties should be strengthened and not weakened, and that there should be no gap between the commitment periods. These efforts alone will not attain the ultimate objective of the Convention, and a global agreement for all countries is necessary, it said. It urged for the inter-linkage between the two negotiating tracks to be duly accounted for in the negotiations.

**Gambia, on behalf of the least developed countries (LDCs)**, said that all outstanding issues should be resolved in Bonn, and the necessary amendments to the Kyoto Protocol for the second commitment period presented in Durban. It said that it was important to continue discussions on political conditionalities, to understand them. There should be no conditionalities in order to advance for the second commitment period, it said. It expressed disappointment that three countries have said that they will not support a second commitment period. History will not look favourably upon them, it said. We need to have focused discussion with those who

are willing to enter a second commitment period, and cannot be distracted by those who are no longer interested, it said. The legal group should discuss ensuring that there is no gap between the commitment periods, it said.

**Egypt, for the Arab Group**, said that in Durban, there must be a second commitment period to avoid a gap between the commitment periods. The attempts by some Annex I Parties to avoid a second commitment period by imposing conditionalities represent a refusal to accept legally binding commitments. This was not respecting the negotiating process, and was not in harmony with the international system seeking to lower emissions to limit global warming, it said. The Kyoto Protocol is the most important legal instrument that exists, with effective monitoring mechanisms. It is a cornerstone of the international framework for climate change, it said.

**Bolivia, speaking for the Bolivarian Alliance for the Peoples of Our America (ALBA)**, said that the road to Durban now is far from the joint objectives agreed to so long ago. The principle of common but differentiated responsibilities and obligations for aggregate and individual targets must be the starting point for any agreement on mitigation, and is its central obligation. Without this, all the rest is irrelevant, it said. Cancun was not progress, it was a step backward and a challenge to our objectives. The climate regime cannot be a weaker, voluntary regime without any advantages. Durban is the last chance to avoid a gap between the commitment periods, it said, and Annex I Parties must assume commitments to stabilize temperature increase at 1-1.5 degrees Celsius.

**Mexico, speaking as the (Conference of the Parties) COP Presidency**, said that Durban should remove doubts with regard to the Kyoto Protocol and the future of the climate change regime, and that there should be no gap between the commitment periods. Both negotiating tracks are part of the approach, it said. It said that it would continue

consulting throughout this year.

**South Africa, speaking as the incoming COP Presidency**, said that the Durban COP is not going to be easy, but that it is driven by its belief in multilateralism and a rules-based system. It reaffirmed the integrity of the UNFCCC multilateral process. It announced that it would conduct open-ended consultations on 11 June and invited all Parties to share their expectations. It will inform on the consultations that it intends to hold from Bonn onwards.

Tuvalu said that it was of great importance to reach a conclusion to our work in Durban. It said that the agenda of the AWG-KP in paragraph 15 refers to document FCCC/KP/AWG/2010/18/Add.1 as the basis for the work of the AWG-KP. This is not entirely correct as this document was introduced after the CMP, and is not the basis for our work. It said that document FCCC/KP/AWG/2010/CRP.4/Rev.4 was adopted as the basis of our work. It asked what was updated between those 2 documents, and expressed unhappiness with the form of document FCCC/KP/AWG/2010/CRP.4/Rev.4, in particular the three options in the LULUCF chapter, as this had not been agreed in Cancun and was not an appropriate way forward as the views of all Parties must be represented in a fair and balanced way. It said that it looked forward to negotiating the text so that we can have ownership over it. It said that only the views of Parties that intend to move forward with a second commitment period should be considered.

The Chair of the AWG-KP, Adrian Macey from New Zealand, said that the contact group/s for the following day would continue with the political discussion. He suggested that one cluster of issues could be the conditionalities or linkages made by Annex I Parties with regard to their pledges and the second commitment period, and what sort of package of outcomes for Durban there could be. He said that there was no clarity on whether there will be further meetings of the working group before Durban, and stressed that what we see at the end of this session, will be what we get in Durban.

### **SBI and SBSTA Agendas Still Not Adopted**

Bonn, 8 June (Meena Raman) – The second day of the Bonn climate meetings under the United Nations Framework on Climate Change (UNFCCC) and the Kyoto Protocol saw continued wrangling over the provisional agendas resulting in the failure to adopt them in the 34th sessions of the Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technological Advice (SBSTA). The agendas for both these bodies were expected to have been adopted on Monday, 6 June.

Delays over the agendas for both subsidiary bodies have primarily been over matters related to the decisions reached in Cancun, as to whether the related items have been either properly formulated and reflected or if they have been mandated for consideration by the respective bodies.

While the SBSTA opening plenary began on Monday and was later suspended to allow for informal consultations on certain agenda items, the SBI opening was delayed with consultations still taking place behind the scenes over the revised provisional agenda issued on Monday at 5 pm. (See TWN Update 6 for further details on the SBI.)

The SBI finally convened at around 12.30 pm on Tuesday, 7 June but the meeting was suspended about an hour later to allow for further consultations by the Chair and did not reconvene.

A proposal by the SBI Chair to adopt in the interim, the provisional agenda on specific agenda items while informal consultations are held on the status of the remaining items was rejected by the LDCs and Saudi Arabia for not reflecting agenda items which were of interest to them. The LDCs were supported by the African Group and Nicaragua.

Both the SBI and SBSTA are expected to reconvene on Wednesday, 8 June.

Meanwhile, the Ad-hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) and the Ad-hoc Working Group on Long-term Cooperative Action (AWG-

LCA) began their meetings on Tuesday. The AWG-KP reconvenes on Wednesday, with two contact groups meetings scheduled, while the AWG-LCA will have meetings in informal groups (which are closed to observers) on various issues under the agenda.

#### **At SBSTA on Monday, 6 June**

Parties could not adopt the provisional agenda following concerns raised by Bolivia over the inclusion of agenda items on reducing emissions from deforestation and forest degradation in developing countries (REDD) and Saudi Arabia proposing that the forum on the impact of implementation of response measures on the agenda replace the agenda item on economic and social consequences of response measures.

SBSTA Chair, Mama Konate of Mali, suspended the plenary on Monday (6 June) to allow for informal consultations to be held on the REDD issue. He also said that the SBI Chair was holding consultations on the issue of response measures and that the solution reached under the SBI could be imported into the SBSTA.

While it is learnt that consultations on REDD have concluded, consultations on the issue of response measures by the SBI Chair were still taking place on Tuesday, 7 June. Hence, the SBSTA plenary has not been reconvened.

#### **At SBI on Tuesday, 7 June**

When the SBI plenary opened, its Chair, Mr. Robert Owen Jones from Australia, said that he had consulted with Parties on the revised provisional agenda issued on 6 June and that there does not seem to be readiness to adopt the agenda in its entirety. He invited the SBI to consider the interim adoption of the agenda with the following agenda items, viz.

5, 6, 7, 10, 12, 13, 14, 15, 16, 17, 18, while holding consultations as regards the remaining agenda items, with a view to adopting the entire agenda in later plenaries.

In response to the Chair's proposal, **Gambia**, speaking for the **LDCs**, in reference to agenda item 8 (which was not included by the Chair for interim adoption) said that this item had been changed in its formulation and indicated it did not properly reflect paragraph 15 of the Cancun decision (1/CP16). In view of the revisions made, Gambia could not adopt the agenda.

(Item 8 of the agenda reads – “Modalities and guidelines to enable least developed countries and other developing countries to formulate and implement national adaptation plans.”)

(Paragraph 15 of the Cancun decision states as follows – “*Decides* to hereby establish a process to enable least developed country Parties to formulate and implement national adaptation plans, building upon their experience in preparing and implementing national adaptation programmes of action, as a means of identifying medium- and long-term adaptation needs and developing and implementing strategies and programmes to address those needs;” )

The Chair then noted the views of Gambia and said that this would be taken up in informal consultations. Gambia then reiterated that the LDCs could not agree to the adoption of the agenda without including in agenda item 8 the process referred to in the Cancun decision.

The Chair then said that his proposal was for the interim adoption of the agenda without reference to paragraph 8 of the agenda item. Gambia then responded that it was not trying to block the agenda but wanted this agenda item to be agreed to as part of the overall agenda.

The **Democratic Republic of Congo**, speaking for the African Group, supported Gambia as well as Nicaragua.

**Saudi Arabia** then said that just as Gambia, it could not proceed with the adoption of the agenda before agenda item 11 is included, which is also from the Cancun decision. It said the proposal by the Chair implies that the agenda items that he had not read out (for interim adoption) are held in abeyance subject to further consultations and this it could not

go along with. It said that there are different status as regards various items on the agenda, some of which had clear mandates while some did not and the Chair could not put them all in one basket.

In response, Jones said that he was not proposing to hold matters in abeyance but that the adoption was put on hold pending consultations.

**Grenada**, for the **Alliance of Small Island States, the European Union, Australia, the US and Colombia** supported the proposal by the Chair.

South Africa then proposed that the Chair include agenda item 11 (on the forum on the impact of the implementation of response measures) in the list of provisionally adopted items and agenda item 8 with some modification as follows - “Modalities and guidelines for a process to enable least developed countries to formulate and implement national adaptation plans, which could be employed by other developing countries.”

The SBI Chair then proposed the adoption of the provisional agenda with the inclusion of agenda items 8 and 11.

**Australia** and the **United States** did not support the South African proposal as they stressed the need for balance. **Tanzania** said that the proposal by South Africa reflects the Cancun decision and gave its support.

The SBI Chair then reverted to his initial proposal for the interim adoption of the agenda without the inclusion of agenda items 8 and 11 on the understanding of work on the full agenda.

**Saudi Arabia** said that South Africa had a constructive proposal and it could go along with that proposal and in reference to Australia and the US on the need for balance, it said that agenda items which were not included by the Chair did not seek the balance needed.

**Gambia** reaffirmed its previous position for a full agenda to be adopted and was not in agreement of the adoption of any interim agenda. It asked the Chair to further consult Parties.

**Bolivia** wanted the record to reflect that the Cancun decision was adopted with the formal objection of one member and the Chair said that this would be so.

The SBI Chair said that he would hold informal consultations and expressed disappointment in not being able to launch the work of the SBI.

### G77 and China Cautions against Transfer of Issues to Subsidiary Bodies

Bonn, 8 June (Hilary Chiew and Meena Raman) – The G77 and China, at the opening of the 14th session of the Ad-hoc Working Group on Long Term Cooperative Action (AWG-LCA) in Bonn under the United Nations Framework Convention on Climate Change (UNFCCC) on 7 June, stressed that new processes needing further political development and which have not been resolved must not be transferred to other bodies.

**Ambassador Jorge Arguello from Argentina**, the Chair of the G77 and China, said that discussions on unresolved issues should continue in the AWG-LCA and not be transferred to other bodies, since that would not be in line with the Convention or with the mandate given by Parties to the AWG-LCA.

He said that the Cancun outcome introduced new issues under the Subsidiary Bodies and some of them were clear enough but there were new processes needing further political development that must be kept under the sphere of the AWG-LCA.

Ambassador Arguello was referring to some issues that have been put on the provisional agenda of the Subsidiary Body for Implementation (SBI) which have yet to be resolved by the AWG-LCA, leading to delay in the adoption of the agenda. (See TWN Updates 3 and 8.)

He further emphasized that the AWG-LCA must maintain an overview of the specific issues that were mandated to the SBI through the Cancun decision and that progress made under the SBI must feed into the comprehensive and balanced outcome of the AWG-LCA.

Arguello emphasized that the mandate for the AWG-LCA is the full, effective and sustained implementation of the Convention as per the Bali Action Plan (BAP). Cancun marked a milestone towards the fulfillment of the Mandate of the BAP. On this basis, the AWG-LCA must continue its work with a view to presenting its results to the Conference

of Parties (COP) at its 17th session (in Durban later this year) in a way that contributes positively towards reaching a balanced and comprehensive outcome, he added.

He also reiterated the need for Parties to work in an open, party-driven, transparent and inclusive multilateral process that can lead to a consensus. He said the Group stands ready to engage constructively in the required drafting and negotiating of texts based on proposed language from Parties, with the guidance and assistance offered by the Chair and his appointed facilitators.

The G77 and China Chair said that even with the best use of the time available, this session of the AWG-LCA cannot be the last one before Durban and there is a clear need for an additional session to be held in the fall. The Group expects to receive further clarity on the preparations under way before Parties adjourned their work in this session.

Representing the **Alliance of Small Island States (AOSIS)**, **Grenada** said that the Cancun agreements represented a step forward, but they do not represent, in terms of scope, substance or ambition, the response envisaged at Bali, or the response demanded by science. It viewed the agreements and understandings reached at Cancun as being a foundation rather than a ceiling, on which future actions must be predicated. In this regard, it said the Group remained convinced that on the road to Durban, efforts must be focused on meeting all the Durban deadlines, while addressing and finalizing the unresolved issues from Bali.

It expressed concern that the negotiation tactics and squabbling from some corners are evidence that not everyone is taking this process seriously. Putting the statehood of small islands on the line is not a game – it is a gross and unprecedented breach of international law. It said that Parties need to be brutally honest with the world that right now we are

not only way off track to meet the global goal of temperature rise agreed to in Cancun but we also have no clarity at all on a specific process to get us there.

Grenada said that the real possibility is a 3 to 4 degree C future and it is the largest over-riding threat facing the international community and cannot be ignored. To close our collective eyes to this most obvious of failings would evidence irresponsibility of the highest order, it added. It said that it is fundamental to address the legal architecture and environmental integrity of the climate regime, which strike at the very heart of the response demanded to fight this global challenge.

Speaking on behalf of the **Arab Group, Egypt** said that the success of Durban depends on achieving a balanced result.

**Gambia**, representing the **Least Developed Countries**, said although the Cancun conference restored hope and established new institutions advocated since Bali, progress had been slow. It said LDCs recognized the need for peaking by 2015 and for Annex I countries to commit to more ambitious mitigation targets and finance, adding that it was disappointed to see targets of developed countries that will lead to a 4 degree C increase in temperature as they only add up to 12% of Annex I emission reductions.

It emphasized the need for a comprehensive framework of implementation for the short, medium and long-term programmes of adaptation, finance and capacity building. It said that a credible plan by developed countries to meet the US\$30 billion fast-start finance is needed as most fast-start finance is not new funding and is being provided as loans rather than grants. Furthermore, only between 11% and 16% of the funds under the fast-start finance had been designated for adaptation.

**Representing the African Group, the Democratic Republic of Congo** said Africa expects the AWG-LCA to result in a binding, fair outcome that prioritises both mitigation and adaptation and supports efforts of developing countries to create sustainable and equitable societies that assure economic development and competitive growth. It said that the Cancun Agreement must recognize that solving the climate problem will only be possible if it takes into account the African need for development.

Developed countries must take the lead in their commitments in line with science, the Convention and the BAP with a stronger compliance system. Another priority is the operationalisation of the finance mechanism, it said, adding that if this can

be achieved in Durban, it will restore confidence in the UNFCCC.

Representing the **European Union, Hungary** called for speeding up work on the implementation of the Cancun decision in all the areas and of particular urgency for the EU are mitigation and MRV (measurement, reporting and verification). It said workshops on mitigation in Bangkok (in April) were a useful start in clarifying the pledges of Parties and hoped that the second round of workshops here in Bonn will help Parties better understand assumptions made in these pledges, particularly on accounting, use of offsets and BAU (business as usual) assumptions. If we are to stay below 2 degrees, it said Parties will need to increase the overall level of ambition, adding that it would like to see the outcomes of these workshops inform the negotiation process in Bonn.

It further said that a robust MRV framework is key to the credibility of any future legally binding agreement, adding that it is essential to call on the SBI to agree on a work programme, including a series of technical workshops, and to commence discussions on substance so as to ensure that the main elements of an enhanced MRV framework are already adopted in Durban. Further progress is also needed on the other building blocks for a balanced package in Durban that is acceptable for all, including on international aviation and maritime, HFC gases and agriculture.

Simply implementing the Cancun decision is not enough and Parties need to turn to the business left unfinished, which is the legal form, it said. The EU's ultimate goal is for the achievement of a comprehensive and legally binding global framework for combating climate change that covers all major emitters. It said that science showed that the window of opportunity to keep the 2°C objective within reach is rapidly closing. It referred to the International Energy Agency's recent findings that suggest that energy-related carbon dioxide emissions in 2010 were the highest in history. This means, it said, that over the next ten years, emissions must rise less in total than they did between 2009 and 2010.

**Australia, representing the Umbrella Group**, said building a new climate regime will take time but the first step has been taken and the next step at Durban is to get the infrastructure up and running, and that it is important to prioritise areas of common agreement as revealed by the Cancun outcome. It said the group supports a new regime for binding emission cuts by major economies but delivering it will not be easy. It said that there must be coordination of all the four implementation bodies

(SBI, SBSTA, AWG-LCA and AWG-KP) and spin-off groups targeted at decisions to take in Durban.

**Venezuela**, speaking for the **Bolivarian Alliance for the Peoples of Our America (ALBA)**, said that trust and good faith need to be ensured, with transparency and inclusiveness being essential elements for real progress. In relation to the expectations for Durban, the continuity of the Kyoto Protocol is key for ensuring a balanced outcome. Many subjects were also not concluded in Cancun, and for these matters that were not addressed it said that Parties need to refer to the Party-driven negotiating text of 13 August 2010 (FCCC/AWGLCA/2010/14). It wanted to see an ambitious agreement that ensures the preservation of life, not harm nature and the planet and not one that is driven by economic interests.

**Papua New Guinea** for the **Coalition of Rainforest Nations** said that REDD-plus (reducing emissions from deforestation and forest degradation etc) offers cost-effective early action. It was ready to explore financing options with the full range of approaches, including market-based and market-linked approaches for incentives, and that safeguards are key and need to be addressed.

The Chair of the AWG-LCA, Mr. Daniel Reifsnyder from the US, clarified to Parties that the in-coming COP President from South Africa will be holding consultations with all Parties on expectations for the Durban outcome on Saturday 11 June.

He then proposed the establishment of a contact group to address substantive items on the agenda of the AWG-LCA, which was accepted by Parties.

The contact group then convened immediately and agreed to launch informal work on shared vision; mitigation commitments by developed countries; nationally appropriate mitigation actions by developing countries; REDD-plus; cooperative sectoral approaches; various approaches including opportunities for using markets; economic and social consequences of response measures; adaptation; finance; technology development and transfer; capacity-building; review; legal options; and other matters. The Chair said that Parties in their work will capture elements for draft texts and asked Parties to provide texts.

**Tuvalu** stressed the need to involve all stakeholders in considering the REDD-plus issue as the livelihoods of millions are affected, especially that of indigenous peoples by decisions in this regard. Parties were moving into a new treaty and it was important for stakeholder involvement to be above reproach and Tuvalu suggested that discussions on this be in a contact group and not in informals which are closed to observers. It also said that on the selection of facilitators, it was important to ensure that they were from countries where there is no perception of conflict of interest.

Bolivia and Nicaragua supported the Tuvalu proposal but this was not agreed to by Papua New Guinea, Guyana, Surinam, Cameroon and the United States. The US said that it was up to the Parties to decide in the informal group if they wanted to allow observers.

The Chair said that the rule is for Parties in each informal group to decide if it is open to observer participation.

### SBSTA Session Remains Suspended

Bonn, 8 June (Hilary Chiew) – The 34th session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) under the United Nations Framework Convention on Climate Change (UNFCCC), remained suspended for a further two days on 7 and 8 June as Parties continued to be deadlocked over an agenda item on response measures which was pending resolution under the Subsidiary Body on Implementation (SBI).

The SBSTA session opened on the morning of 6 June but Parties could not adopt the provisional agenda as Saudi Arabia and Bolivia wanted changes made to two of the agenda items, resulting in the Chair Mama Konate from Mali suspending the session for informal consultations. Apparently, consultations on the REDD issue were said to have been concluded but consultations on REDD were still ongoing.

**Saudi Arabia** had submitted a proposal to replace agenda item 7 on “Economic and social consequences of response measures” with the title “Forum on the impact of the implementation of response measures”. It wanted the amendment to reflect the mandate from COP 16, which was for the Chairs of the SBSTA and SBI to conduct a forum to discuss modalities to measure the impact of response measures. Since the SBI was also dealing with the same issue, the Chair of the SBSTA proposed that Parties wait for the outcome of informal consultations being undertaken by the SBI Chair, which apparently were still ongoing.

**Bolivia** disputed the inclusion of REDD (Reducing Emissions from Deforestation and Forest Degradation) as an agenda item (item 4) as it had objected to the adoption of the Cancun decision. Ambassador Pablo Solon of Bolivia said his country rejected carbon trading in relation to forests as this reduced forests to mere carbon sinks. He said Bolivia believed it is essential for all countries to avoid deforestation and forest degradation but via an

integral management of forests and not just by mitigation of its carbon emissions. He said that the financing for forests is necessary but it should not come from the carbon market mechanism. He said that Bolivia’s views on this matter were not allowed to be discussed at Cancun.

Bolivia’s position drew sharp objections from several members of the Coalition for Rainforest Nations such as Guyana, Costa Rica and Colombia. **Guyana** said that since the Cancun decision was decided by the Conference of Parties, no single body should subsequently question it. It opposed Bolivia’s move in the strongest term as forests offer early and cost-effective mitigation measures. **Costa Rica** echoed Guyana’s statement.

**Tuvalu** expressed sympathy for Bolivia’s position, but said that those views can be discussed when the agenda item is discussed. It shared the concerns of Bolivia on the way REDD was approached at Cancun where there was no contact group but only bilateral consultations without stakeholder inputs, adding that was a flawed process.

It suggested that all consultations on REDD are made in a contact group so stakeholders can have significant inputs on the work of the SBSTA and the matter is addressed in an open and transparent manner.

Bolivia suggested changing the title of agenda item 4 to include “forest-related actions” besides reducing emission from deforestation and forest degradation in developing countries. It said its suggestion in no way changed the views of all Parties but signaled inclusiveness and its own flexibility to make progress in the SBSTA.

At the onset of the session, the Chair invited Parties that submitted new proposals listed as agenda items 13 to 16 to make clarification of their proposals.

**Algeria** and **Saudi Arabia** wanted the inclusion of “Carbon dioxide capture and storage in geological formation as clean development

mechanism project activities”. **Papua New Guinea** wanted the inclusion of “Blue carbon: coastal marine systems”. **Bolivia** wanted the inclusion of an agenda item entitled “Rights of nature and the integrity of ecosystems”. **Ecuador** wanted the issue of impacts of climate change on water resources and water resource management to be discussed in the SBSTA while Canada wanted a work programme on agriculture.

Due to the limitation of time, the Chair proposed that agenda items 1 to 12 that contained ongoing work and mandated tasks to be adopted with the exception of items related to response measures and REDD. The Chair said that having consulted the SBI Chair and to avoid discussion of the same issue, the SBI would take the lead in resolving this matter. On the issue of REDD, he proposed holding informal consultations.

On the new proposals for inclusion of agenda items, the Chair proposed that Parties consult informally to deepen understanding of issues and determine further consideration.

Many Parties – the United States, New Zealand, Australia, Pakistan, Brazil, Trinidad and Tobago, Indonesia, Singapore, Malaysia, Argentina, Egypt, China, Costa Rica, the Philippines, Tuvalu, Papua New Guinea and Ecuador – expressed their support for the Chair’s proposal with China and Venezuela emphasizing that consultations on the new items should only be held if they are included on the agenda eventually.

The Chair urged Parties to adopt the agenda pending the changes in relation to response measures and REDD but Saudi Arabia, Bolivia and Papua New Guinea said they could not adopt the unknown but had to be clear on what was being adopted.

The session was announced for reconvening at 3 pm on 7 June but did not take place. At 6 pm, the Chair conveyed a message through the secretariat that the consultations under the SBI on response measures were still ongoing and that the SBSTA would not reconvene until 8 June, but as consultations were still ongoing, the suspension continued.

### Proposals Forwarded at Workshop on Enhancing Engagement of Observers

Bonn, 9 June (Dale Wen) – Interesting proposals emerged from an in-session workshop from Parties and observer organizations on how to enhance the engagement of observer organisations in the UNFCCC process.

The Subsidiary Body for Implementation (SBI) under the UNFCCC conducted the workshop to further develop ways to enhance the engagement of observer organizations on Wednesday, 8 June. The morning session, “Proposals for enhancing existing means of participation” was chaired by SBI Chair Mr. Robert Owen-Jones (Australia), while the afternoon session, “Proposals for new means of participation” was chaired by Mr. Andrew Ure (Australia).

Ms. Megumi Endo, Observer Organizations Liaison Officer of the UNFCCC secretariat, started the morning session with an overview of the participation levels of observers in the UNFCCC process, past conclusions and decisions, as well as good practices of other UN processes (UNEP, Aarhus Convention, CBD, CCD, etc) to enhance the UNFCCC’s existing means of participation.

Parties were invited to make their comments, which were then followed by the observer groupings.

The **European Union** said that the UNFCCC has been characterized by a great openness towards observers and would like to see it continue. It expressed welcome for the increase in participation but also the concern of Parties’ need to preserve possibilities for closed door meetings.

The **United States** talked about specific proposals for enhancing observer participation, including (1) lunch session with SB Chairs and Parties to hear comments from observers; (2) first informal meetings of significant issues not in contact groups should be open to observers wherever practicable; (3) regular reporting on progress by Subsidiary Bodies and contact group Chairs; (4) greater use of workshops and technical meetings,

including observer inputs; (5) creative use of other informal avenues: constituency interaction with delegations and major negotiating groups at expert level; (6) ensure COP venues are large enough to accommodate non-governmental participant access to negotiating areas.

**Australia** acknowledged that observers help the process. It said that now is a critical time for the regime as Copenhagen and Cancun signify the new paradigm recognizing global realities. To build a stronger regime, provision of support to developing countries should be provided, including private sector involvement and experience in institutional design. As regards especially the transparency framework, the design of international consultations and analysis (ICA) and measuring, reporting and verification (MRV) should include inputs from observer organizations.

**Kevin Grose**, from the UNFCCC secretariat Information Services, gave a presentation about virtual participation in the UNFCCC process. After summarizing the current status of virtual participation in both “asynchronous” and “synchronous” forms, he discussed next steps to step up use of synchronous forms to increase interactive participation.

**Ambassador Pablo Solon of Bolivia** shared the country’s experience on the first “World Peoples’ Conference on Climate Change and the Rights of Mother Earth”. Due to the failure of Copenhagen, President Morales took the decision to call for the Conference in April 2010, in which more than 35,000 people participated. Working groups were organized with extensive discussion over the Internet beforehand, and they jointly produced a ‘Cochabamba Agreement’. He said that meetings cannot be only in English, which would exclude a vast majority of civil society groups. Those who are affected by climate change should have a voice and have an influence in decision-making, and the

process of negotiations should not be reduced to experts and negotiators. Governments need to reflect on the following questions including- (1) Are we governments informing the population in an understandable way what is going on in the negotiations and what are the options for climate change?; (2) Is there a real process of consultation within the population in the country?; (3) Are all sectors consulted and their concerns taken into account? He supported many proposals put forward earlier from different civil society sectors, including the creation of a fund to guarantee participation from observers in developing countries. He also commented about the over-representation from the private and business sectors while other sectors of civil society are under-represented and suggested maybe a quota system be introduced to restore the balance. Higher representation of civil society from developing countries should be guaranteed, as 75% or more of civil societies live in developing countries that are more affected by climate change. We should give more space to grassroots movements. Civil society cannot repeat the same mistake of speaking only in an expert language that only an elite group can understand.

**Ambassador Alfonso de Alba of Mexico** put forward some concrete proposals for further improvements including (1) consideration of this topic in the SBI agenda to continue to develop a better relationship; (2) formalization of periodic meetings between presiding officers and stakeholders, before and during the formal and informal negotiation sessions; (3) flexibility to invite stakeholders to participate in informal negotiation meetings on an ad-hoc basis. He said all meetings in the UN are supposed to be open unless otherwise decided.

Presentations by observer organizations were made by nine NGO constituencies: business and industry non-governmental organizations (BINGO); environmental non-governmental organizations (ENGO); farmers; indigenous peoples organizations (IPO); local government and municipal authorities (LGMA); research and independent non-governmental organizations (RINGO); trade union non-governmental organizations (TUNGO); women and gender; and youth non-governmental organizations (YOUNGO).

The **ENGO** constituency made several proposals, including (1) improving intervention rights by not having to submit interventions to the Secretariat in advance and by having a guaranteed intervention slot at the end of all sessions, including plenaries and contact groups, with the opportunity to intervene during the session at the Chair's discretion; (2) informal meetings should be open by

default; (3) the host country must ensure that meeting venues can accommodate the anticipated number of participants; (4) have an independent committee to develop procedures for use in the event of any dispute relating to NGOs (including review of decisions relating to actions). The committee mentioned above could develop such criteria in consultation with NGOs; (5) documentation should be made available to observers at the same time as Parties; observer submissions should be included in official documentation.

For new means of participation, ENGO proposed (1) establishment of a participation fund for under-represented groups. 2) there should be a clear, effective and uniform process for observer participation in new and existing mechanisms set up under the UNFCCC process, for example the transitional committee of the Green Climate Fund and the Adaptation Fund. The current processes are not adequate; (3) one or more representatives of civil society should be nominated as observers to the UNFCCC bureau.

The **IPO** constituency emphasized that indigenous peoples are rights' holders, not stakeholders or constituency groups. In line with Arts. 41 and 42 of the 2007 United Nations Declaration on the Rights of Indigenous Peoples and in informal meetings with Parties in 2010, the IPOs recommend that indigenous peoples should have increased opportunities to make interventions and actively engage in the negotiations in the same manner as Parties, as in the Convention on Biological Diversity. Indigenous peoples should be allowed to actively participate in activities throughout the sessions, including thematic discussions, workshops, contact groups, drafting committees, as friends of the Chair, informals and expert panels. They proposed the setting up of an indigenous peoples' expert body, which can act as a technical advisory body on issues of direct relevance to indigenous peoples.

David Cadman, President of ICLEI (Local Governments for Sustainability), spoke on behalf of the **Local Governments and Municipal Authorities (LGMA)** constituency and said that we should work towards implementation of para.7 Dec1/CP16, which acknowledges local and subnational governments as "governmental stakeholders".

**Research and independent NGOs** referred to closed meetings, which are not open to observers to report back and suggested each constituency be allowed to send 2 representatives to closed meetings.

**Trade unions, women and gender groups, youth NGOs** all called for the establishment of a trust fund to support the participation of civil society,

in particular underrepresented groups. They also called for more open access to negotiation sessions.

The **BINGO** constituency put forward some suggestions on how the existing models can be enhanced by new technologies and innovative approaches and measures to encourage informal dialogues. They also proposed a business

consultative channel, which will be a multi-window structure that could provide a range of views and interact across the full agenda of the UNFCCC, allowing for two-way exchanges. It will be business organized and funded, with open and transparent membership, governance and consensus procedures, building on existing business groups and networks.

# TWN

## Bonn News Update 12

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### SBSTA Agenda Adopted

Bonn, 9 June (Meena Raman) – The 34th session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) under the United Nations Framework Convention on Climate Change (UNFCCC) finally adopted a revised provisional agenda issued on 9 June, following a resumption of its meeting around noon the same day.

The SBSTA remained suspended for two days since its opening plenary session on 6 June, as Parties were deadlocked over an agenda item on the “Economic and social consequences of response measures” which was pending resolution under the Subsidiary Body on Implementation (SBI).

At the opening of the SBSTA session on 6 June, Parties could not adopt the provisional agenda as Saudi Arabia and Bolivia wanted changes made to two of the agenda items, resulting in the Chair Mama Konate from Mali suspending the session for informal consultations.

Informal consultations on the REDD issue were resolved early in the week but consultations on response measures were still ongoing until midnight on Wednesday, 8 June.

Saudi Arabia had submitted a proposal to replace agenda item 7 of the initial provisional agenda on “Economic and social consequences of response measures” with the title “Forum on the impact of the implementation of response measures”. It wanted the amendment to reflect the mandate from the Cancun decision adopted at the 16th meeting of the Conference of Parties (COP).

Since the SBI was also dealing with the same issue, the Chair of the SBSTA proposed that Parties wait for the outcome of informal consultations that were undertaken by the SBI Chair. Following joint consultations by the Chairs of both the SBI and SBSTA, agenda item 7 on this matter was revised and was accepted by all Parties.

The revision now reads - “Forum on the impact of the implementation of response measures at the

34th and 35th sessions of the subsidiary bodies, with the objective of developing a work programme under the SBSTA and the SBI to address these impacts, with a view to adopting, at the 17th session of the COP, modalities for the operationalisation of the work programme and a possible forum on response measures.”

On how to handle the forum [which was mandated by paragraph 93 of the Cancun decision (1/CP.16)], the SBSTA Chair said that he and the SBI Chair will convene the forum to deepen understanding of all aspects relating to impacts of response measures to develop a work programme, modalities for operationalisation of the work programme and a possible forum on response measures. The forum will be akin to a joint contact group with the view to making recommendations to the SBSTA and the SBI. The Chairs will arrange a dedicated and related side event for interested Parties and relevant IGOs and stakeholders to present and contribute their views.

On the REDD issue, Bolivia had on Monday, 6 June disputed the inclusion of this as an agenda item (item 4) as it had objected to the adoption of the Cancun decision and had expressed concerns over the inclusion of forests in the carbon trading system. Bolivia wanted an amendment to the title of the agenda to reflect “forest-related activities”.

Following informal consultations on this issue, the title of this agenda item was also revised which then facilitated the adoption of the revised agenda. The revised agenda item now reads: “Methodological guidance for activities relating to reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.”

Several Parties had on Monday, 6 June proposed new items for inclusion in the agenda. Algeria and Saudi Arabia wanted the inclusion of

“Carbon dioxide capture and storage in geological formation as clean development mechanism project activities”. Papua New Guinea wanted the inclusion of “Blue carbon: coastal marine systems”. Bolivia wanted the inclusion of an agenda item entitled “Rights of nature and the integrity of ecosystems”. Ecuador wanted the issue of impacts of climate change on water resources and water resource management to be discussed in the SBSTA while Canada wanted a work programme on agriculture.

Upon the resumption of the SBSTA session on 9 June, the Chair proposed that Parties adopt the

revised agenda with agreement to work on all the items (agenda items 1-12) except those dealing with the proposals for the inclusion of these new agenda items (items 13-15) which will be put on hold pending further consultations and for a report to be provided to the SBSTA plenary on 10 June. This was agreed to by Parties.

Prior to the adoption of the agenda, Bolivia wanted the report of the session to reflect that the Cancun decision 1/CP 16 was adopted over a formal and explicit objection of a state party and this was agreed to. Bolivia had in Cancun formally objected to the adoption of the Cancun decision.

# TWN

## Bonn News Update 13

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### Developed Countries Condition Future of the Kyoto Protocol

Bonn, 9 June (Lim Li Lin) – The contact group meetings of the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) commenced on Wednesday, 8 June with serious disagreements between Annex I (developed country) and non-Annex I (developing country) Parties on the future of the Kyoto Protocol and the way forward towards Durban (where the next UN climate change conference will be held in November).

Canada became the third Annex I Party to declare in Bonn that it will not commit to a second commitment period after 2012 under the Kyoto Protocol, just as Russia and Japan have done at previous sessions.

While developing countries firmly insist that for a balanced Durban outcome, developed countries must commit to a second commitment period under the Kyoto Protocol, developed countries are trying to lay the foundations for a new agreement that would include all “major emitters” (which would include commitments from the United States as well as “advanced developing countries”).

(The United States, which is not Party to the Kyoto Protocol, had in Bangkok last April, made clear that it could not support an international regime that would set top-down rules for emission reduction targets and consequences for non-compliance.)

Developed countries also insist on the need for agreement on the technical accounting rules regarding their emission reduction pledges before or at the same time that commitments can be made, and threatened that if work on the rules does not take place in Bonn, it will be almost certain that there will be no second commitment period under the Kyoto Protocol.

Developing countries on the other hand have continued to insist that it is important to understand the context of the discussions in the AWG-KP. This is because some countries (Canada, Russia and Japan) have declared that they will not commit to a second phase of emission reductions under the Kyoto

Protocol, while other developed countries have attached conditions to their further commitments. As such, the work of the AWG-KP is uncertain, with developing countries working towards a second commitment period of the Kyoto Protocol, and some developed countries working to shift the outcomes of the work of the AWG-KP into the AWG-LCA (Ad-hoc Working Group on Long-term Cooperative Action) outcome.

The meetings followed on from the last session in Bangkok in April. At that session, developing countries led by Tuvalu and St Lucia insisted that the work of the AWG-KP not move into technical discussions in small spin-off groups until the political issues around the future of the Kyoto Protocol and its second commitment period are resolved. Most countries supported continuing this political discussion at the opening of the AWG-KP on Tuesday, 7 June.

The discussion at the last session in Bangkok had focused around the conditionalities that developed countries have attached to their emission reduction pledges. The Alliance of Small Island States (AOSIS) had put forward a number of questions, on what pre-conditions have been met and need to be met in order for Annex I Parties to move forward with a second commitment period of the Kyoto Protocol.

The Chair, Adrian Macey from New Zealand, proposed at the start of the contact group that the meeting should discuss policy issues on the conditionalities and linkages that Annex I Parties are making with regard to the second commitment period, as well as to advance the negotiating text, so that there is greater clarity on the issues for political decisions in Durban.

St Lucia, supported by Bolivia, expressed doubt that the Chair’s proposal for work would help achieve the clarity desired. It said that three Parties have expressed their lack of interest in the second commitment period, and this should be taken note of, and the work should focus on the other Parties

and their conditionalities. (This sentiment was also supported by Brazil, Singapore, Zambia, and Cuba.) Then, the timing of political decision-making should also be determined. Tuvalu advocated for a more specific discussion on the conditionalities, beyond generalities.

The **European Union**, supported by **Switzerland** and **Australia**, suggested asking what a successful, balanced package for Durban would look like, and what role the second commitment period would play in that, rather than framing the issue as a question about conditionalities.

It said that the second commitment period should be part of a balanced package for Durban. If this is agreed then the focus should be on what needs to be done with regard to the rules, as rules are needed before the numbers can be put in a legal commitment.

It said that excluding some countries from the negotiating process was squarely against the multilateral process, as all Parties, even the non-Kyoto Protocol Party, are welcome, and should be part of the discussion, as maybe there could be a package that could be attractive to them.

The **Russian Federation** said that if there is a second commitment period, the regime will be much clumsier, and will not have environmental integrity. It said that it wanted to be part of a comprehensive regime, and to take commitments, in the manner that was confirmed with the Copenhagen Accord and reiterated in Cancun. It suggested that the Durban outcome could formalize in a decision the emission reduction pledges, as well as the rules, for example on MRV (measurement, reporting and verification) and comparability of efforts. This would make its implementation possible from a legal point of view, it said.

It also expressed its extreme surprise with proposals (to move forward in the discussion with only those countries that are willing to consider a second commitment period). It said this was not legally justifiable or politically acceptable, and Parties cannot be excluded.

**Switzerland** said that Cancun was a starting point, and that it is important to look at the deliverables in the broader package. In this regard, progress must be made on all the areas. The bridge must land in one comprehensive legally binding regime, embracing all major emitters, it said. It requested that the AWG-LCA workshop report on developing country mitigation should also be made available to the AWG-KP.

(Developing countries are not required to make emission reduction commitments under the Kyoto Protocol.)

It later added that its conditions are a clear understanding of the rules, implementation of the MRV package based on the modalities and guidelines that were agreed in Cancun, and that the future regime must make sense, be clear, comparable, comprehensive, fair, coherent, and effective.

**Canada** announced that it will not be taking an emission reduction target under the second commitment period, but said that this does not mean that it will not engage. It said that the Kyoto Protocol rules and structures can be useful in the context of a more comprehensive agreement, for example land use, land use change and forestry (LULUCF) rules in the context of REDD-plus (Reducing emissions from deforestation and forest degradation in developing countries) and market mechanisms.

**New Zealand** referred to “commonalities and conditionalities”, and said that every Annex I country is ready to take commitments in “appropriate legal form”. It said that there was a lot of commonality on comparability, common rules, and coherence with the AWG-LCA. It asked what are the conditionalities of non-Annex I countries? For example, the demand for 40% emission reductions (by 2020 on 1990 levels) is unlikely to be achieved, and would this be unacceptable? It said that conditions relate to the targets and the rules, while conditionalities are more political, for example the global context and contribution from all major emitters.

**Norway** said that it can consider a second commitment period under the Kyoto Protocol, as part of a balanced outcome in Durban. It said that its level of ambition is to reduce emissions by 30% by 2020 on 1990 levels, and that it was willing to increase its emission reductions by 40% if others do more. It is flexible whether or not it commits under the Kyoto Protocol, or as part of a new outcome. It said that the elements of the Kyoto Protocol should be kept in a future legal agreement, and that the Kyoto Protocol alone is not enough for an environmentally meaningful outcome. Its conditions are that the Cancun agreements are implemented, clear progress on mitigation and coherent MRV for developed and developing countries especially for major emitters, surplus assigned amount units (AAUs) addressed, and accounting rules adopted together with the agreement on the second commitment period.

**Japan** said that it had a strong aspiration for a new legal framework in which all major economies participate. It reiterated its position that it would not commit to a second commitment period under the Kyoto Protocol. It said that there is an accumulation of lessons and experience on the implementation of the Kyoto Protocol, which is an important structure

for emission reductions, and provides the building blocks towards a new framework.

**Brazil** said that the second commitment period must be adopted in Durban to ensure that there is no gap between the commitment periods. It said that issues under the AWG-LCA should not be considered.

**Singapore** said that the second commitment period is a critical part of the balanced package under the two-track process which was agreed in Bali.

**Argentina** said that the AWG-KP is the place to discuss the second commitment period, not vague ideas about the future. This sentiment was echoed by China and Saudi Arabia, who stressed on the mandate of the AWG-KP.

**The Democratic Republic of Congo** said that there is a lack of political will from Annex I Parties. It asked how to expect an outcome in Durban if there is no second commitment period, and how can conditionalities and commonalities be placed and expect Durban to be a success?

**Cuba** added that it was only willing to consider the flexible mechanism under the second commitment period of the Kyoto Protocol, and not under the AWG-LCA.

At the second meeting of the contact group, the deep disagreement between developed and developing countries continued and remained unresolved. The Chair proposed taking forward issues in the text, and in spin-off groups.

**St Lucia** insisted that it was difficult to get into technical issues, as the political context frames the way we approach these issues. It asked to hear from more Parties, and requested for a number of specific clarifications from Annex I Parties based on what they said in the first contact group meeting.

In response to a question posed by St Lucia, **New Zealand** explained that its ideal legal form is a single treaty with advanced developing countries, and this may be appropriate in the long term. In the interim, there needs to be a transition period, and there could be two tracks that are balanced and equally legally binding. This could include the prospect of a second commitment period under the Kyoto Protocol. It said that a balanced package at Durban would include all the elements of the current negotiations in appropriate legal form. It urged for work on the text, and for identifying the political issues for Ministers in Durban.

**Australia** said that its vision for a new climate regime is a legally binding treaty, where mitigation commitments by all major economies are anchored. Durban will be a step towards that vision. It said that there should be a solid mechanism to bring the

level of ambition up, and the institutions and structures should be brought to life.

**Canada** said that it was seeking a legal agreement that includes commitments from all major emitters. The Cancun agreements is a good framework, it said.

**Tuvalu** agreed with St Lucia and pressed for more specificities in the conditionalities discussion. It clarified that all Parties have the legal right to speak and have an input; however, the inputs of those that do not want to be a Party to the second commitment period must be considered in that context, as their inputs have no relevance to the second commitment period. It said that during the negotiations of the Kyoto Protocol itself, the same thing happened, and those mistakes should not be repeated. It also asked what is the legal form of the other elements of the package, for example for the United States' mitigation commitment. This question was not responded to.

The **EU**, supported by **Switzerland, Norway, New Zealand, Colombia** and **Peru**, proposed that spin-off groups on technical issues should be held, even as the political issues continue to be discussed. New Zealand said that if there are no rules, we can be confident that they will not be applied in the second commitment period. The EU said that if we continue without the technical discussion, it saw no possibility that it would be ready to adopt a second commitment period.

**St Lucia, Tuvalu, Argentina, Bolivia**, and **Saudi Arabia** opposed moving into spin-off groups for technical discussions before the political issues are resolved.

**Algeria** said that a work programme should be adopted in order to adopt a final decision on the second commitment period in Durban, based on the mandate in Article 39 of the Kyoto Protocol.

**Bolivia** said that the AWG-KP must fulfill its mandate in Article 3.9, and work on how to increase the level of ambition with regard to emission reduction numbers.

The Vice-Chair, Madeleine Diouf Sarr from Senegal, proposed a legal group to be convened on Friday. In the end, it was agreed that the Chair would consult on whether to convene the legal and spin-off groups.

The Chair concluded the contact group meeting by saying that it is very difficult to get political clarity first, as political clarity is what you get in the deal, and the deal is for Durban. If we continue to seek political clarity, it may be more difficult to reach at the end. He suggested moving forward in an iterative way. In Bangkok, the space was created for political discussion, and now the group could also start to examine proposals in the text, he said.

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### Subsidiary Body on Implementation Commences Work

Bonn, 10 June (Meena Raman) – The Subsidiary Body on Implementation (SBI) under the United Nations Framework Convention on Climate Change (UNFCCC) finally managed to commence its work yesterday, 9 June, in Bonn after the adoption of a provisional agenda, which was revised and issued the same day.

The SBI could not begin its work as scheduled on Monday, 6 June, following an intense wrangling over the agenda in relation to the development of guidelines for biennial reports on developing countries' mitigation actions.

Developing countries had been calling for the deletion of this agenda item as they felt that this issue needed further work under the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) and was not ripe for the SBI to deal with. They also stressed that no mandate had been provided by the Cancun decision in this regard for the SBI to consider this matter. (See TWN Update 6).

When Parties gathered for the convening of the SBI session late afternoon yesterday, this issue was still on the agenda under item 4(e), leading to a further stalling of the meeting, with developing countries in intense discussions with the Chair, Mr. Robert Owen Jones (from Australia).

Finally, when the session began, the Chair said that having heard the opinions of Parties, item 4(e) of the agenda would be deleted along with agenda item 3(e) which related to the guidelines on the reporting of the developed countries including that of biennial reports.

The Chair also said that agenda item 4(b) on the "Information contained in national communications from Parties not included in Annex 1 to the Convention" would be left in abeyance (as has been the case in the previous SBI session) and which would return for consideration at the next SBI session.

(Developed countries have been pushing new obligations on developing countries to do more frequent reporting of their national communications including in doing biennial reports of their mitigation actions which would be measured, reported and verified (MRV) and subject to international consultations and analysis with analysis of the reports by technical experts. These obligations were agreed to in Cancun by developing countries.)

Another agenda item which caused delay in the adoption of the initial provisional agenda related to the "forum on the impact of the implementation of response measures". Following consultations with Parties, there was a reformulation of this agenda item as was also the case in the Subsidiary Body for Scientific and Technological Advice (SBSTA) agenda in this regard.

The SBI Chair said that he will convene the forum at this session of the SBI as well as its 35th session, to deepen the understanding about the impacts of response measures (undertaken in addressing climate change) with the objective of developing a work programme to address these impacts and for the operationalisation of the forum. He said that the forum would be under the format of a joint contact group (with the SBSTA) with the view of making draft recommendations for the consideration of Parties. He said a dedicated side event relevant to the forum would be held at this session.

The Chair's proposal to then adopt the provisional agenda was agreed to by Parties, with agreement on the request by Bolivia for the report of the session to reflect that the Cancun decision 1/CP 16 was adopted over a formal and explicit objection of a state party. Bolivia had in Cancun formally objected to the adoption of the Cancun decision.

**Saudi Arabia** said that the only lesson from this process was that while Chairs of subsidiary

bodies have the right to draft agendas, they need to be aware of contentious issues that will take a very long time to sort out if Chairs want to be innovative and change the holistic nature of the agenda. It suggested that in future, all Chairs listen to Parties before imposing agendas on them.

**Tuvalu**, while accepting the adoption of the agenda, expressed grave disappointment over the deletion of items relating to the national communications and for biennial reports for Annex 1 Parties and Non-Annex 1 Parties. It was disappointed that the SBI did not have the mandate to further work on this. Similar sentiments were expressed by **Barbados**.

**Tanzania** for the **African Group** said it has been fighting hard so that the issue of “loss and damage” was combined with the issue of national adaptation plans and did not wish for this to be separated (as is now the case). It hoped that in the course of discussions there would be a fair treatment of this matter.

**Ambassador Jorge Arguello (of Argentina)**, who is **Chair of the G77 and China**, reiterated that the Cancun outcomes introduced new issues under the SBI and some assignments are clear but there are new processes that need further political development and must therefore be kept under the AWG-LCA. Unresolved issues should continue in the AWG-LCA track and not be transferred to other bodies since that would not be in line with the Convention or the mandate given by Parties to the AWG-LCA.

He emphasized the difficulties faced by developing countries in lacking technical and financial support to enable them to prepare their national communications. The Cancun decisions contain additional reporting obligations as well as more frequent timelines for the submission of reports, especially on GHG inventories which require specific technical and technological inputs as well as increased human and institutional capacities. Predictability of funding and the provision of the agreed full costs for the preparation of national communications are crucial for developing countries

which are currently subject to limited financing allocations.

The Group asked the developed countries to provide detailed information or make available their national communications on the level of improvements made in emission reductions or lack thereof. It is important to maintain and strengthen annual reports on the technical review of GHG inventories of Annex 1 Parties as well as to monitor, report and evaluate their domestic mitigation actions.

The G77 and China also called for more contributions to the funds under the Convention, in particular under the Special Climate Change Fund, the Least Developed Countries Fund and the Adaptation Fund. It said that there must be fewer conditions attached to the allocation and use of the funds that are managed through the Global Environmental Facility (GEF) as an operating entity of the financial mechanism of the Convention, in particular, the requirement of co-financing for the use of these funds and to treat adaptation in an equal manner as mitigation.

**Australia**, speaking for the **Umbrella Group**, in an apparent reference to the wrangling over the agenda, said that the process was unconscionable and humbug over a simple agenda.

**Grenada** for **AOSIS** said that for some Parties, the only issue seemed to be that of MRV alone and about institutional structures as if this was an end in themselves. It said that the end is the reduction of GHGs and the need to address the adverse impacts of climate change on vulnerable countries.

**Gambia** for the **LDCs** stressed that national adaptation plans were the second phase of national adaptation programmes of action (NAPAS), that will help the medium and long-term needs. It also called for the removal of co-financing conditions imposed by the GEF in supporting project implementation.

**The Democratic Republic of Congo** for the **African Group** stressed that the core areas key for the SBI are developing the modalities and guidelines for LDCs as regards their national adaptation plans and for approaches to address loss and damage. It also welcomed the forum on the impact of response measures.

# TWN

## Bonn News Update 15

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### EU Disappointed over Countries Not Committing to Kyoto Protocol

Bonn, 13 June (Hilary Chiew) – The European Union at an in-session workshop at the climate talks in Bonn expressed disappointment over the announcement by Japan, Canada and the Russian Federation that they will not commit to a second commitment period of the Kyoto Protocol to reduce greenhouse gas emissions. The EU described this as a step backward with political implications for the process.

The EU was referring to the statements made by Canada, Japan and Russia who have made clear that they will not make further emission reduction commitments under the Kyoto Protocol following the expiry of the first commitment period in December 2012.

The EU made these observations at an in-session workshop held in Bonn under the Ad-Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) on 9 June. The workshop was held for developed country Parties to clarify their assumptions and conditions related to the attainment of quantified economy-wide emission reduction targets.

Presentations by the United Nations Environment Programme (UNEP) and others at the workshop also revealed that there was sufficient information to show that the current emission reduction pledges are not going to limit temperature rise to 2 degrees C by the end of the century.

UNEP's Climate Change Coordinator Kaveh Zahedi said there were multiple reports from different groups which showed convergence on the numbers. UNEP's Emissions Gap Report published ahead of the Cancun Conference last December assessed the sufficiency of pledges by countries which signed up to the Copenhagen Accord in limiting global warming to 2 degrees or 1.5 degrees C. Zahedi said the report showed that neither the most nor the least ambitious pledges will limit temperature rise by 2 degrees C. At best, there will be a 5 gigaton (Gt) gap of CO2 equivalent in emission reductions and at

worst (under business-as-usual, without actions) a 12 Gt gap.

Following promises of climate financing and ensuring stricter rules on Land-use, Land-use Change and Forestry (LULUCF) and surplus emission units (AAUs), Parties will only achieve 60% of what is needed which still leaves us with a reduction in emissions of 7 Gt of CO2 equivalent and a gap of 5 Gt, said Zahedi. To stay below 2 degrees C, atmospheric cumulative emissions should not exceed 44 Gt CO2, equivalent by 2020 but all the analyses, said UNEP, showed that countries are missing the mark.

The in-session workshop saw presentations from **Canada, the EU, the Alliance Of Small Island States, Switzerland, Ireland, Denmark, Bolivia, the Czech Republic, the United States, UNEP, the UNFCCC and Climate Action Network International.**

The EU told the workshop that it had succeeded in decoupling its economic growth from emissions growth and it has put in place legislation to achieve the 20% reduction target by 2020 from 2013 onwards. It also acknowledged that there was a clear 'ambition gap' to limit the temperature rise to below 2 degrees C, adding that the pledges of Annex I countries range from reductions of 13 to 18% by 2020 compared to 1990 levels while the Intergovernmental Panel on Climate Change (IPCC) refers to a reduction of 25-40% by developed countries. The EU also expected deviation from business-as-usual (BAU) from developing countries, especially the most advanced among them and referred to the IPCC figures for reductions of 15 to 30% deviation from BAU by 2020.

**Climate Action Network's Jan Kowalzig** disagreed with Parties who say that there was a need to review the data on mitigation gap instead of addressing it as scientific findings already warning of the dire situation. He said while addressing the

gap may be politically difficult for some Parties, they should “not say that doing less will be consistent with staying below the required 2 degrees C”. In his presentation, Kowalzig said developing countries’ pledges will result in more emissions saving than developed countries, adding that the latter’s pledges are far below what the IPCC recommends. He asked developed country Parties to reflect on which other countries are going to compensate (for the low ambition) and if the pledges are in line with the Parties’ fair share of the globally needed mitigation efforts.

The **UNFCCC secretariat** presented its technical paper on the targets by developed country Parties to the Convention where it said many Parties’ higher targets are conditional on achieving a comprehensive global agreement with the participation of all major economies with advanced economies agreeing to comparable mitigation efforts and developing countries taking action in accordance with their differentiated responsibilities and respective capabilities. Many Parties’ targets are conditional on the definition of the rules for the use of market-based mechanisms and LULUCF. Based on the pledges, it said that emission reductions of developed country Parties in 2020 in aggregate amount to 13-18% below 1990 levels for the low and high targets, respectively (emission levels excluding LULUCF).

**The Alliance of Small Island States (AOSIS)** said global sea level rise is projected to rise by 0.9 to 1.6 meters by 2100, according to the latest scientific report, which factors in rapid ice sheet loss. It said combining loose LULUCF rules and AAUs (Assigned Amount Units) carry-over, Annex I pledges are effectively reduced to minus 1 to 7% which are even less ambitious than the Kyoto Protocol’s first commitment period (of 5%). It proposed concrete measures to close the gap, including (1) increase level of ambition and action; (2) cap LULUCF credits, remove exceptions; (3) no carry-over of surplus AAUs. It also cited the newly released IPCC Report on Renewable Energy Sources to emphasize that renewables are available and feasible.

**Bolivia** in its presentation said that there is a need to avoid the trap of “rules first before setting targets” as demanded by developed countries. The Annex I emission reduction commitments need to be understood in absolute terms and for the emission reductions and abatement expressed in Gt of CO<sub>2</sub>eq. There are issues if these commitments are going to be done domestically with no offsets and if there is a comparability of efforts between all Annex I countries. It said that there was no time for a new

legally binding agreement for Durban, South Africa. The only option, Bolivia said, is the second commitment period of the Kyoto Protocol and suggested the creation of an ad-hoc working group to discuss legal actions that will be taken in relation to those Parties that do not want to fulfill their obligations under the Kyoto Protocol or the Convention.

**Canada** said it was making progress to decouple emissions from economic growth and it has a plan to pursue systematic sector-by-sector regulations in meeting its emission reduction pledge of 17% from the 2005 level by 2020 which amounts to 607 megatons of CO<sub>2</sub> equivalent. Its target of 17% will exclude international offsets.

The **Philippines** in response asked how Canada intended to comply with its target under the first commitment period of the Kyoto Protocol which was 6% below 1990 levels when its current pledge translates to a 3% reduction based on 1990 levels, in effect an increase in emissions while others were on the path of reducing emissions. In response, Canada said that it will continue with its reporting requirements and will assess its commitment at the end of the first commitment period (December 2012).

The **United States** was represented by **Dr. Jonathan Pershing**, who in his presentation emphasized the role of reporting and international assessment and review in clarifying emission reduction targets, and called for a more robust review of national data and an opportunity to ask questions. He said it is not adequate to produce national communications but countries want to ask questions to dig more deeply and to elaborate what has been done already. He stressed the need for more regular reviews with in-country visits. This, he said, was not a punitive exercise, but it is to build understanding and a better sense of what countries are doing. It should include a written procedure where one country can write to another and expect a response, something which a workshop cannot allocate enough time to do.

At question time, the European Union asked the US to clarify how it was going to deliver its targets with difficulties in Congress. In response, Dr Pershing admitted that he did not know how.

(At a pre-session workshop on the emission reduction targets by developed country Parties held in Bangkok on 3 April, Pershing said until last year, President Obama’s administration had been pursuing a cap and trade programme but this did not pass through the US Congress. Since then, the US has been working on alternative policies with a fundamentally increased level of support for clean energy, energy efficiency etc. The US made a pledge

of 17% emission reductions by 2020 from 2005 levels at the 2009 Copenhagen conference.)

**Switzerland** said it is committed to a 20% emission reduction by year 2020, which will be entirely achieved domestically. One-quarter of any additional reduction should be done domestically in a similar fashion.

In conclusion, workshop facilitator Jose Alberto Garibaldi of Peru summarised that there is ambition by all as made abundantly clear by the panel and that everyone believes that the emission gap needs to be closed and Parties need to move forward in this aspect and not backtrack. He also underscored the importance of addressing loopholes in accounting rules.

### Developing Countries Explain Mitigation Actions

Bonn, 12 June (Dale Wen and Hilary Chiew) – The Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the UN Framework Convention on Climate Change conducted a workshop on 10 June on nationally appropriate mitigation actions (NAMAs) of developing country Parties.

In the morning, presentations were made by **Chile, Ethiopia, Vietnam, Kenya and the Alliance of Small Island States (AOSIS)** on their NAMA activities. In the afternoon session, the **European Union, Bolivia, Norway** and the **United States** made presentations. **Climate Action Network (CAN)** also made a presentation as an NGO representative. The workshop was chaired by Christian Pilgaard (Denmark) and co-chaired by Jose Alberto Garibaldi (Peru).

Chile stated that its development goal is to become a developed country by 2020. Chile's GHG (greenhouse gases) inventory shows a net emissions growth of 790% from 1984 to 2006. It aims for a 20% deviation from BAU, with 2007 as the baseline. Chile will fulfill this pledge with a combination of domestic effort, international support and market mechanisms. Initiatives towards the 2020 commitment include program and agency for energy efficiency, renewable energy, action plan on climate change, mitigation action plans and scenarios, inventory system and partnership for market readiness. Forest, energy and transportation are three large sectors identified for NAMAs.

**Ethiopia** outlined its climate-resilient green economy initiatives. It aims to become a middle income country while ensuring the growth is carbon neutral. The low carbon measures will generate co-benefits regarding job creation, poverty reduction, increased food security and health, and preservation of bio-diversity among others. A technical committee has been established with sub-committees on power supply, buildings & green cities, reducing emissions

from deforestation and degradation etc., soil-based emissions, livestock, transport and industry. The country's strategy under construction has adaptation and mitigation elements. The sub-committees have completed the estimations of GHG emissions and analyzed the potential of green growth levers. The discussions with donors and investors are starting. Ethiopia stressed that financial support is needed, which will probably come from a mix of grants, loans and equity.

**AOSIS** started with a slide showing the emissions gap of non-Annex 1 Parties and pointed out the enormous mitigation potential offered by energy efficiency and renewable energy. Support is required to tap the potential and this will vary across regions in line with respective capabilities. Consistent presentation of NAMAs, including quantification of emission reductions into different categories, transparency of assumptions (about business-as-usual, on scale and type of support required) and transparency of methodologies used for calculation will assist in matching needs with support and in assessing what NAMAs can deliver. SIDS have various proposed NAMAs, and the challenges include financial, technical support for NAMA preparation; institutional structure; local and regional capacity for planning and implementation; and need for flexibility in measuring, reporting and verification (MRV) requirement. Various initiatives by SIDS including SIDS Dock and PIGGAREP (Pacific Islands Greenhouse Gas Abatement through Renewable Energy Project) were presented.

Vietnam said that its Mekong Delta is one of the most impacted deltas: with one meter sea level rise, 40% of the delta would be inundated. Thus, response to climate change is vital. Vietnam is a low per capita emitter, with 1.94 tons CO<sub>2</sub> equivalent in 2000, and 4.9 tons in a 2030 BAU scenario. Twenty-eight mitigation options are identified for potential (15 in energy; 5 in agriculture; 8 in land use, land

use change and forestry). The country is developing a National Climate Change Strategy, and National Green Growth Strategy, but it needs support for technological and institutional capacity building, facilitation of development of a national MRV system consistent with international guidelines, and technical and financial support to prepare and implement NAMAs.

**Kenya's** national constitution adopted last year has provisions on climate change and a national climate change strategy was developed in 2010. The government has a high level of commitment and climate change is mainstreamed into an overall development plan and also for resilient development. The ongoing action plan to implement climate strategy includes: a long-term low-carbon pathway, enabling policy, National Action Program on Adaptation, NAMAs, R&D and tech transfer, MRV development, and a finance framework. An inter-ministerial task force is coordinating and ensuring consultation and participation by all government departments and stakeholders. Kenya said it needs further support for NAMA implementation. It expressed concern that it did not have the institutional structure in place to provide mitigation data and it would be best if indicators and processes are established before expecting Parties to report.

**Panama** echoed Kenya's concern and said perhaps there is an issue of time and differentiation (for reporting).

The **European Union** stated that contributions by developing countries in mitigation efforts are necessary and developing countries should act on their own but can also go further with support. Diversity of NAMAs means diversity of support. Developing countries should articulate their needs and solicit support wherever needed, and dialogue with funders. Support should enable developing countries to go beyond their autonomous efforts and help lift barriers to NAMAs. Also, in line with common but differentiated responsibility, support should be provided depending on developing country capabilities. Robust national MRV systems are critical to enable developing countries to have a clear picture of their situation, to make informed decisions on most cost-efficient NAMAs, to mobilise support more rapidly, to report transparently and be recognised internationally.

Based on the EU's own experience, developing an MRV system is a "learning by doing" process, which should go in parallel with development of national policies. New market-based mechanisms should be available as a way to further support NAMAs. The EU also stated there is an ambition gap to meet the agreed "below 2 degrees C" goal:

clear gap with Annex I Parties (pledges), and uncertainties in relation to non-Annex I Parties. Thus, there is a need to explore ways to increase the overall ambition.

Bolivia's presentation highlighted the severity of forest fires, which significantly increased its emissions level. Ambassador Pablo Solon said in 2010 there were 1,090 forest fires that destroyed 1.7 million ha of forests compared to 397 incidents of fires in 2009 which ravaged 172,862 ha. LULUCF emissions related to forest fire is the most significant emission factor. For example in year 2005, its per capita emissions increased from 1.3t CO<sub>2</sub>-eq to 16.4t CO<sub>2</sub>-eq when LULUCF is taken into account. The emergency budget this year against forest fires amounted to US\$20.8 million to cover equipment, operation and mobilisation costs. Additionally, there is a need to develop a sustainable plan to control forest fires over the next few years. Thus Bolivia believed that to waste its scarce resources from the World Bank to prepare for a future carbon market does not make sense, as the most urgent need is to spend these resources to improve the country's prevention capacity against forest fires. To spend eight years to quantify forest carbon capture potential would result in Bolivia losing 2.4 million ha of forest with emissions of 1,112Mt CO<sub>2</sub>-eq. Therefore, the approach towards forest has to be a different one for Bolivia. He also said efforts are being made to obtain resources through international cooperation to strengthen emergency plans this year, adding that he hoped to inform at the next workshop that the terrible situation of forest fires last year is not repeated in 2011.

**Norway** said that information needs to be streamlined to give a better understanding of mitigation pledges of both Annex I and non-Annex I countries, as well as to ensure comparability. Annex I countries should present economy-wide emission reductions with the same type of information including 2020 commitments in relation to 1990 (levels), LULUCF accounting rules, inclusion of all sectors and gases, etc. For non-Annex I countries, pledges can be categorized into three types: emission reductions relative to base year; reductions relative to BAU; reduction in CO<sub>2</sub> per unit GDP. The three types will have different kinds of information required, but all should have information about actions that will be implemented through domestic means and actions that need international support. Norway said that as a starting point, basic information should be compiled which can be followed up through reporting as getting the basics will facilitate implementation and speed up international support.

The **United States** emphasized the role of reporting and international consultations and analysis (ICA) in understanding mitigation actions. Its chief negotiator Jonathan Pershing said that the Cancun Agreement laid out four things: biennial reports including inventories, international MRV of supported actions, ICA, and general guidance on domestic MRV. He said while not all Parties will do the biennial reports, the process needs to engage with key countries and that a substantial number of developing countries have substantial capacity. On mitigation, Pershing reckoned that non-Annex I Parties are no less capable than Annex I Parties. In reference to forest fires in Bolivia, he would like to know the effectiveness of national policies and ‘not to throw money into burning forest fires’. There should be performance indicators for measuring progress, methodologies and assumptions.

At question time, **Japan** noted that it was necessary to prepare biennial reports as soon as possible in time for such a review by 2013 and that just like developed countries, developing countries will develop their capacity from the learning-by-doing approach.

**Australia** said it is not its expectation that all countries need to engage on the biennial report but countries with the largest emissions should. Non-

Annex I countries are expected to submit their first biennial report in 2013.

**Singapore** said about 100 non-Annex I Parties had not made a pledge and a way has to be found to encourage them to do so and that a technical paper on non-Annex I mitigation should be distinguished from the one done for Annex I Parties, which is a direct mandate from the Cancun Agreement.

The need to distinguish NAMAs and offsets to address the issue of double counting was repeatedly raised by several Parties in both presentations and discussion. AOSIS emphasized that new market mechanisms only make sense in the context of legally binding international commitments.

From the presentations, it was clear that there are huge differences in stages of NAMA development in different countries, but good progress has been made by all those who presented. The **United States** and **Brazil** said while several Parties had requested for more similar workshops, Parties however need to get into specific negotiation in the Contact Group and spin-off group looking at a Durban outcome. The **EU** said the discussion should be captured in a report by the UNFCCC Secretariat and submitted to the AWG-LCA, and this was supported by **Costa Rica, Saint Lucia** and **Norway**.

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### Wish-list for Durban Climate Conference

Bonn, 13 June (Meena Raman) – Developing and developed countries have presented their wish-list of expectations for the meeting of the Conference of Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol to be held in Durban, South Africa in late November-early December this year.

While all Parties stressed the need for a balanced outcome, there were divergences among developed and developing countries on what the meaning of balance was and on how to address the issue of mitigation under the UNFCCC and the Kyoto Protocol (KP) tracks. Developing countries want to see developed countries commit to targets for emission reductions in the second commitment period under the KP, with some stressing this as an essential pre-condition for outcomes under the UNFCCC. On the other hand most developed countries predicate their commitments under the KP on there being a new legally binding agreement for all “major emitters” under the UNFCCC process, in an apparent reference to the United States and China as well as other “advanced developing countries”.

South Africa is the incoming President of the 17th meeting of the COP (COP 17) and the 7th meeting of the KP Parties (CMP 7), and its **Ambassador Nozipho Joyce Mxakato-Diseko** held an open-ended informal consultation with Parties on their expectations for Durban on Saturday, 11 June. Ambassador Diseko sought the advice of Parties on what issues require technical work and what requires political guidance.

**Argentina** for the **G77** and **China** said that for the Group there must be balanced outcomes in both the tracks of the KP and the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the Convention. Under the AWG-LCA, the outcome is for the full, effective and sustained implementation of the Convention now, up to and beyond 2012 under the Bali Action Plan (BAP)

adopted by COP 13. In the Ad-hoc Working Group on Further Commitments for Annex I Parties under the KP (AWG-KP), the primary objective is to ensure the second commitment period of the KP and to avoid a gap between the first and the second commitment periods, said Argentina.

(The first commitment period ends in 2012.)

The **Democratic Republic of Congo, for the African Group**, echoed the **G77** and **China** for outcomes on the two tracks – one to implement the KP and the other to ensure the implementation of the Convention and for a balanced outcome under both tracks of the negotiations. On the KP, it reiterated that developed countries should understand that without the second commitment period, there is no legally binding instrument for the reduction of emissions of Annex I Parties. Referring to the recent UNEP Emissions Gap Report, it said that there is a growing gulf between what Parties have pledged to do and what must be done to create a safe world for our children. The pledges by developed countries are a mere 3 to 3.7 gigatonnes of reductions by 2020 (based on 1990 levels), when the world faces a gap of more than 14 gigatonnes. Inadequate ambition, and the absence of legally binding targets, is together an unacceptable result for the future of the multilateral climate change process. It reiterated the call from the African Heads of States and Governments for developed countries to take on an ambitious and binding second commitment period commencing in 2013.

On the negotiations under the AWG-LCA, on the mitigation commitments by developed countries, the (2010) Cancun decision agreed on MRV and added international assessment and review, but was very weak on comparability (between developed country Parties and non-Parties, i.e. the US) and silent on compliance. International assessment and review must be fully defined at COP 17, said the African Group.

On finance, Africa emphasized the importance of the operationalisation of the Standing Committee on finance to provide regular support to the COP in exercising its functions with respect to the financial mechanism of the UNFCCC and also proposed the addition of an agenda item on long-term sources of finance. It is of crucial importance that sources of finance are addressed in Durban, it stressed.

On technology, there has to be a decision to make the Technology Mechanism fully operational in 2012, according to the African Group. On adaptation, it expected a Durban decision that “kick-starts” the effective implementation of adaptation actions through the Cancun Adaptation Framework with the required financial, technical and capacity building support from developed country Parties.

**Cape Verde**, for the **Alliance of Small Island States (AOSIS)**, also stressed the importance of having agreement on a second commitment period of the KP and to avoid a gap between the first and second commitment periods. The KP, it said, was the only legal framework to address greenhouse gases. It also wanted the operationalisation of the Cancun decisions which include: raising the ambition level in mitigation to limit temperature rise to below 1.5 degrees C; agreement on a work programme for loss and damage; develop and agree to a robust review of the long-term global goal to keep temperature levels below 1.5 degrees C; institutionalize the Green Climate Fund and agree on long-term sources of funding by 2020; institutionalize the Adaptation Committee and for a legally binding agreement under the AWG-LCA that will provide balance to the KP.

**Saudi Arabia**, speaking for the **Arab Group**, also stressed the need for a balanced package on all the elements of the BAP and for a second commitment period under the KP and called for setting targets for emission reductions now. The second commitment period under the KP is a pre-condition for any outcome in Durban.

It also wanted the operationalisation of many decisions as in the Adaptation Committee; forum on the impact of response measures; the Green Climate Fund and the Standing Committee on finance; and a clear decision for carbon capture and storage (CCS) to be eligible for support under the Clean Development Mechanism.

It cautioned against some Parties re-defining the Convention for some developing countries to “graduate” in taking emission reduction commitments and in not providing finance to all developing countries and this undermined the principle of common but differentiated responsibilities. Parties should not be changing the

rules of the game for this was a recipe for failure. On the legal form under the AWG-LCA, this will follow after the content is known.

**India** recalled Durban as a special place where Mahatma Gandhi started his journey as a young lawyer who went on to become the leader of its nation. India recalled the Bali Road Map and the Bali Action Plan and focused on the concept of balance, which it said is at the heart of any successful outcome in Durban. For India, there are four specific elements for the balance: balance in the progress on the AWG-KP and AWG-LCA tracks; balance in the KP track between political decisions and technical decisions; balance within the AWG-LCA track with equal emphasis on the four Bali Pillars and balance in the operationalisation of the Cancun Agreement. In addition, it said that Parties had to be mindful that other issues which are of interest to many of the Parties are not allowed to fall off the table.

(The four Bali Pillars are: Enhanced national/international action on mitigation of climate change; enhanced action on adaptation; enhanced action on technology development and transfer to support action on mitigation and adaptation; and enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation.)

On its do-able wish-list for Durban, India stressed the following: the 2nd commitment period of the KP must be concluded; under the Cancun Agreements, we must operationalize the Adaptation Framework; constitute the Board of the Green Climate Fund and Standing Committee on finance; conclude the work on the Technology Executive Committee; and concerning mitigation, put in place transparency arrangements, clear accounting rules for the developed country Parties and the registry for the developing countries.

On process, it said that we must make sure that the consultations are conducted in an atmosphere of trust, and be free of pre-conditions. The consultations have to be transparent and inclusive and need to be held both at the political as well as negotiator levels. It also called for an additional meeting session later this year, for otherwise, it was concerned that the work may not be concluded for Durban.

**China** wanted decisions for a comprehensive and balanced outcome referring to the Bali Road Map with a two-track approach. One key deliverable was to have targets for the Annex I Parties for the second commitment period of the KP. As part of the balanced approach under the BAP, developed countries who are not party to the KP must undertake comparable efforts (referring to the US) including MRV and ensure compliance. Developing countries’ mitigation

actions are in the context of sustainable development and have to be supported with finance, technology and capacity building.

On adaptation, it said that institutional arrangements must be in place for the Adaptation Committee, as must be the case for the Green Climate Fund, the Standing Committee on finance and the Technology Mechanism. The purpose is not only to establish the structures but to ensure technology transfer including to address the issue of intellectual property rights.

It also called for another session prior to Durban.

**Bolivia** supported the European Union in its call for closing the mitigation gap (see below) and said that this was a central issue for Durban. The gap must be closed in the KP negotiations. The legal group under the AWG-KP must also address what legal action can be taken against those who do not comply with their legal obligations under the KP. (Canada, Japan and Russia have said that they will not make any commitments under the second commitment period of the KP.)

On the issue of new market mechanisms, Bolivia said there is a need for clarity as to what has been the value of existing mechanisms and how they have reduced GHGs and it did not support market mechanisms in forests and oceans. It said that South Africa is the place to fight against the new apartheid against Mother Earth and its vital systems.

**Venezuela** said that there was a need to ensure a balanced package. There must be agreement on the long-term global goal by 2050 for emission reductions. The KP gap must be avoided and a decision is needed on the second commitment period with no time to lose. Operationalisation of the Cancun decision is needed, it also said. Referring to the huge tasks ahead in Durban, Venezuela reminded Parties of what South Africa's former President Nelson Mandela said, that, "it looks impossible until it is done".

**Singapore** wanted progress on the institutional frameworks as regards the Adaptation Committee, the Green Climate Fund, the Standing Committee on finance and the Technology Mechanism. On mitigation, it wanted a decision to operationalise MRV for both developed and developing countries. On the legal options under the AWG-LCA, it said a decision on a legally binding treaty was not possible in Durban. The second commitment period of the KP was essential for a rules-based multilateral system, stressed Singapore.

**Colombia**, speaking also for **Costa Rica**, **Chile** and **Panama**, wanted an outcome under the AWG-LCA on the legal form with rules for mitigation, with

reporting guidelines for biennial reports, rules for international consultations and analysis (ICA) and international assessment and review (IAR). It wanted new market mechanisms and non-market mechanisms. For the second commitment period under the KP, it said there is a need to address the legal issues for the developed countries to meet their ambition.

**Switzerland**, for the **Environmental Integrity Group**, wanted an agreement under the AWG-LCA process and the continuation of the KP to avoid the gap between the first and second commitment periods and for clarity on the rules on land-use, land use change and forestry (LULUCF) and the use of markets. It wanted a regime on measuring, reporting and verification (MRV) with guidelines and the ICA and IAR. It also wanted progress on long-term finance. On the process, it wanted technical and political level meetings for a good balance.

**Japan** wanted the operationalisation of the Cancun Agreement and called for concentration on the practical and technical work needed.

The **United States** also stressed the need for technical discussions to progress work. Building off from the Cancun decision, it wanted decisions on the Green Climate Fund and Standing Committee on finance, the Technology Executive Committee and the Climate Technology Centre and Network; elaboration of the Adaptation Committee; and the anchoring of the mitigation pledges with a robust transparency regime. It stressed that no individual element can move without all elements moving together. The transparency element needed more time with detailed technical components.

The **European Union** raised these issues: (1) Raising the ambition gap in mitigation as the overall ambition was not sufficient to limit temperature rise to 2 degrees C but could lead to a rise of 4 to 6 degrees C. There must be agreement on the peaking of emissions and the long-term global goal; comparable mitigation efforts by all major economies with a legally binding framework for all major emitters with compliance for a post-2012 framework; (2) Mitigation pledges and a robust MRV system; (3) On the future of the KP, the EU is prepared for the second commitment period only in the context of a balanced package for Durban (referring to outcomes in the AWG-LCA for a legally binding framework for all major emitters).

**Australia** wanted a decision on the legal form for a legally binding outcome for all major emitters which would not yet be a treaty but a step towards one. Having just a second commitment period under the KP would not do. It also wanted an MRV programme in mitigation; progress on the Adaptation

Framework to also address agriculture, food security, land and water use. It also wanted outcomes on the Green Climate Fund, REDD-plus; new market mechanisms and the Technology Mechanism.

**New Zealand** wanted the Green Climate Fund launched, mitigation pledges discussed and assumptions negotiated in a common format and a process converting the pledges to commitments, describing this as to “bank-and-build”. It wanted the MRV guidelines to be elaborated including the ICA and IAR and a timetable for biennial reports. It also wanted an international carbon market and for progress for new market mechanisms.

It said that under the KP, for the second commitment period, rules have to be advanced and if the rules were not “cooked”, there could be no possibility of amendments to the KP (the second commitment period targets). For progress on the KP second commitment period, it needed to see all major emitters undertaking binding commitments under a comprehensive and legally binding outcome.

**Russia** said that no one should be under the illusion that Durban is only about the second commitment period of the KP. It wanted a comprehensive and single treaty outcome with ambition.

Following the comments from Parties, Alf Wills of South Africa made some remarks on the way forward. He said that the mandate of the AWGs

and the Subsidiary bodies (Subsidiary Body on Implementation and Subsidiary Body on Scientific and Technological Advice) was to conduct technical work under their control so that the political elements can be removed from the technical work. He proposed consultations at three levels with stakeholders, negotiators and experts feeding into the political level. The consultations will be held with one meeting per month, with the meeting in June focusing on mitigation, MRV and the second commitment period of the KP (the mitigation package); the July meeting will follow up with the mitigation package; the August session will be on finance issues; the September meeting will deal with technology transfer and capacity-building; the October meeting on provision for political level engagement and in November, the focus will be on shared-vision and legal options. The stakeholder and experts’ sessions will be conducted together with Mexico (as the current COP 16 President).

The consultations will feed into a ministerial process with 3 meetings under the topic on the ‘**Durban Package**’ to get the Ministers to know each other and to find compromise solutions. The first Ministerial meeting will be in Germany on 2-3 July, with a September Ministerial and a pre-COP session in November. There could be a possible Heads of State meeting in September during the session of the United Nations General Assembly (in New York) with the collaboration of Mexico, said Wills.

# TWN

## Bonn News Update 18

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### Lively Exchange over Need for Additional Fall Meeting

Bonn, 14 June (Hilary Chiew) – The ‘touch-base’ session of the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the UN Framework Convention on Climate Change (UNFCCC) on 13 June saw a lively debate on the necessity for an additional meeting between Bonn and Durban in the autumn.

The Chair of the AWG-LCA Daniel A. Reifsnyder (United States) raised the issue of whether there was a need for another session in autumn should there be funding as it was important to have further elaboration of negotiating texts. He asked Parties for feedback on the structure of the meeting and if it should be an expert or workshop-type meeting, or to move into informal groups for negotiations as that would save time and effort.

He said that South Africa, the in-coming presidency for the 17th Meeting of the Conference of Parties of the UNFCCC, is conducting informal consultations on how to take the work forward. (See TWN Update 17 for details.)

Several developed countries voiced their scepticism of the usefulness of a meeting in autumn while a number of developing countries said it was necessary, to ensure a balanced and comprehensive outcome in Durban.

**India** supported the need for a further meeting to consider all issues on the table and said that the session should include all subsidiary bodies and ad-hoc working groups as well. It said suggestions (by developed country Parties) for holding joint contact group meetings of the AWG-LCA and AWG-KP (Ad-hoc Working Group on Further Commitments for Annex 1 Parties under the Kyoto Protocol) may be a bit premature unless the Bonn session makes substantial progress. There were technical issues that needed to be completed and some were of a long-term nature. There were also issues that have fallen off the table of Cancun that need to be brought back, he said, adding that cross-cutting issues which

involved issues of financing in adaptation, mitigation and technology need to be addressed.

Chair Reifsnyder clarified that he did not suggest a joint meeting of the AWG-LCA and AWG-KP but meeting in contact groups (of the respective AWGs without a full plenary of those two bodies).

**Saudi Arabia** said as this is a Party-driven process, it is for an additional meeting and any programme of work should enhance the understanding among participants. The negotiations should be conducted in the AWG-LCA in a formal session. It could not accept looking at texts at the fall meeting as it was not expecting to come out with texts as this is being developed by Parties. On prioritising issues, it said all issues are crucial to cut a deal in Durban and if they are not onboard there will be no deal in Durban. It said there was a general tendency to refer to the Cancun Agreement as a milestone, and for Saudi Arabia, the reference point is the (2007) Bali Action Plan. It asked Parties not to limit submissions to only what had been decided in Cancun.

In response, Chair Reifsnyder said there is no question about the Bali Action Plan being the mandate as that issue was resolved in Bangkok.

**Singapore** said the question of a fall meeting should not be framed as whether there is a text or not as the level of maturity of issues in the different informal groups varied. What is key is whether Parties are building understanding and that is happening. Even if there is no text from every group, we need to proceed to build understanding. It said there was a need that the number of spin-off groups will remain and sufficient time allocated for all groups to ensure balance to avoid the perception of selective preference of issues.

**South Africa** supported the idea for a fall session to be a continuation of the work in Bonn, adding that it should address all issues and to the extent possible starting with texts.

**Barbados** said it was important to think of the maturity of issues and what technical work needed to be done and suggested that the Chair could be assigned to compile those views in a fashion that can be better understood by Parties.

**Venezuela** highlighted the proliferation of “innovative ideas” outside the AWG-LCA that were not communicated to the AWG-LCA. (It was referring to proposals by South Africa on consultations and ministerial meetings outside the formal process). Invitations to those meetings are not open and not all developing countries can afford to attend them as they are not budgeted for. It wanted the Chair to ensure that there is reporting back to the AWG-LCA the results of those meetings. It also said the fall meeting should be about advancing the texts but acknowledged that not all issues can have texts by then.

**Nicaragua** expressed concern that some Parties were placing conditions on having a fall meeting. It said Parties should appreciate that it was due to good planning last year that there were decisions in Cancun but it may not be so in Durban if there is insufficient work.

**Brazil** supported the need for a fall session for detailed work to move us quickly into consideration of texts.

**China** said Parties already agreed at the last session in Bangkok to move the process in a balanced manner on all issues of the Bali Action Plan and was happy with the progress in Bonn.

**Switzerland** said it also misunderstood the Chair on the joint contact group but felt there could be a huge benefit of a joint-session for the AWGs’ contact groups. It said the autumn meeting will only be useful if Parties are able to look at negotiating texts which will depend on the progress in Bonn. It was not convinced that all topics needed the same amount of time but progress is needed in all issues.

Some issues need further methodological and technical work.

**Japan** said Parties should conduct discussions in a professional manner to use the limited time as efficiently as possible. Referring to wrangling over the agendas of the AWG-LCA meeting in Bangkok and that of the subsidiary bodies in Bonn, it wondered if it could explain to taxpayers the necessity for a fall meeting. Echoing Switzerland, it said there was different speed in different group discussions and as the issue of mitigation is complex and important, it suggested utilising some spin-off groups on the issues of MRV (measurement, reporting and verification), ICA (International Consultation and Analysis) and IAR (International Assessment and Review).

**Australia** was not convinced that an additional session is warranted pending a review on progress at the end of the week in Bonn. It was frustrated by the agenda fight and welcomed the Chair’s suggestion of moving straight into contact groups.

The United States, while open to the idea of a fall session in order to reach a balanced package in Durban, welcomed going straight into contact groups and informal meetings

Earlier, Parties heard reports from facilitators of 10 groups of the negotiations so far with many saying that discussions were rich with converging and diverging views as well as views on conditions to move towards a legally binding agreement in Durban.

The informal groups under the AWG-LCA are on shared vision; finance; mitigation commitments by developed country Parties, nationally appropriate mitigation actions by developing countries; REDD-plus (reducing emission from deforestation and forest degradation etc); various approaches including opportunities for using markets; economic and social consequences of response measures; adaptation; technology development and transfer; and legal options.

### Divergent Views on Financing Forest Activities

Bonn, 15 June (Meena Raman) – Parties in the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the UNFCCC expressed divergent views over financing options related to forest-related activities. While many countries supported non-market and market-based approaches for funding forest-related activities, some countries expressed caution in relying on the carbon market.

At an informal group meeting held on 13 June which was open to observers to discuss “policy approaches and positive incentives on issues related to reducing emissions from deforestation and forest degradation in developing countries; the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries” known as REDD-plus, Parties were asked by the facilitator, Mr. Antonio La Vina (Philippines), to consider financing options for results-based actions as requested by paragraph 77 of the Cancun decision (1/CP.16).

(Paragraph 77 of the Cancun decision requests the AWG-LCA “to explore financing options for the full implementation of the results-based actions referred to in paragraph 73 and to report on progress made, including any recommendations for draft decisions on this matter, to the Conference of the Parties at its seventeenth session” that will be in Durban in 2011.)

(Paragraph 73 of the decision provides for REDD-plus activities to be implemented in three phases “beginning with the development of national strategies or action plans, policies and measures, and capacity-building, followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified.)

**Mexico**, speaking for the **Environmental Integrity Group** as well as for others including **Colombia, Panama and Costa Rica**, said that public funding through different funding mechanisms including the Green Climate Fund (GCF) was important. Private funding, it said, is also key to incentivize the drivers of deforestation. It called for flexibility in the sources of funding, with options for countries that did not want to use the carbon markets.

**Canada** said that in phase 3, it saw value in recognizing a wide range of alternative financing and Parties should look at operationalising the agreed elements on the guiding principles that should inform market and public finance options and the application of social and environmental safeguards.

**Bolivia** said that financing for robust sustainable forest management systems to reduce deforestation and degradation is important. It stressed the need to support actions that prevent the destruction of forests now such as forest fires. There is a need to support capacity building for such efforts and for technology transfer to control the fires. The priority should be to address the need to reduce deforestation and promote conservation. Reliance should not be on the carbon markets as financing has to be secure and not speculative and must not generate offsets. The financing options should not lead to problems for the indigenous peoples, it added.

The **European Union** said that there is a need for public financing for all phases and also to mobilize the private sector and drivers of deforestation. Investments should not lead to deforestation. Financing options for results-based implementation include bilateral and multilateral delivery channels, including via the GCF and it was open to having a window for REDD-plus under the GCF. There was scope for innovative financing sources including through aviation and maritime

taxes. The EU was open to approaches to mobilize the private sector subject to ensuring a compliance system in verifying emission reductions as well as in ensuring environmental integrity, robust measuring, reporting and verification (MRV) modalities. It clarified that results-based implementation is financing ex-post actions while phase 1 and phase 2 are financing ex-ante activities.

**India** said that all sources of financing including from public, private and markets should be considered for results-based actions. Separate financial approaches need to be adopted for providing positive incentives for the two types of carbon stocks under the REDD-plus regime, i.e. for (a) change in carbon stocks (with sub-categories for incremental carbon stocks and reduced deforestation) and (b) baseline carbon stocks. India was for a non-market-based approach for stocks with reference to actions relating to the conservation of forest carbon stocks and sustainable management of forests while a market-based approach could be considered in the case of actions to reduce emissions from deforestation and from forest degradation, sustainable management of forests and enhancement of forest carbon stocks.

**Papua New Guinea** said that there was a need for a flexible basket of incentives for developing countries to assess what is best. It said public funding should be scaled up through the GCF and market sources could be considered, adding that ensuring environmental integrity was important. Emission reductions from such actions should be additional and not just be offsets.

**Panama** and **Costa Rica** also supported a basket of options with market and non-market-based approaches.

**Guyana** said that if forest-related solutions to address climate change are not financed, it would be lost to the logging market. If financing for the full implementation is not assured, there is no

incentive for REDD-readiness, policies and trainings. It said that payment must be made for the role of forests in sequestering carbon. Sources could be from both markets and non-markets. In the use of markets, there has to be robust MRV and environmental integrity must be ensured.

**Brazil** preferred REDD-plus activities to be integrated into the general financing framework (in an apparent reference to the GCF). It said that developing countries need to demonstrate that REDD-plus actions achieve emission reductions.

**Colombia** stressed the need for different funding options to cater to those who do not want market mechanisms and those who do. It supported a REDD-plus window in the GCF.

**Tuvalu** supported community trust funds to assist local communities' capacity in REDD-plus activities. It stressed that public financing is key for contributing to actions especially for capacity building for assessments of deforestation and sustainable forest management. Public financing could also support governance and assurance of safeguards. It expressed reservations over market-based approaches as this could only work in a cap and trade system, which would either operate as an offset mechanism or would require developing countries to take quantified emission reduction targets. If it was to operate as an offset, it would be a zero sum game and if it was through the establishment of quantified targets among developing countries, given the different capacities, there could be a high likelihood of leakage. It was also concerned about unusual accounting operations in the voluntary markets.

Tuvalu also expressed concern over existing funding through the World Bank and UNEP, which are creating expectations of REDD-plus activities being involved in carbon markets.

**Indonesia** expressed support for exploring REDD-plus financing from all sources, both market and non-market.

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## Bonn News Update 20

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### Developed Countries Insist on Post-Kyoto Protocol Market Mechanisms

Bonn, 14 June (Lim Li Lin) – The contact group of the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) reconvened on Monday, 13 June after agreement at the close of last week that the contact group would continue to discuss political issues, while spin-off groups on technical issues would be convened in parallel.

This agreement was reached after developing countries sought, and were given, assurances that the work on the technical issues would be conducted within the mandate of the AWG-KP, which is to agree on further greenhouse gas emission reduction commitments for Annex I (developed country) Parties under the Kyoto Protocol for the period beyond 2012. The first commitment period is from 2008-2012.

The contact group meeting on Saturday, 11 June, agreed that spin-off groups would begin to meet on the following technical issues: amendment to the Kyoto Protocol for the subsequent commitment periods; land use, land use change and forestry (LULUCF); emissions trading and the project-based mechanisms; methodological issues; and potential consequences.

This resolved the impasse that began at the last session in Bangkok in April 2011 and which continued during the first week of the ongoing talks in Bonn. Developing countries did not agree to convening small spin-off groups to discuss technical issues until the bigger political context was understood. This is because three countries - Canada, Russia and Japan - have declared that they will not agree to a second period of emission reduction commitments under the Kyoto Protocol, while other developed countries have placed conditions on their further commitments (see TWN Bonn Update No. 13).

Developing countries firmly insist that developed countries must commit to a second commitment period under the Kyoto Protocol, while developed countries are trying to replace it by laying the foundations for a new agreement that would include all “major emitters” as the outcome of the Ad hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA), that is negotiating in parallel for enhanced implementation of the UN Framework Convention on Climate Change.

The contact group meeting on 13 June continued the political discussion that began in Bangkok, with Parties posing and answering questions. The discussion centred around whether or not the flexible (or market) mechanisms of the Kyoto Protocol would continue without a second commitment period, and whether multilateral rules or individual domestic rules with regard to accounting and the market mechanisms would be preferable. (The Kyoto Protocol and its implementing decisions already contain such rules.)

Developed countries expressed their preference for multilateral rules and their intention to continue using market mechanisms, in particular the Clean Development Mechanism (CDM), beyond the Kyoto Protocol.

Developing countries, on the other hand, insisted that the Kyoto Protocol was a package, and that developed countries cannot pick parts that they like, such as the market mechanisms, without a second commitment period of the Kyoto Protocol. (Developing countries have also been insisting on multilateral rules, but for emission reduction commitments, in the form of the Kyoto Protocol and its second commitment period.)

**Tuvalu** began by asking Annex I Parties what the appropriate legal form would be (for their

emission reduction commitments), and whether they were expecting to see a legally binding agreement as the outcome of the AWG-LCA, in time for Durban. If not, it asked, what are the elements for such a legal agreement coming out from Durban that would give Annex I Parties enough satisfaction for adopting a second commitment period?

The **European Union** asked according to which rules Annex I Parties would see themselves taking commitments.

**China** said that the conditionalities that Annex I Parties have attached to their further emission reduction commitments need to be further clarified, and agreed with the question by Tuvalu as it was relevant to whether the pre-conditions by Annex I Parties are of a technical or political nature. If they relate to the (accounting) rules or technical issues, this needs further discussion, but not if their intention is not to accept a second commitment period under the Kyoto Protocol.

**New Zealand** repeated that its long-term preference is for a single treaty. It can only consider taking a second commitment period (and no further commitment periods beyond that) under the Kyoto Protocol. It would like a comprehensive global agreement which puts the world on track to achieving the two degree Celsius goal, in which all major emitters and advanced developing countries take mitigation commitments.

With regard to what might be sufficient for Durban, it said that ministers will look at what is on the table in terms of legal form and at the mitigation pledges and how they are inscribed. It is a question of form and content, and has to convince the public that everyone is doing their fair share. It said it was hard to tell if it was possible to get there by Durban.

It considers the second commitment period as a transition, and that there is not likely to be a third commitment period as we know it. The second commitment period would be a transition to a single treaty, it said. It asked what is the “docking mechanism”, in which the Kyoto Protocol joins up with that treaty and brings it into a single cohesive global agreement.

It asked whether developing countries would accept a second commitment period if too few (Annex I) countries were willing to commit, or if the level of ambition was too low.

**Saint Lucia** echoed the EU’s question about which rules Annex I Parties anticipate taking their commitments under. It also asked about the eligibility (of Annex I Parties) for the market mechanisms going forward, and how to address the issue of surplus assigned amount units (AAUs) as a technical matter.

**Algeria** said that a second commitment period is crucial and should be addressed in order to avoid a gap between the commitment periods. It said that the commitment of Annex I Parties is very important, and this needs to be done first. Only then could we see how to engage the other emitters through a new framework, it said. Without legally binding targets, Annex I Parties would not be obliged to buy carbon credits, and the CDM would not be efficient without the second commitment period, it said.

The Chair commented that there are existing rules under the Kyoto Protocol and that there were various proposals in the AWG-KP negotiations to amend and improve them. However, some Kyoto Protocol Parties will not be taking their commitments under the Kyoto Protocol, but there are no other negotiations for accounting rules, and this could be useful to explore, he said.

**Australia** said that it was committed to a legally binding climate change regime, covering mitigation by all major emitters. This means that it is linked to the negotiations under the AWG-LCA, which should help but not hinder the legally binding outcome, towards an eventual treaty. It said that in terms of a legally binding outcome, it helps to have a single agreement, bringing in all major economies. It said that it took a holistic approach to the rules. Some of them it likes, and some can be improved. It said that the rules discussion should be taken forward and linked with the AWG-LCA.

**Saint Lucia** then asked the three countries that have expressed their lack of enthusiasm for taking on a second commitment period whether they see their targets converting to AAUs, which is the accounting framework of the Kyoto Protocol which allows for comparability of efforts. If not, it would be difficult in terms of allowing access to the CDM, joint implementation (JI) and emissions trading (the flexible or market mechanisms of the Kyoto Protocol). It asked how these countries see the accounting in the new treaty that they want, and whether the targets are merely domestic.

**New Zealand** said that if there is no second commitment period, this does not mean that Kyoto Protocol Parties will stop their mitigation. They will keep on doing them, just without international commitments until there is an agreement. It said that it will not be dismantling its emissions trading scheme, nor stopping its research on agriculture mitigation. It said that the CDM will continue, and that there will be demand for it from Annex I Parties. It said that the outcome from Cancun has acknowledged clearly that the CDM will continue.

Tuvalu expressed its discomfort that it was not getting a response to its questions. Without some clarity and assurances, it is very difficult to understand the context of the rules, it said. It said that New Zealand's view of the second commitment period as a docking mechanism would have implications for the length of the commitment period, among other things. It said that it is not clear how much of a legally binding outcome is required by Durban.

It said that the Parties that have domestic emissions trading schemes would face problems. The international system was now bound under the Kyoto Protocol with its rules. Credits can be generated from outside this system, but their fungibility would be in question. There could be a CDM-like system, but its certified emission reductions (CERs) would not be eligible under the international system that we have now.

It asked Canada, Japan and Russia how they see their efforts in JI and the CDM, noting that their continued participation is in question. It asked whether they have alternative and CDM-like approaches.

**Australia** said that its 2020 target is irrespective of any international agreement. It intends to continue its mitigation action, and was prepared to be more ambitious. The higher end of its pledge is conditional on access to deeper and global markets. It said that the continuation of the CDM is part of the global agreement. It said that by Durban there should be some certainty with regard to the global agreement, and that the legally binding commitments should be internationalized.

**Zambia** asked how Annex I Parties how they foresee the legal form and regime that to which they refer.

**Brazil** said that the CDM is the flexibility in the Kyoto Protocol for Annex I Parties to fulfill their emission reduction targets. If there are no targets and no second commitment period, then there is no CDM, it said.

**Japan** said that the CDM will continue in the new framework. It said that there is room for improving the CDM, and this perception is also shared by developing countries. It said that it would like to contribute to such a discussion with a view to better utilisation in the new framework.

The **EU** said it would like to continue the rules based system in the Kyoto Protocol. Its legislation for 2012 and the European Trading System are in place, it said. It expected the CDM to continue post-2012 as there would be demand by the companies that have targets and are included in the ETS. Post-

2012, it wants a multilateral set of rules, otherwise countries will be forced to choose what to do themselves and will make up their own rules when the rules disappear, and this would result in proliferation of the rules.

With regard to the conditionalities for agreeing to a second commitment period, it said that some are within the context of the Kyoto Protocol rules. There are also political conditionalities that sit outside, and the more clarity we have on the future, shape, timetable, the more we can make the political case to finalise the agreement here, it said. For political clarity in Durban, the outcome should reflect that all are equally serious, it said.

**Canada** said that its target is not simply a domestic target; it is a political commitment in an international context. The legal outcome and the rules-based framework is what we are discussing in the AWG-LCA, it said. If there is effective measurement, reporting and verification (MRV) and systems of review, it will provide the framework for comparability of effort for a rules-based system in the context of all major emitters. It said that it is looking at the global markets options, and contemplating how the CDM fits in, is important. There are things we like, and things to improve, and it is important to have the discussion in a wider context, it said.

**Russia** said that its pledges are under the AWG-LCA track, and it depends on whether we reach legal agreement there or not. It spoke about a global carbon market and access to the markets by all countries in a new legal agreement. It said it has already over-achieved all its obligations under the first commitment period.

**Papua New Guinea** said that it wanted a second commitment period, and there is a need to increase the level of ambition. It said that a REDD (Reducing emissions from deforestation and forest degradation in developing countries)-plus mechanism can help countries reach higher levels of ambition. It said that LULUCF rules should respect environmental integrity, and it supported the continuation of the current Kyoto Protocol system.

**New Zealand** said that the CDM is not only for Annex I Parties to fulfill their commitments. It is also to assist sustainable development in developing countries. It said that legally, there is no end date to the CDM, and it was not anticipated that it stands or falls under the Kyoto Protocol. As matter of policy, it has been an important conduit of billions of dollars and new technology to developing countries. It said that developing countries want to extend the geographical spread of the CDM, which means that

they think it is a good thing too. It asked, why undo something with so much potential and win-win for all. It said that New Zealand intends to continue using the CDM and trading schemes. Multilateral rules are better than the “wild west”, it said.

**Bolivia** said that the objective of the Kyoto Protocol is for developed countries to reduce their emissions. The CDM is far from the objective of the Kyoto Protocol, it said. Without a second commitment period, there is no purpose for and no possibility of the CDM. It said that the AWG-KP and AWG-LCA negotiating tracks must be kept separate as they have different objectives. It reminded that the agreement to start the spin-off groups on technical issues was subject to the understanding that the work is under the framework of the second commitment period. It emphasized increasing the level of ambition for emission reductions, and said that developing countries are doing even more than developed countries to reduce their emissions.

**Brazil** said that it was very keen to have the CDM continue and expand and this is one of the most important parts of the second commitment period. The CDM is part of the Kyoto Protocol, and countries cannot just pick what they want from it, as it is a package, it said.

**China** agreed that the flexible mechanisms are only part of the second commitment period of the Kyoto Protocol.

The **EU** agreed that the CDM is part of a broader package. Its strong preference is to have a decision on it in the context of the completion of our work within its mandate. It said that the gap between the commitment periods may happen and that is what we have to think about. In a transitional situation, it fears losing the rules-based multilateral system. It asked what would then happen with the share of proceeds for adaptation as it has been very important to the Adaptation Fund so far. It urged for keeping in mind political will rather than any legal impediments to continuing the CDM.

**India** said that the Kyoto Protocol is a balanced package, and that it supports the CDM. It said that the two negotiating tracks of the AWG-KP and the AWG-LCA should be kept separate, and reminded Annex I countries that as far as the AWG-LCA track is concerned, progress was already agreed in Cancun, and the focus should be on the ambition levels of developed countries.

**Brazil** said that there are two different gaps to keep in mind: One is provoked by the lack of time for ratification and entry into force of the second commitment period, even if it is adopted in Durban. Another is if agreement is not reached in Durban. It said that it was only considering the first scenario for Durban.

The Chair summarized the discussion by saying that there was convergence around a multilateral rules-based system, and for the continuation of the flexible mechanisms.

### Special Event on Response Measures Warns against Trade Protectionism and “Unjust Transition”

Bonn, 14 June (Hilary Chiew) – Developing country Parties highlighted the distortion of international trade caused by some mitigation efforts of developed countries, cautioning that the impact of the use by some Annex I Parties of unilateral trade measures that are incompatible with World Trade Organisation (WTO) rules is already being felt and this could potentially diminish the prospects for development of developing countries.

These concerns were raised at a Special Event on the impact of the implementation of response measures (by Annex I Parties to mitigate climate change) convened by the Chairs of the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA).

The Special Event was in the form of a kind of workshop. It was linked to and was to provide inputs to a forum on the impact of the implementation of response measures on developing countries. This was mandated by the Cancun decision, para 93. The forum (which will take place on 14 and 15 June) is to discuss a work programme to address the issue, and also discuss a “possible forum on response measures”. Several developing countries called for the forum to be turned into a permanent one to address the serious economic and social consequences arising from response measures of developed countries.

**Argentina on behalf of the Group of 77 and China** said all developing countries face economic and social consequences in different ways.

Julia Hoppstock of Argentina said the forum should serve as a platform to promote understanding of the nature and magnitude of the consequences of response measures, help developing countries identify and address impacts, and share information and ways to minimise the negative consequences. She further said the forum should respect the

principles and provisions of the Convention, respect the Bali Action Plan, implement paragraph 93 of the Cancun decisions and take account of developing countries’ needs and concerns.

(Paragraph 93 refers to the decision of the Conference of Parties in Cancun “to provide a forum on the impact of the implementation of response measures, and to that end requests the Chairs of the SBSTA and SBI to convene such a forum at the current Bonn sessions of these bodies, with the objective of developing a work programme under the subsidiary bodies to address these impacts, with a view to adopting, at the seventeenth session of the Conference of the Parties in Durban, modalities for the operationalization of the work programme and a possible forum on response measures”.)

Hoppstock also cited paragraph 89 of the Cancun decision which urges “developed country Parties to strive to implement policies and measures to respond to climate change in such a way as to avoid negative social and economic consequences for developing country Parties and to assist them by providing support, including financial resources, transfer of technology and capacity-building, to build up the resilience of societies and economies negatively affected by response measures”.

On the modalities of the forum, she said it should be open to all, and should meet twice a year with the Subsidiary Bodies (SBI and SBSTA) which report back to the Conference of Parties on future work.

India in its presentation said trade measures can have a distorting effect on developing countries’ economies. It pointed out that the use of unilateral trade measures (UTMs) or border measures in the guise of environmental cases is to keep foreign competition out of their markets such as those encouraged by the US Clean Energy, and Security Acts.

It further noted that the use of UTMs violates the provisions under Articles 4.3, 4.5 and 4.7 of the UN Framework Convention on Climate Change.

India said the distorted effect on international trade and restriction on market access of developing countries can have adverse impacts on the economy and social development and poverty eradication programmes. Such effort to address climate change through UTMs will lead to tit-for-tat trade restrictions, spark trade wars and lead to retaliation by affected countries.

It also said WTO rules were created when climate change was not yet a big issue and that addressing climate change should not be an excuse for distortion, adding that, therefore, addressing technology transfer and financial assistance cannot be delinked from the discussion on response measures.

**The Democratic Republic of Congo, representing the African Group,** said it supported the need to further engage in discussion about the impact of response measures, particularly on trade, in the same light as impact of climate change in the context of adaptation.

It said there is no forum now to discuss this matter, especially the impact on Africa, and was sceptical that the matter could be brought to the WTO. It pointed out that the Doha Round (of ongoing WTO negotiations) has stalled and this issue will not be discussed by the WTO, adding that the WTO rules do not take account of measures in climate-related trade disputes. It said Parties should begin to talk of these risks to prevent the UNFCCC's outcome from clashing with trade rules.

**The Alliance of Small Island States (AOSIS),** citing the example of the air passenger duty imposed by the United Kingdom, said a study by the Caribbean tourism organisation in December 2010 showed a decline in tourist arrivals from the UK as a result of the policy.

It said the forum is the central space to discuss impacts of response measures, adding that small island developing states are already faced with high adaptation costs and they are highly dependent on imports of fossil fuels and have constraints in switching to alternative energy sources. Further, their economies are also dependent on food import, tourism and international transportation for connectivity.

It said the work programme on response measures needs to assess the magnitude of the problem, and actions to minimise impacts through technology transfer and financing.

**The Organisation of Petroleum Exporting Countries (OPEC)** said its members are very vulnerable to response measures as most of them are dependent on oil exports.

(OPEC has 12 members: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.)

Its environment coordinator M. Taeb listed several transmission channels of the impact, namely loss in export revenues, loss from shifting economies towards industries where they have less comparative advantage, reduced domestic demand for goods and services, and higher costs of imports. Other impacts include trade barriers, higher financing costs, and social spill-over effects. He highlighted that 45% of OPEC members' populations are below 19 years old.

A recent study showed that in an under-550ppm (parts per million of CO<sub>2</sub>-equivalent concentration in the atmosphere) scenario, the Group's export revenue per capita will be halved and GDP will be 23% lower in 2050. Under a 450ppm scenario, the effects will be even higher.

He pointed out that the issue of adverse effects from response measure to environmental problems had a 40-year-long history, beginning with the United Nations Conference on the Human Environment in Stockholm in 1972 to the UNFCCC but lamented the lack of progress in implementation.

He hoped the Cancun decision will lead to operationalisation of the Convention provisions under Articles 4.8, 4.9 and 4.10.

He said the work programme among others should have a dialogue where Annex I countries present their reports and allow for exchange of views and experiences. He also stressed the need for a permanent forum on this matter.

**Saudi Arabia** outlined its request for a structural approach for the issue and said that the mandate for the forum should include an interim forum, work programme, operationalising the programme and a permanent forum.

Its presenter and negotiator, Aysar Tayeb, said elements to be included in the work include examination of the policies, examination of the impacts, reduction of impacts and building resilience. He called for bilateral and multilateral dialogues on findings by comparing the modelling results, if we are using different assumptions and baselines, and reporting on the dialogue and opportunity for exchange of views, because otherwise the findings are just hearsay.

He said economic and social impacts need to be examined and reminded developed country Parties

that it is an obligation to ensure the policies provide positive solutions and avoid biasness.

He stressed the short-term and long-term plans to build resilience of developing countries for adaptation and address the shock of loss and damage.

To take the work forward, Saudi Arabia would like a permanent forum to carry out the detailed work programme, producing COP decisions, assigning specific tasks to the subsidiary bodies, reviewing progress of implementation and follow-up and updates.

It would also like the forum to meet four times a year and hold other events in providing a continuous venue for dialogue which should include the participation of experts, civil society and intergovernmental organisations.

**Kuwait** presented that 90% of its revenue is derived from oil and it accounts for 50% of the country's GDP. It faced limited options for economic diversification.

It said developing countries' oil producers are disproportionately affected and these vulnerabilities must be taken into consideration by developed countries when designing their mitigation action plans and that they should apply real effort in trying to reduce the negative effects.

It further said developed countries need to assist developing countries that are highly dependent on fossil fuels to diversify their economies and must demonstrate the results of this assistance.

**Qatar** said policy choices of developed countries must be those with win-win impacts. It expressed doubt that the European Union aviation directive could lead to emission reductions but that it has a clear negative impact on all developing countries.

**Venezuela** underlined that balance is the key word and that fossil fuels will remain a basic source of energy and Parties have to tackle this issue and not cherry-pick the issue.

**The European Union** said for all its new policies, there were impact assessments on third countries, stakeholders' consultations including third parties, with the double objectives of maximising positive effects and minimising negative ones.

For example, its directive on renewable energy takes into account the risk of adverse impacts of biofuels by development of sustainability criteria.

Regarding aviation emissions, it said that under the EU law, airlines must reduce their emission by 5% below 2005 by 2020 but about 100 aviation companies of developing countries are exempted from this law. On the inclusion of aviation in the EU Emission Trading Scheme, it said aviation is a

significant sector and it is developing performance standards for the industry and if third countries implement equivalent measures, they too can be excluded.

In response to the EU's presentation that underscored that there are both positive and negative effects of the response measures, Saudi Arabia and China said the understanding of the forum is to deal with the negative aspects and to help developing countries.

**China** also questioned the extent of the EU stakeholders' consultation when implementing policies. It asked if the EU can improve on its consultation when it implemented policies with impact on trade and aviation where developing countries are the stakeholders. It noted that it is unfair to impose the same carbon duty on the Chinese air passengers whose emission per capita is far below that of the Americans and the Europeans.

It said China is very concerned by the trade measures especially Border Trade Adjustment as many factories will be forced to shut down and workers will lose their jobs.

**Singapore** shared similar concerns on the use of trade measures. It said that Parties should not do anything under the UNFCCC that unbalanced the WTO as it cannot rewrite or reinterpret WTO rules.

The **South Centre's Executive Director Martin Khor** emphasised the measures that can be taken to assist developing countries affected by response measures. He clarified that developing countries are not asking Annex I Parties to restrain themselves in the volume of their response. Instead we want high ambition in response measures because lower response measures would mean less carbon space for developing countries, he said.

Khor further said if response measures cannot ensure minimal consequences, then Parties have to address this problem. For example, if response measures affect the many advantages of free trade, we have to deal with the losses. Already the United States is talking about protecting its citizenry who will lose their jobs.

He pointed out that measures such as removal of subsidies on fossil fuels are major response measures as they will have vast implications on the economies of developing countries.

Khor said subsidies change in favour of climate-friendly products and technologies should be designed in a way that also benefits developing countries such as avoiding monopoly effects while sharing the lower costs through affordability and assisting developing countries in subsidising their farmers and firms to go 'climate-friendly'.

He also cautioned against the use of standards and labels as trade protection measures and the need to assist developing countries to upgrade standards so that they can diversify into new products and technologies.

He further said that developed countries should avoid unilateral trade measures as far as possible and such measures should be discussed and agreed to internationally before they are implemented. He also pointed out that public campaigns such as ‘food miles’ may have good intentions but created negative social effects unless a just transition is implemented for farmers or workers in developing countries.

Among measures to assist developing countries to avoid or minimise the impacts of response measures, Khor said there should be compensatory financing schemes for countries facing external shocks or adjustment problems and providing affordable technologies for diversification in adding value to commodities and in upgrading their goods and services. Some of these financing schemes can be done through aid for trade and through the UNFCCC finance and technology mechanisms.

He also suggested review of relevant international regimes to make them supportive of assisting developing countries to diversify and meet the challenges towards a climate-friendly world environment.

The **International Labour Organisation** in its presentation stressed on a just transition to address the risks of job and skill losses in greening economies.

It said 38% of the world workforce is in high-carbon sectors and they are relatively lower-skilled workers. Badly managed transition will lead to prolonged unemployment, permanent wage cuts and income inequality as green employment tends to have higher skill content. It noted that policies for a just transition are available via well-designed labour markets and social policies, skill adaptation and upgrading, and social dialogue.

It also said it is inevitable that trade and climate change have to be discussed together as they are intimately linked and there must be coherence on both fronts. If we link the sectoral policies well, we can have a positive outcome, it said.

This special event heard presentations from AOSIS, the EU, G77 and China, OPEC, India, Kuwait, Qatar, Saudi Arabia and Venezuela, followed by six technical presentations from the consultant Cambridge Econometrics (commissioned by the UNFCCC), the International Maritime Organisation, the South Centre, the International Labour Organisation, the World Health Organisation and the International Centre for Trade and Sustainable Development.

The forum on this issue begins today, 14 June.

### Strong Disagreements over Way Forward on Legal Options Group

Bonn, 15 June (Meena Raman) – Strong disagreements between Parties surfaced at an informal group meeting in Bonn on 14 June of the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the UNFCCC on how to move forward on discussions on legal options for the form of the agreed outcome under the Bali Action Plan (BAP).

Underlying the disagreements is whether the agreed outcome under the BAP should be in the form of a new treaty or be a decision of the UNFCCC Conference of Parties (COP) for it to be legally binding. Several developing countries including India, Bolivia, Saudi Arabia and Venezuela did not want further discussions on the form of the legal outcome when the substance of the legal outcome was still under negotiations in other negotiating groups under the AWG-LCA.

In Cancun last December, the COP requested the AWG-LCA to continue discussing legal options with the aim of completing an agreed outcome based on decision 1/CP.13 (the BAP), the work undertaken at the 16th meeting of the COP (in Cancun) and proposals made by some Parties under Article 17 of the Convention for new protocols.

[A total of six new protocols have been proposed by Japan, Tuvalu, the United States, Australia, Costa Rica, and Grenada (on behalf of the Alliance of Small Island States). The proposal by Grenada was officially notified to the Secretariat and the Parties in May 2010. The other five proposals were notified in 2009. The proposed protocols are all legal instruments envisaged as the outcome of the AWG-LCA. According to the developing countries concerned, their proposals are intended to be legal instruments that sit alongside the existing Kyoto Protocol, and are not intended to replace it.]

At the informal group meeting held in Bonn facilitated by Ms. Maria del Socoro Flores Liera

(Mexico), she wanted Parties to discuss which elements under the BAP required COP decisions and which needed other legal instruments.

The **United States** said it supported a legally binding agreement which has equal force for all major emitters to reflect certainty and seriousness. It said that the mitigation obligations needed a legally binding agreement. It proposed a new protocol under the BAP. Its premise was that all Parties have legally binding obligations under the Convention. It explained the US proposal that differentiates among Parties based on the principle of common but differentiated responsibilities and respective capabilities.

Developed countries' mitigation targets are based on production targets in the 2020 timeframe and reflected in an appendix. For developing countries, those with greater responsibility must implement mitigation actions in the 2020 timeframe (and this is also contained in the same mitigation appendix). The US did not expect developing country mitigation actions to be based on production targets. A critical element is that mitigation commitments are not stagnant but based on responsibility and reflect changing circumstances of developing countries. This was consistent with the Convention and the principle of common but differentiated responsibilities and respective capabilities, the US said. On the way forward, it wanted implementation of the Cancun decisions and to move towards a legally binding agreement. However, the US said that at this time, there was a lack of political guidance in this area and a treaty would take time but the mandate has to be clear.

**Australia** said there is a need to know what elements are legally binding and how particular elements should be treated. For Australia, what is important is that the individual mitigation targets and actions are binding for all and should be linked to

responsibility and capabilities of Parties. It does not expect the poor countries without capacity to do so. The best way, it said, is to have a common legally binding platform with flexibilities (for some countries). The developed country mitigation is bound to an emissions outcome but developing countries' mitigation is not bound to an emissions outcome. It supported the idea to build in differentiation and allow further flexibilities to specify whatever type of actions. Other elements of mitigation include obligations to participate in measurement, reporting and verification (MRV) of the actions. While there could be a common platform, flexibilities could be built in for those without capacity. Also needed was to address accounting rules and market mechanisms. For matters related to institutional structures as in finance and adaptation, flexibility may be needed and could therefore be better off being addressed through COP decisions. It supported the idea for an 'options paper' on the legal form in this regard.

**Benin** said it did not want to see an agreement that replaces the Kyoto Protocol and the outcome must be consistent with the Convention.

**Bangladesh** said that the Durban conference could finalise a timeline for a legal text.

Ms. Socoro said that it was clear that there was no agreement on the legal form and she was trying to get a better understanding from Parties and that the discussion needed political guidance. She said that many countries have said that mitigation, MRV, market mechanisms, accounting rules, adaptation, technology and finance could be included in a possible legally binding outcome. She invited Parties who have presented proposals for new protocols to view them in the light of all the developments. She said that more specific discussions on the content of the proposals could be useful if they are to be COP decisions or a legally binding outcome. On mitigation commitments and actions, she wanted to hear views on MRV, market mechanisms and adaptation.

**Saudi Arabia** asked what the point was in having lengthy discussions on different proposals, which all Parties already know about if it was clear that there is no agreement on the legal form. It objected to having further discussions in this regard.

In response, the facilitator said that several delegations were not closed to discussing the ideas and wanted to know the content better. She said that there is also the view that COP decisions could work and it was good to compare the advantages and disadvantages of the options.

**Colombia** supported the facilitator's proposal and said that this could lead to the preparation of an 'options paper'. Delegations had different opinions and the paper could also reflect no agreement on the matter.

The **European Union** said it was keen to hear about the proposals (for the new protocols) on the table.

**Russia** said that in relation to the legal form, an international treaty is the best form of the outcome. COP decisions can be a good option in the interim. It said that Russia has proposed amendments to the annexes of the Convention and for regular revisions of Parties to the annexes as there is a need to reflect the changes since 1992 when the Convention was adopted.

**Bolivia** said that in order to advance on the form, there needs to be advance on the substance. It was not against a legal form if the substance was clear. The issue of the legal form cannot be resolved if there is no agreement on the substance and to discuss the substance in this informal group would be to replace negotiations in all the other informal groups.

Norway welcomed the discussions and the idea of the options paper, as did **Grenada, the Marshall Islands, Ethiopia, Australia, Switzerland, New Zealand and Japan.**

India said that the discussions have not matured to where Parties can move to consider options for the legal form. It said that there was a need to move in a sequential order to have the substance of the outcome clear. It did not support the idea of looking at options for the legal form and the proposal for the 'options paper'.

**Saudi Arabia** supported Bolivia and India and did not want further discussions. It said that Parties had fundamental differences on the proposals by Parties for new protocols. What was needed was for the AWG-LCA to focus on substance and not on the legal options issue.

**Venezuela** supported India, Bolivia and Saudi Arabia.

In response, Ms. Socoro insisted that by discussing the proposals, Parties will learn more and proposed another short session on the issue. Since some Parties were not inclined to have the 'options paper' she suggested the capturing of discussions in a summary form.

**Saudi Arabia** in response said that there was no need for any additional session on the matter and it would object to any discussions on the different

proposals as the proposals have been there and Parties know about them. The issue of substance was being discussed under the different building blocks of the BAP and it was not prepared to discuss the substance of the form of the legal outcome now.

**India** said that since another meeting is being planned, there was no need for a paper to summarise

the discussions, as this was too early and that the time was not right for any paper on the summary of the discussions.

Ms. Socoro then said that she would present the outcome of the discussions to the AWG-LCA Chair and find out if this informal group could have another meeting this week.

### Deep Differences over Establishing a Forum on Impact of Response Measures

Bonn, 15 June (Hilary Chiew) – Parties argued over the necessity to have a dedicated forum on the impact of the implementation of response measures at the first session of a discussion forum jointly convened by the Chairs of the Subsidiary Body on Implementation (SBI) and Subsidiary Body on Scientific and Technological Advice (SBSTA) at the ongoing climate talks.

Following a Special Event on 13 June, Parties are supposed to discuss the content and modalities of a work programme and a possible forum in two sessions held on 14 and 15 June. At the Event, several Parties and Groups of Parties made presentations and six technical papers were also presented (See TWN Bonn Climate News Update No. 21).

However, on 14 June, developed country Parties said there are existing channels for information sharing as requested by developing countries but the latter felt that those channels were insufficient and asked Annex I Parties to respect the mandate of the Cancun decisions on this matter adopted last December.

(They are referring to paragraph 93 of the Cancun decision (1/CP.16) that reads: “*Further decides to provide a forum on the impact of the implementation of response measures, and to that end requests the Chairs of the SBSTA and SBI to convene such a forum at the 34th and 35th sessions of these bodies, with the objective of developing a work programme under the subsidiary bodies to address these impacts, with a view to adopting, at the 17th session of the Conference of the Parties, modalities for the operationalisation of the work programme and a possible forum on response measures*”.)

**Argentina on behalf of the Group of 77 and China (G77-China)** sought clarification on the status of the ‘special event’ and asked for a report to be released with the general conclusion and summary.

It further said that the vast majority of views reflected the need for a work programme to reflect the specific needs of developing countries and it is not helpful to say that there are convergence and divergence in views as a large number of presentations converge on the view that impacts from the implementation of response measures are real.

It reiterated the G77-China’s position that a forum would serve as a direct platform for exchange of views, and serve to promote understanding of the consequences and specific nature of the design and implementation of response measures such as trade measures which some developed countries had already implemented or are planning. In this context, it said there is a need to discuss the consequences and actions of developed countries to facilitate technology collaboration because it will need help from experts to assist developing country Parties.

**Saudi Arabia** supported the move as it said clarity on the status and a detailed, formal report of the ‘special event’ is needed. **India** said its concerns should be reflected and that should be the basis form which to start work.

After consulting with the SBI Chair Robert Owen-Jones (Australia), the SBSTA’s Chair Mama Konate (Mali) said the ‘special event’ was to deepen understanding of the issue and concerns of Parties would be reflected in the report expected to be issued on 15 June.

**Saudi Arabia** said the ‘special event’ should be characterized as more than deepening understanding but to provide input to the issue and thus all the presentations should be attached so that Parties could benefit from it and use that as a starting point.

**Australia** said it would like to see the report reflecting balanced views and does not see the need to attach presentations to the report as it is sufficient that they are made available on the UNFCCC’s website.

The **European Union** said the ‘special event’ was stimulating and extremely informative. It was of the view that it is useful to continue sharing ideas. While it expects to see a completed report of the event, it also hoped the report will accurately reflect the exchanges and preferred not to go into further details on what messages to draw from the event. It expressed concerns about where the discussions were heading.

The joint forum co-Chair Konate then urged Parties to get into real work by looking at the lists of suggested questions for discussion in the information note handed out so that views on the elements proposed could be collected including those identified in the ‘special event’.

The suggested questions listed as items 12 and 13 in the information note are:

*“With respect to the content of and modalities for the work programme to address the impact of the implementation of response measures:*

*(a) What should the objective and scope of the work programme be?*

*(b) How should the work programme be structured? What activities and milestones should it generate?*

*(c) How should the work programme be managed (i.e. including how stakeholder engagement should be addressed)?*

*(d) When should the work programme be reviewed? When should possible further activities be discussed?*

*(e) What links to the existing processes (eg national communications, a possible forum) should be established and examined?*

*With respect to the content of and modalities for a possible forum on response measures:*

*(a) What could the role, form, scope and functions of a possible forum be? How should it relate to the work programme?*

*(b) How should a possible forum be organized, including its duration and participation?*

*(c) What relationship should exist with the COP and/or the subsidiary bodies, including reporting?*

*(d) How should a possible forum build on existing channels or institutions, and link to relevant existing expert groups?”*

At this point, the EU said it needed clarification on how to move forward. It said between the work programme and a possible forum, which one are we addressing? It likened the exercise to between building a new house or considering an extension as it was of the opinion that there is already quite a lot of work on the issue of response measures. It stressed the importance of information in national

communications and if Parties are to work out what to put in a work programme, they have to think how to build on that and what are the gaps and how to improve on the weaknesses such as including information that is lacking.

It further said there are a number of streams already moving forward under the Convention and the Kyoto Protocol and we have to relate to them, avoid duplication and strengthen them, adding that it was not convinced that a new platform in the ‘proposed’ forum will add value, bearing in mind the limited time available.

It also said the issue of response measures should examine both positive and negative impacts as the wording in the Cancun decision is ‘impact on Parties’ and those Parties could also include developed countries.

**Saudi Arabia** said the Cancun decision is very specific wherein it addresses requests for developed countries to minimize their negative impacts from the implementation of response measures on developing countries and to provide finance, technology and support capacity building.

It appreciated the Chair’s approach of laying down a number of questions to take Parties forward as a good one, starting with the objective of the work programme and moving on to the structure and scope where the activities could be built up. Parties will then need to look at the modalities of the operation which indicate the duration, participation and number of meetings. It added that direction comes clearly from the Convention and the Cancun decision that provided the mandate, which is to find out how policies can be implemented to avoid economic and social consequences to developing countries and provide assistance to those Parties affected.

Joint forum co-Chair Konate said the intention was to go step by step and if there is some work (on the issue) underway elsewhere, it is up to Parties to inform the work programme that is being built. He noted that the ‘special event’ allowed a large exchange of views and Parties should concentrate on building the elements of the work programme and the modalities.

The **EU** said a work programme should bring together existing work streams into a single work stream, citing paragraph 92 of 1/CP.16, which includes positive effects, and evidence of actual impacts.

**Australia** echoed the EU’s comment that Parties should look at what we have already, referring to existing channels, adding that it would be unfortunate if existing channels are not used to push the agenda forward.

**Argentina for the G77-China** said existing channels are meant to share information but they are not enough. For example, national communications are one-way information sharing but developing countries wanted a two-way exchange of views. It elaborated that national communications for many developing countries are presented every four to five years, resulting in negative effects being reported 10 years later. Hence, we need a direct platform to address this, which is through the forum. It urged Parties to cooperate on this issue.

In supporting the G77-China's assertion, **Saudi Arabia** said the national communications do not facilitate exchange or dialogue. It said Parties may have to wait a further five years for Annex I Parties after reporting a 10-year-old negative effect on their response measures, adding that Parties will be negotiating for a long time while lots of people lose their jobs. In response to the EU's house-building analogy, Saudi Arabia said the COP tells us to go and build the house but did not tell Parties how to build it and that the mandate to build is very clear and is not contingent on any existing processes.

**Mexico** agreed that the forum is needed as it would be a special space and it is a clear and specific

mandate of the Cancun decision that the subsidiary bodies should develop the forum.

The **EU** said developed countries are already providing supplementary information every year and urged Parties to use them. On the need for a platform to exchange views, it said it would like to know the nature of the exchange; whether it is conducted in a meeting room like this session here or when Annex I Parties are developing their policies.

To this, **China** said the 5th national communication of the EU had 30 pages on response policies but only three pages refer to the consequences of the response measures and half of them are focusing on positive effects. Furthermore, it said, national communications were just focusing on the national level but not the international level, which is insufficient to reflect all the effects. Thus, a forum at the international level is important and should be separated from existing channels, adding that there is no channel focusing on response measures' impacts.

Co-Chair Konate asked Parties to bring their information to the second session of discussion on 15 June and reiterated that since the mandate is to develop a forum, if Parties take it step by step then the goal can be achieved in an effective manner.

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## Bonn News Update

# 24

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### Parties in the AWG-LCA Insist on Meeting in the Fall

Bonn, 16 June (Hilary Chiew and Meena Raman) – Many Parties reiterated their call for a further session in the autumn to advance work carried out in informal groups of the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the United Nations Framework Convention on Climate Change (UNFCCC) prior to the final session to be held in Durban at the end of the year.

Several Parties, from both developed and developing countries, made this call at the fourth “touch-base” session of the AWG-LCA held on 15 June in Bonn following progress made in the discussions under the informal groups.

AWG-LCA Chair Daniel Reifsnyder (the United States) asked facilitators of the informal groups to report to Parties on progress in their respective groups.

On the issue of ‘review’ to further define its scope and develop its modalities, the informal group facilitator Margaret Mukahanana-Sangarwe (Zimbabwe) said she introduced a summary paper and explained that it was just a summary and reflection of Parties’ views. However, she said the Group of 77 and China had expressed concern that the summary should not prejudice the outcome. Sangarwe, who is also the Vice-chair of the AWG-LCA, said she would revise the summary in time for the next informal meeting on 16 June.

(According to the Cancun decision 1/CP.16, Parties agreed to periodically review the adequacy of the long-term goal to hold the increase in global average temperature below 2 degrees C above pre-industrial levels in the light of the ultimate objective of the Convention, and overall progress towards achieving it in accordance with relevant principles and provisions of the Convention.

(It is learnt that while the Alliance of Small Island States wants the scope of the review to be limited to the long-term global goal, the United States

wants the review to include not only the adequacy of the goal and the efforts made but also the adequacy of the Convention itself. The US stance has raised concerns among many developing countries who perceive this as an attempt to renegotiate the Convention which they feel is unacceptable. Some developing countries want the review to include the efforts of developed country Parties in implementing their obligations under the Convention.)

Sangarwe also reported on behalf of Antonio Gabriel La Vina (Philippines), the facilitator of the informal group on ‘policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries’ (REDD-plus). She said Parties exchanged views on financing options. They said the options should come from various sources and some suggested flexible approaches to allow countries to choose what is appropriate according to their national circumstances. More discussions were needed to make further progress. There was also suggestion to continue to open up the meeting to observer organisations as these were just brainstorming sessions and their participations can be reviewed accordingly.

Jose Alberto Garibaldi (Peru), the co-facilitator of the groups on the mitigation commitments of developed countries and national appropriate mitigation actions (NAMAs) by developing countries, reported that on the discussion of mitigation by developed countries, there was an exchange of views and addressed technical aspects of guidelines for national communications and biennial reports, including scope, flexibility and timing. There were also proposals for workshops to be organized in this regard.

On the mitigation actions of developing countries, on the biennial reports, developing countries emphasized the need for clarity on key aspects especially as regards the financing of the reports. On the issue of the registry for NAMAs, many countries stressed the voluntary nature of the registry and discussed its functions and the modalities to facilitate support. Garibaldi noted common understanding on the need to separate in the registry, NAMAs requiring international support and those that were already being supported. There was also discussion on the prototype of the registry with the possibility of having a technical meeting in this regard. The need to measure, report and verify (MRV) the support was also stressed.

(In Cancun, Parties had agreed to set up a registry to record NAMAs seeking international support and to facilitate matching of finance, technology and capacity-building support to these actions. They also agreed to develop modalities for the facilitation of support through the registry.)

George Wamukoya (Kenya), the facilitator of the informal group on 'cooperative sectoral approaches and sector-specific actions', said that in order to enhance the implementation of Article 4, paragraph 1(c) of the Convention, two informal meetings were conducted since 13 June (Monday) and Parties discussed ways to move forward and outlined three items as the focus: general framework for cooperative sectoral approaches; agriculture; and bunker fuels. He said it was agreed that there would be more informal meetings on each from 15-16 June.

The informal session on the general framework for cooperative sectoral approaches will be facilitated by Singapore. On agriculture, he said views were exchanged on how to progress and it was decided that the text from Copenhagen (15th meeting of the UNFCCC Conference of Parties in 2009) will be used as the basis for negotiations and Brazil wanted to provide more inputs by today (16 June).

The informal group on market and non-market approaches was facilitated by Gasper Martins (Angola), who reported that there was common ground that could provide the basis for a decision on these approaches but the need for further discussions on this was stressed.

Jukka Uosukainen (Finland), facilitator of the informal group on 'technology development and transfer and capacity-building', said Parties had good discussions on institutional arrangements for capacity building. Some Parties saw the benefit of having a technical paper by the secretariat in this regard and also asked for an in-session workshop on capacity building.

Reporting on technology development and transfer, Uosukainen said there were some crunch issues such as operationalising the Climate Technology Centre and Network and its accountability to the COP. Parties also raised governance issues such as what is the most fruitful role of the Technology Executive Committee in steering the process. Parties will continue to discuss broader issues in terms of finance and the link to other bodies.

George Borsting (Norway), who facilitated the finance informal group, said Parties continued to make progress on the Standing Committee with clarification sought on specific elements to operationalise the committee. Some Parties had developed views on the functions of the committee while others were working on submissions. On long-term finance, Parties reflected a variety of views and there is a need for further discussions.

(The Cancun COP meeting decided to establish a Standing Committee under the COP to, among other things, improve coherence and coordination in the delivery of climate change financing.)

Maria del Socorro Flores (Mexico), who facilitated the informal group on 'legal options', said there were rich discussions in the legal options informal group and Parties needed to narrow down differences in the hope of identifying common elements later this year in Durban.

Chair of the AWG-LCA Dan Reifsnnyder said it was important to carry forward the work achieved thus far to the next session but said that facilitators' notes have no legal status. (Some facilitators had prepared notes to reflect discussions in the informal groups.)

He proposed three options to deal with the notes viz. (i) to post them on the UNFCCC website; (ii) to include them in an 'information document' where all the notes from various groups will be pulled together in the original language; (iii) to attach them as an annex to the meeting's report, (which will have no status) but would be available in the different UN languages. He said he wanted to inform Parties early to avoid surprises on these options but the matter will be decided on Friday, 17 June at the closing plenary of the AWG-LCA.

He noted that from the facilitators' reports, there will be further submissions from Parties and there were requests for technical papers from the secretariat, adding that it was important to capture the progress of all groups and to summarise those views by Friday. He urged the informal groups to come forward with advice on how to move the work forward.

On a possible fall session, Reifsnyder said the in-coming presidency, South Africa, is still consulting informally with Parties and ideas are already emerging for possible intersessional workshops in the area of ‘registry’ and on ‘biennial reports’ ( in relation to mitigation) to be conducted back-to-back.

**India** said good work had been done in the last few days and a fall meeting is therefore vital for further progress. It said a lot of work is sequential in nature and there is a need to tie up loose ends in order to achieve something in Durban. It also said workshops are not the end in themselves as they must be linked to negotiations and also wanted Parties’ submissions to be put together with the facilitators’ notes.

**Brazil** also echoed the importance of a fall meeting and noted that Parties had begun to engage in the substance of the issues. It said back-to-back workshops will help to reduce costs and discussions of workshops will flow into negotiations and that will make them much more positive towards a Durban outcome.

**Tuvalu** said the workshops on registry and biennial reports should link to the ICA (International Consultation and Analysis) and the IAR (International Assessment and Review) as Parties

needed further elaboration on the IAR and suggested a workshop on the IAR as well.

**Singapore** agreed with the assessment of good progress in spin-off groups and would like to see summaries of different requests so Parties are clear on follow-ups in different groups.

**Pakistan** said it is not opposing the idea of workshops but the purpose of the activities must be clarified. It also supported views that Parties’ submissions must be treated in the same way as facilitators’ notes.

In supporting a fall meeting, Indonesia said it should be used to discuss substantive matters and furthering of texts. It can also go along with the idea of workshops and agreed that holding them back-to-back saves time and money.

**Colombia** said it was cautiously optimistic of progress and requested that the fall session dispense with opening and closing plenaries. It said some issues are very polarized and political in nature, making them difficult to move forward much. It suggested workshops to be held with the fall meeting.

**Australia** echoed similar cautious optimism and supported not having plenaries at the fall session and agreed that facilitators’ notes are important to move forward.

**Mexico** supported a fall meeting and said that the workshops should include market-based approaches.

# TWN

## Bonn News Update 25

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### Working Groups to have Additional Session before Durban, Parties Outline Expectations

Geneva, 20 June (Meena Raman) – At the closing plenary of the meeting of the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the United Nations Framework Convention on Climate Change (UNFCCC) in Bonn on Friday, 17 June, Parties were informed that an additional session for the meetings of the working groups (that include the working group under the Kyoto Protocol) will be held at a venue to be confirmed during the last week of September and first week of October before the 17th meeting of the Conference of Parties (COP) in Durban, South Africa.

Until late evening on Friday, despite numerous calls especially from developing countries for an additional session prior to Durban to advance further work, it was uncertain if this could be held due to budgetary constraints. Ms. Christiana Figueres, the Executive Secretary to the UNFCCC, told the AWG-LCA plenary that during the last three days of the Bonn session, pledges for additional resources have been made by developed countries to enable the meetings to take place. Consultations are underway on the venue and it has been learnt that Panama and Bangkok are being considered. Parties also agreed that the next session in September would be a resumed session of the 14th session of the AWG-LCA with work continuing on the basis of the (April) Bangkok agenda.

On how to carry the work from the Bonn session to the next session in September, AWG-LCA Chair Mr. Daniel Reifsnyder (the United States) said that Parties have submitted written submissions during the session and proposed that these be compiled as a 'MISC' (miscellaneous) document while submissions made after the session would also be put in a 'MISC' document. He proposed that the output of the facilitators of the informal groups be compiled into an 'INF' (information) document. These facilitators' outputs are on shared vision; mitigation commitments of developed countries;

nationally appropriate mitigation actions of developing countries; reducing emissions from deforestation and degradation etc. [REDD-plus]; sectoral approaches; various approaches including markets; economic and social consequences of response measures; adaptation; finance; technology development and transfer; capacity-building; review; legal options; and other matters involving Annex I countries undergoing transition to a market economy.

In response, the **Philippines**, who co-ordinates the Group of 77 and China (G77 and China) in the AWG-LCA, wanted the Group's specific submissions which were in the form of draft decisions on finance as well as technology transfer to be in the form of 'conference room papers' ('CRP' document). It also wanted the submissions by its member groups and other joint submissions of developing country Parties to also be in the form of CRP documents and to be used as the basis of negotiations. **Argentina**, the Chair of **G77** and **China**, confirmed that the texts submitted by the Group in the form of draft decisions be in the form of a CRP document.

The Chair in response asked all Parties to confirm with the Secretariat if their submissions are to be in the form of a CRP document and if not, the submissions would be compiled in a single 'MISC' document. In response to questions by Parties, the Secretariat clarified that lifespan of a CRP document is the duration of the session (for which it is submitted) but gets "a lease of life" if the session is a resumed session. The Secretariat also confirmed that whether a CRP document forms the basis of negotiations needs to be decided by the Parties and is not decided by a symbol on the document.

As regards the proposal by the Chair to compile the notes of the facilitators of the various informal groups into an 'INF' document, **China** said that since these notes do not have any formal status and were only a reflection of the views expressed by Parties

in the informal groups and did not represent the outcome of the informal consultations, it had difficulty in having these notes compiled as an 'INF' document. These notes were under the responsibility of the facilitators and given that this was a Party-driven process, all Parties also had their own notes. The Chair confirmed that the notes of the facilitators had no status and given the objection by China to have the outputs made available by way of notes compiled into an 'INF' document, he proposed that Parties could make use of the notes which were made available as they deemed fit and this was agreed to.

On the expression by some Parties for workshops on technical issues, the Chair said that any such workshop would only be undertaken during the resumed session and he proposed to prepare a scenario note on the organization of work for the next session. This was agreed to by the Parties.

The Chair also reminded Parties that they could make submissions on any items related to the Bali Action Plan (adopted by the COP in 2007 and is the mandate for the ongoing AWG-LCA talks). In addition, he welcomed Parties to make submissions in relation to paragraphs 47 and 67 of the Cancun decision (COP decision 1/CP.16). He asked for these submissions to be made by 9 September. (Paragraphs 47 and 67 relate to enhancing reporting through the national communications and biennial reports and updates, including international assessment and review of the targets of developed countries and measurement, verification and reporting of developing-country-supported mitigation actions as well as international consultations and analysis.)

**South Africa** reported to the plenary the outcome of its consultations on the deliverables for Durban, saying that a wide range of views were raised on political and technical issues. It outlined further consultations to be held in support of the negotiating process for a credible outcome. Two meetings have been confirmed, with a ministerial meeting to be held together with the German government from 3 to 4 July and a negotiators' level meeting in Auckland, New Zealand from 25 to 26 July. It also proposed further meetings tentatively to be held from 5 to 9 September for a ministerial level meeting, preceded by a meeting at negotiators' level and back to back with a stakeholders' meeting as well as a further pre-COP ministers' meeting back to back with stakeholders from 23 to 26 October to discuss issues and explore ways to move forward.

**Ambassador Silvia Merega (Argentina)** on behalf of the **G77** and **China** emphasized that the mandate for AWG-LCA is "to enable the full, effective and sustained implementation of the

Convention through long-term cooperative action now, up to and beyond 2012" as per the Bali Action Plan, and the Group is committed to fulfilling it. The AWG-LCA must continue its work with a view to presenting its results to the COP in a way that contributes positively towards reaching a balanced and comprehensive outcome. Merega underlined the importance of mitigation as part of a balanced and ambitious outcome in Durban. The G77 and China expected important issues in this context, such as ways to enhance the mitigation ambition of Annex I (developed country Parties) commitments, as well as the tasks necessary to operationalize the Cancun decisions including the setting up of a registry of support for developing country mitigation actions. Merega reiterated the appropriate treatment of mitigation, as determined in the Bali Road Map, demands a decision, in Durban, on establishing the commitments of the second commitment period under the Kyoto Protocol.

(The Bali Road Map comprises the Bali Action Plan and the mandate of the working group under the Kyoto Protocol to determine the second and further commitment periods of Annex I Parties to reduce greenhouse gas emissions.)

Merega welcomed the progress made during this (June 2011) session with regard to the development of the modalities and procedures for the operationalization of the Adaptation Committee. The Group expressed that the Adaptation Committee should be operational as soon as possible after COP17. Merega highlighted the need to allocate an adequate amount of resources to the Adaptation Committee and its secretariat in order for it to perform its functions in a predictable and sufficient manner.

Merega said that after intense discussions the Group of 77 and China formally tabled two draft decisions for the consideration of and approval by the COP. These draft decisions are on two of the very important elements of the Bali Action Plan, financing and the development and transfer of technology. On financing, the Group tabled a draft decision on the role and functions of the Standing Committee, as called for in paragraph 112 of decision 1/CP.16 and wanted further discussions with all Parties with the aim of rendering the Standing Committee operational in Durban.

(The Cancun COP meeting decided to establish a Standing Committee under the COP to, among other things, improve coherence and coordination in the delivery of climate change financing.)

On development and transfer of technology, the G77 and China has submitted a draft decision on the

Technology Mechanism which is focused on the operationalization of the Technology Mechanism in implementation of the work programme, as called for in paragraphs 128 and 129 of decision 1.CP/16. The Group believed that this text can serve as the basis for negotiations to have a fully operational Technology Mechanism that will enhance the development and transfer of technology in Durban.

The **Democratic Republic of Congo** for the **African Group** said on shared vision, the Bali Action Plan describes this as a vision for long-term cooperative action to achieve the ultimate objective of the Convention and this meant that it must be more than only a number; and therefore more than only a long-term goal. It is not only about stabilisation of our climate but is also about adaptation to the impacts of climate change and enabling sustainable development. The shared vision must ensure equitable access to sustainable development through a clear agreement on all the elements necessary to ensure equitable effort sharing as part of a long-term global goal that will keep Africa and its peoples safe.

On finance, the African Group supported the proposal of the G77 and China which called for a Standing Committee with clear roles, functions and composition. Among other things, it must improve coherence and coordination in the delivery of climate change financing; help to rationalize the financial mechanism including existing funds to avoid a duplication of activities; support the mobilization of financing; and enable the measurement, reporting and verification (MRV) of support provided to developing countries. In terms of its composition it supported a balanced structure for the Committee reflecting the UN regional groups as well as with appropriate representation by Small Island and Least Developed Countries. On long-term finance, Africa was concerned that there is as yet no clear commitment by developed countries to any particular level of support for developing countries starting in 2013 and no clear commitment by developed countries to any particular level of public support by 2020.

The African Group put forward a draft decision on long-term sources of finance. It was for a clear and transparent agreement on the financial resources, including public resources, available commencing in 2013. It wanted an open and honest dialogue on how the international community will close the finance gap. On the issue of fast start finance, the African group noted with concern that the information document regarding the fast start has not been available yet. It also noted emerging

information suggesting that much of the “fast-start” financial resources has been slow to arrive, and even more is unlikely to be “new” or “additional” as required by the Convention. The African Group said that some Parties have been told that the “cheque is in the mail” while others find that, when the cheque arrives, it is for money they were promised elsewhere. It called for greater clarity and transparency is required around the precise nature of resources provided.

On mitigation the African Group urged developed countries to “increase the ambition of their ... targets”. It noted that the technical workshops described the growing gap between what is required to keep Africa and the world safe, and what is being pledged. It also noted credible information suggesting that developing countries have pledged considerably more ambitious mitigation actions than the developed countries. One such analysis notes that around 65% of the pledged effort is by the developing countries, compared to the developed countries’ contribution of around 35% in their own economies. This is difficult to reconcile with the developed countries’ commitment in the Convention to “demonstrate leadership” in avoiding dangerous climate change. Little is more important to securing Africa’s future safety and development than increasing the scale of mitigation ambition. To close the growing “gigatonne gap”, it urged developed countries to focus on ways to increase the scale of their mitigation pledges as well as to provide the new and additional financial resources necessary for mitigation actions by developing countries.

On adaptation, the African Group wanted the focus to shift from vulnerability assessment to the implementation of adaptation programmes. Initiatives, in particular, should be directed towards a vision for Africa’s development, which should include scaled-up financial support for the implementation of adaptation, in accordance with the need, and must go beyond the mainstreaming of adaptation into the development process, and include stand-alone adaptation projects. This could also include institutional support such as the establishment of a network of African Centers of Excellence on climate change, and a regional information system on short, medium and long-term climate change risks in Africa.

**Gambia** for the **Least Developed Countries** wanted to see decisions on the institutional arrangements on adaptation, the technology mechanism and the financial mechanism. It expected legally binding outcomes under both the AWG-LCA and the Kyoto Protocol.

**Grenada for the Alliance of Small Island States** said that its priorities were for increasing the level of ambition in mitigation, establishing modalities for the review of the long-term global goal, the institutional architecture for the future regime of the Green Climate Fund, the Adaptation Committee and the Technology Executive Committee; identification of the sources of finance and decision on the form of the legal outcome. Grenada said that the gap between the current mitigation pledges and what is required by science was scandalous. On the legal options, it wanted consideration of its proposal for a protocol under the Convention together with the Kyoto Protocol's continuation.

**India** stressed that as regards the technical workshops proposed by some Parties on various issues, it was of the view that more time should be spent negotiating rather than shopping for work. For a successful and agreed outcome at Durban, it outlined some key elements. There is a need to do substantive work on definition of equitable access to sustainable development and on the question of Annex I (Parties) peaking. This will be the key to any further work in the shared vision on the global goal and global peaking. A decision on ambitious and quantified emission reduction commitments and development of common accounting rules for their measurement and report will be the priority in the mitigation section. This will also include work on the registry for supporting nationally appropriate mitigation actions of developing countries and their report through the national communications. Progress would be facilitated if the centrality of the principles and provisions of the Convention is recognized in this process, it stressed.

It said that in Durban, Parties should quickly finalize the proposals for setting up the Standing Committee on finance. Parties should lay down the principles on the basis of which long-term finance will be raised. The principles and criteria on the basis of which the Climate Technology Centres will be identified and set up should be decided. We should agree to set up the Global Centre and other centres early next year. We must keep in mind that the Review is basically about the attainment of the objectives of the Convention and is not a review of the provisions of the Convention. On the legal form,

it said this is connected with the agreed outcome in accordance with the mandate of the AWG-LCA and will depend on the nature and substance of the outcome.

India further said that equally importantly, the unresolved issues from Bali and Cancun should not be lost sight of. For example the issues of equity, unilateral trade actions and technology-related intellectual property rights are crucial in our discourse. In our hurry to pick a few low-hanging fruits, we should not let some important issues fall by the wayside. These are fundamental issues that underpin the working of our Convention and the global regime. It stressed the importance of these issues and the need to make them an integral part of our vision. We need to address these issues if we want comprehensive implementation of the Convention.

**Bangladesh** said that the technology transfer must not only be seen in the context of mitigation but also of adaptation. On the issue of agriculture, given the complexity of the issue, it said Parties could decide on the basic principles and leave the details to national contexts.

The **European Union** said it was essential to deepen negotiations on MRV and new market mechanisms. It was concerned about the lack of progress on the issue of legal options on the form of the outcome for the AWG-LCA and this for the EU was key for a second commitment period of the Kyoto Protocol. It wanted a comprehensive and legally binding framework in the two tracks (of the AWG-LCA and AWG-KP).

**Australia** for the **Umbrella Group** said it was important for institutions such as the Adaptation Committee and the Technology Executive Committee to have senior-level experts and not negotiators. While it wanted an ambitious outcome, Australia said that there was a need to be realistic. It stressed the need for ambitious mitigation action by all major economies involving developed and developing countries. It expected decisions on enhanced guidelines on national communications, biennial and biennial update reports, international assessment and review as well as international consultations and analysis. It said the mitigation element was political and needed space for further discussions.

### Scientific Body Adopts Conclusions at Closing Plenary

Bonn, 19 June (Hilary Chiew) – The closing plenary of the 34th Session of the Subsidiary Body on Scientific and Technological Advice (SBSTA) of the United Nations Framework Convention on Climate Change (UNFCCC) in Bonn adopted several decisions late night on Thursday, 16 June. Among the highlights were work related to the implementation of the Cancun decision on forest-related activities and a forum on the impact of the implementation of response measures to address climate change.

The conclusion of the final plenary was delayed with an intense exchange between Bolivia and members of the Coalition for Rainforest Nations over a proposal by Papua New Guinea to include mangroves, tidal salt marshes and seagrass meadows, referred to as “blue carbon”, as an item for further research and systemic observation. Bolivia, supported by Venezuela, was opposed to this, expressing concern that research on “blue carbon” would “sow the seeds for creating new market mechanisms including through geo-engineering”. PNG denied that it was advocating a new market mechanism and insisted that this was an important matter for further research in relation to climate change. Having no consensus on the issue, Chair of the SBSTA Mr. Mama Konate (Mali) ruled that “blue carbon” would not be an item for further research under the body.

(Geoengineering is the deliberate manipulation of Earth systems to alter the climate, including what concerned critics say are high risk technologies such as blasting particles into the stratosphere to mimic volcanic eruptions to block sunlight and “fertilizing” oceans to grow plankton blooms for carbon sequestration.)

On methodological guidance for activities relating to forest-related activities or REDD-plus, the Cancun decision (1/CP.16) requested the SBSTA to undertake, among other matters, the following in

the development of its work programme to: (i) identify land use, land-use change and forestry activities in developing countries, in particular those that are linked to the drivers of deforestation and forest degradation, identify the associated methodological issues to estimate emissions and removals resulting from these activities, and to assess their potential contribution to the mitigation of climate change, and report on the findings to the COP at its eighteenth session on the outcomes of the work referred to in this paragraph; and (ii) develop as necessary, modalities for measuring, reporting and verifying anthropogenic forest-related emissions by sources and removals by sinks, forest carbon stocks, forest carbon stock and forest area changes resulting from the implementation of activities.

Accordingly, the SBSTA in its Bonn session decided to continue its consideration of the methodological guidance, taking into account the elements referred to in the Cancun decision with the aim of completing its work on these matters at the 35th session and reporting to the 17th meeting of the Conference of Parties (COP 17) in Durban this November-December, including any recommendations for draft decisions on this matter. It also requested the UNFCCC Secretariat to organise meetings of technical experts on those matters.

**Bolivia** said it was prepared to work constructively with the broader approach towards REDD-plus and that it would provide more elements on the guidelines on safeguards and reference levels. Australia was pleased with the progress made and announced that it would provide A\$500,000 for further technical work. **Norway** also said it was ready to provide finance for REDD-related activities.

On the forum on the impact of the implementation of response measures, the following conclusions were adopted. The SBSTA and the Subsidiary Body on Implementation (SBI) invited Parties and relevant intergovernmental and non-

governmental organisations to submit further views on this matter by 19 September 2011 and requested the Secretariat to compile these views for consideration by the SBSTA and SBI at their 35th sessions. It welcomed the special event in the context of the forum held during the Bonn session and requested the Secretariat, under the guidance of the Chairs of the SBSTA and SBI, to prepare a report on this special event. Parties agreed that the forum will continue to do its work as agreed following the Cancun decision with a view to adopting at COP 17, modalities for the operationalisation of the work programme and a possible forum on response measures. (See TWN Bonn News Update 21 for a report on the special event.)

On the issue of “revision of the UNFCCC reporting guidelines on annual inventories for Parties included in Annex I to the Convention”, the SBSTA initiated its consideration of the annotated draft of the revised UNFCCC Annex I reporting guidelines but was unable to finalise its consideration. The SBSTA requested the Secretariat to prepare a new version of the annotated draft based on the outcomes of its 34th session in time for a fourth workshop of the work programme on revising the guidelines. Parties agreed to consider the matter further at its 35th session, with a view to preparing a draft decision on this matter for adoption by COP 17.

On the issue of the “Nairobi Work Programme”, the SBSTA agreed to consider at its 35th session, possible areas of further work on impacts, vulnerability and adaptation to climate change with a view to defining the duration and activities for its next phase. It also invited Parties and relevant organisations to submit their proposals for upcoming activities.

Following a proposal from Ecuador for a new agenda item on “water resources and integrated water resources management”, informal consultations were held and Parties agreed to reflect in the report of the SBSTA that this matter would be discussed under the Nairobi Work Programme at its next session.

On the issue of “scientific, technical and socio-economic aspects of mitigation of climate change”, the SBSTA welcomed the “Special Report on Renewable Energy Sources and Climate Change Mitigation” (SRREN) by the Intergovernmental Panel on Climate Change (IPCC) and noted that the report highlighted the significant technical potential of renewable energy and its large potential to mitigate climate change and provide wider benefits.

Several other conclusions on various agenda items were also adopted. Following informal consultations among Parties, there was no agreement

to include “a work programme on agriculture” (a proposal by Canada) or “the rights of nature and the integrity of ecosystems” (as proposed by Bolivia) as new agenda items.

**Ambassador Silvia Meregá of Argentina, speaking on behalf of the Group of 77 and China,** noted the progress made under the Nairobi Work Programme (NWP) on impacts, vulnerability and adaptation to climate change. She said that the review of the Programme is an important step forward to identify the positive outcomes and the shortfalls of the implementation of the NWP as a way to build upon lessons learned on the relevant matter of adaptation. She however pointed out that there was minimal progress in fulfilling the NWP’s objectives of assisting developing country Parties in making informed decisions on adaptation. The agreed interim activities from now to the 35th session of the SBSTA should begin to address this shortfall, she added.

She welcomed the draft conclusions on research and systematic observation, noting that the workshop and dialogue provided Parties with the opportunity to interact with the scientific community and acknowledged the value of their research activities around the world, in particular, in developing countries. She stressed that the research results must be shared with all sectors of the public, especially in developing countries. She urged the Secretariat to organise further workshops and dialogues as they were important to inform the process and requested Parties to provide the necessary resources to support these initiatives.

She also welcomed the forum on the impact of the implementation of response measures and its special event convened by the Chairs of the SBI and SBSTA to be continued at the 35th session with the objective of developing a work programme under the subsidiary bodies to address these impacts, and with a view to adopting, at COP 17, modalities for the operationalisation of the work programme and a possible forum on response measures.

**Grenada, representing the Alliance of Small Island States (AOSIS),** believed that the IPCC’s SRREN provided a clear pathway on how to close the existing mitigation gap between the pledges of Parties and what was required to prevent dangerous climate change. In this respect, it said, the deliberations have to go further than just welcoming the report and encouraged Parties to implement the recommendations contained in that report.

On research and systematic observation, it stressed the importance of observation to support research and monitor the impacts of climate change. It called for support of ground-based observation

networks in data-sparse regions of the world such as small island states and low-lying coastal areas. On the NWP, it emphasised that the mechanisms should be developed to ensure that the results of the activities are transferred into actual practice at the national and community levels.

**Gambia**, speaking on behalf of **Least Developed Countries (LDCs)**, said it welcomed the review of the NWP as an important step forward in adaptation, which is particularly important for LDCs given that these countries have the least adaptive capacity to the adverse impacts of climate change. It called for priority to be given to enabling access to technologies.

**Egypt**, representing the **African Group**, welcomed a further forum for sharing good practices on technology development and transfer. It noted that

the impacts of response measures are of concern to all countries and would like to see in Durban, a permanent forum established to address the impacts of the implementation of response measures.

**India** noted that the issue of potential consequences on developing countries of actions taken by the developed country Parties is a matter of significant concern and was opposed to unilateral trade measures being imposed in the name of addressing climate change. In this context, along with other like-minded countries, India had made a submission to the UNFCCC Secretariat.

**Hungary**, speaking on behalf of the **European Union (EU)**, regretted that Parties had yet to find a way to address agriculture in the SBSTA. It was satisfied however that the SBSTA has started operationalising the Cancun Agreement on a number of important issues.

### Kyoto Protocol's Future Hangs in the Balance

Bonn, 21 June (Lim Li Lin) – The future of the Kyoto Protocol hangs in the balance after the latest round of talks, and political guidance is suggested to be sought from ministers prior to and at the meeting of the Protocol Parties in Durban in late November-early December.

Following the slow progress made in the Bonn talks that ended on 17 June, it is expected that the fate of the treaty will now be in the hands of ministers.

In the closing plenary of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), Chair Adrian Macey (New Zealand) summarized his views by concluding that most of the political issues remain unresolved and would benefit from political attention by ministers before and during the Durban meeting. He identified the aggregate emission reductions figure, the nature, content and applicability of the rules for the second commitment period (for emissions reduction after 2012), and the relationship with the Ad Hoc Working Group on Long-term Cooperative Action under the UN Framework Convention on Climate Change (AWG-LCA) as outstanding issues.

(The AWG-LCA is a separate track with its distinct mandate to implement the Convention more effectively.)

In their closing plenary statement in Bonn, developing countries under the Group of 77 and China acknowledged the need to continue political discussions to “ensure an environment of trust and a sense of common purpose”, but said that still more work is needed to reach a common understanding on technical issues, and more balance with the political debate.

Developing countries continued to be united in their insistence that developed countries must honour their legally binding obligation to commit to the next period of greenhouse gas emission reduction

in Durban so as to avoid a gap when the first commitment period ends in 2012.

However, little progress was made to conclude the next commitment period for developed countries. Instead, Canada declared at the Bonn session that it was not going to undertake further emission cuts under the Kyoto Protocol.

Talks at the start of the session were at an impasse until agreement was reached mid-way to discuss political issues and continue technical negotiations in parallel, within the mandate of the working group which is for further commitments for Annex I (developed country) Parties under the Kyoto Protocol.

At the last session in Bangkok in April 2011, developing countries had refused to work in small “spin-off” groups discussing technical issues on accounting rules until there is clarity about the political issues around the future of the Kyoto Protocol. This is because a number of developed countries - Canada, Russia and Japan - have openly declared that they will not make further emission reduction commitments under the Kyoto Protocol.

Canada made this announcement in Bonn, joining Russia and Japan who had already declared their “defection” last year. Instead, they want a new agreement to replace the Kyoto Protocol. Other developed countries like Australia, New Zealand and the European Union have placed conditionalities on their further commitments, and prefer a new agreement to replace the Kyoto Protocol.

As such, while developing countries are working towards completing the technical work in the AWG-KP for the second commitment period, most developed countries are working to complete its work in order to transfer the results into a new agreement that they seek as the outcome of the other track of negotiations, the AWG-LCA.

This led developing countries to insist on having a discussion in the larger contact group to

clarify the context of the work in the AWG-KP. Developed countries and the Chair of the AWG-KP gave assurances that the work of the AWG-KP is within the context of its mandate.

Developing countries are united on their demand for the Kyoto Protocol's second commitment period to be adopted in Durban. It is the last meeting that offers any chance, however slim, for the next round of emission cuts to enter into force in time to avoid a gap in legally binding international emission reduction commitments. The first commitment period of the Kyoto Protocol ends in 2012. There is still no agreement on concluding a treaty as the outcome of the AWG-LCA, and the negotiations on the substantive issues are nowhere near completion.

In addition, the new agreement that is being promoted by developed countries is based on a "pledge and review" system, where countries decide what to do domestically, with weak or no international compliance measures. In contrast, the Kyoto Protocol sets legally binding international targets, and has already agreed rules on accounting, reporting, review and compliance. The negotiations for the next round of emission reduction commitments under the Kyoto Protocol are intended to be science based, reflecting the necessary emission cuts required.

The technical spin-off groups made some progress in terms of "streamlining" the Chair's proposed text, and a revised version was issued at the end of the session. It was also agreed that the next session (later announced to be in September/October) would be a resumed session of the AWG-KP meeting in Bonn.

AWG-KP Chair Adrian Macey's summary concluded that most of the political issues remain unresolved and pointed to ministerial involvement before and during the Durban meeting. He identified the aggregate emission reductions figure, the nature, content and applicability of the rules for the second commitment period, and the relationship with the AWG-LCA as outstanding issues.

He also said that in the proposed text for amendments to the Kyoto Protocol for the second commitment period, option B has largely not been discussed. (Option B contains proposals for amending the Kyoto Protocol that are not strictly within the mandate for further commitments.)

**Argentina**, speaking on behalf of **the Group of 77 and China**, reiterated that the adoption of the second commitment period of the Kyoto Protocol in time to ensure there is no gap between the commitment periods is its overriding priority, and will be a key element for a successful, balanced and

comprehensive outcome in Durban. It emphasized the need to continue political discussions to "ensure an environment of trust and a sense of common purpose", but said that still more work is needed to reach a common understanding on technical issues, and more balance with the political debate.

Argentina stressed that the AWG-KP's mandate for further commitments for Annex I Parties is a legal obligation, not only a political imperative. It said that the Kyoto Protocol is the cornerstone of the multilateral climate change regime, and that there is a need to preserve the Kyoto Protocol and its stringent rules for monitoring, reporting and verification, its flexibility mechanisms, and its compliance regime. The Kyoto Protocol is the only legally binding instrument to tackle emission reductions in an effective way, it said.

It emphasized increasing the level of ambition of current Annex I Parties' pledges, noting that the largest share of historical global emissions of greenhouse gases has originated in developed countries. Annex I Parties must show leadership in modifying the longer-term trends in anthropogenic emissions, and "bridge the gap between the ambition of the current pledges and the requirements of science", it said.

**Hungary**, speaking for the **European Union**, said that it was eager to continue and speed up discussions on land use, land use change and forestry (LULUCF) and methodological issues. It said that there are elements of the Kyoto Protocol to improve, and this would be the best basis for a common rules-based framework for all "major emitters". It said that a balanced outcome for Durban would both cover negotiating tracks and capture progress. It was necessary to link the outcomes of the two tracks, as progress wider than the Kyoto Protocol is essential to limiting temperature increase to 2 degrees Celsius, it said.

**Australia**, on behalf of the **Umbrella Group**, said that the Kyoto Protocol negotiating track is an important part of the work for a comprehensive climate regime that includes all "major economies". It said that LULUCF accounting rules are central, and that land sector rules must be finalized in Durban. Deeper and broader access to the carbon markets is essential, it said. Its aim is for a new global climate regime, where all Annex I countries will continue to implement policies and measures after the first commitment period, and which includes all major emitters.

**Grenada**, speaking for the **Alliance of Small Island States (AOSIS)**, emphasized that there had been agreement to complete the work of the AWG-

KP as early as possible to ensure that there is no gap between the commitment periods. Its goal of limiting temperature increase to 1.5 degrees Celsius is already at risk if decisive action is not taken now.

It said that many Annex I Parties see value and necessity to continue to build on the Kyoto Protocol through the second commitment period, and that it has worked hard to explore the conditionalities of some Parties, most of which are political. It said that there is only so much that small island states can do to address the political conditionalities, and asked all Parties to exhibit the flexibility needed to engage in technical, legal and political issues to enable willing Annex I Parties to engage on the second commitment period. Parties' constraints and concerns must be addressed, it said.

**Papua New Guinea**, speaking for the **Coalition for Rainforest Nations**, said that the second commitment period under the Kyoto Protocol must be a central part of the Durban outcome. The new regime must be built on the stringent system of rules under the Kyoto Protocol, it said, and clarity on them is needed. It supported solid accounting, and MRV (measurement, reporting and verification) at the national level. It said that LULUCF must cover all emissions and removals. The time has come to engage with all Parties to scale up the level of ambition for developed countries, and to ensure that the second commitment period guarantees environmental integrity, it said. It advocated introducing REDD (reducing emissions from deforestation and forest degradation in developing countries)-plus under the Kyoto Protocol, and welcomed the proposal by South Africa on the intensification of work and direct engagement of ministers to move the work forward.

**The Democratic Republic of Congo**, speaking on behalf of the **African Group**, said that agreement on the second commitment under the Kyoto Protocol is absolutely essential, and must be concluded as soon as possible. The climate regime must ensure ambitious emission reductions to ensure that the impacts of climate change do not undermine our development goals. It expressed its deep concern that several Annex I Parties are not committed to the second commitment period, and that there is a lack of political will by Annex I Parties to meet their legal obligations under Kyoto Protocol. Without the second commitment period, there is no legally binding instrument for emission reductions of Annex I Parties, and this is unacceptable to the multilateral process, it said. It insisted on the full separation between the two negotiating tracks, and said that any efforts to use the AWG-LCA to delay the negotiations

on the second commitment period must be avoided. It emphasized its priority for a detailed work programme for adapting the second commitment period in Durban, which would be a turning point in the multilateral negotiations.

**Gambia**, on behalf of the **Least Developed Countries (LDCs)**, expressed its concern that Parties who do not support the second commitment period are stalling progress on the discussion of the level of ambition of Annex I Parties, while eagerly participating in the flexible mechanisms. It said that the flexible mechanisms are an integral part of the Kyoto Protocol.

**Ecuador**, speaking on behalf of the **Bolivarian Alliance for the Peoples of Our America (ALBA)**, highlighted the goal of making real commitments to stabilize concentrations of greenhouse gases in the atmosphere to a level that would prevent dangerous anthropogenic interference with the climate system. It said that the world is facing a legal gap between the commitment periods, which would weaken the setting of ambitious emission reduction targets. As such, ALBA countries intend to organize a high-level meeting before Durban to promote an increased level of ambition for developed countries' emission reduction commitments.

It said that some Parties have emphatically refused the second commitment period but continue to undermine ambition in the AWG-KP, and clearly intend that rules developed by the AWG-KP are transferred elsewhere. Other discussions that do not increase the level of ambition but generate more flexibility for developed countries to fulfill their commitments move away from the mandate and the key elements of the AWG-KP. In relation to LULUCF, it said that it is important to further develop the definition of forests, which are part of complex ecosystems, and are not just trees.

Statements were also made by China, India, Bangladesh, Solomon Islands and Brazil.

**China** emphasized that Durban will be a litmus test on political will and political wisdom on dealing with climate change. Developed countries must accept their historical and present responsibility, it said.

**India** suggested that new facilitators should be provided a basic training module to help them act as disinterested facilitators rather than as Party negotiators. It said that negotiations need to be conducted on the basis of submissions made by Parties and these should be the documents carried forward to future sessions.

**Bangladesh** said that we must concentrate of the second commitment period with an increased

level of ambition by Annex I Parties in Durban without prejudging what will happen after the second commitment period. It supported using the flexible mechanisms beyond 2012, and a fair, balanced, effective and binding global agreement in the future.

The **Solomon Islands** said that at the end of 2011, we are returning to the birthplace of humanity, and the last thing we want to see is humanity killed in its birthplace. Killing the Kyoto Protocol will kill

humanity, it said. It is a setback that will kill developing countries, and humanity from planet Earth. It said that there is no alternative to the second commitment period of the Kyoto Protocol, and Durban must deliver to save humanity.

**Brazil** said that we have a regime, the Kyoto Protocol is one instrument and the AWG-LCA is one process. Both tracks are in the regime, and we do not need a new regime but instead need to work together to strengthen the regime, it said.

## India Proposal on Neglected Issues for Durban Discussions Raises Controversy

Geneva, 22 June (Meena Raman) – The Indian Government has submitted a proposal to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) to include three contentious but very important issues on ‘unilateral trade measures’, ‘intellectual property rights’ and ‘equitable access to sustainable development’ for inclusion in the provisional agenda of the 17th meeting of the Conference of Parties (COP 17) to be held in Durban, South Africa in late November-early December this year.

These issues have been neglected and not properly addressed in the 2010 Cancun decision on the outcome of the Ad-hoc Working Group on Long-term Cooperative Action under the Convention (decision 1/CP 16) despite being raised by India and a large number of developing countries prior to and in Cancun.

Developed countries, especially the United States, are of the view that these issues have been settled in Cancun. However, most developing countries are of the view that not all the issues were addressed in Cancun and are still unresolved, and therefore legitimate to be brought up as they are part of the Bali Action Plan elements. In this context, India submitted the proposal on the three issues to the Secretariat, in accordance with rule 10 of the UNFCCC’s draft rules of procedure.

(The Bali Action Plan was adopted by COP 13 in 2007 and is the mandate for the Working Group negotiations.)

The Indian proposal is for the inclusion of these issues as follows: (i) under the agenda item ‘Development and transfer of technologies’, a sub-item on ‘Mitigation and adaptation actions and technology related Intellectual Property Rights’; (ii) under the agenda item ‘Review of implementation of commitments and other provisions of the Convention’, to include ‘Equitable access to

sustainable development’ and ‘Unilateral trade measures’.

The Indian submission provided the explanatory notes in respect of each additional agenda item as proposed.

On the intellectual property rights (IPRs) issue, the Indian explanatory note states that “at Cancun, Parties to UNFCCC agreed to set up a Technology Mechanism and Networks of Climate Technology Centres with a view to promote cooperation amongst Parties for development and transfer of technologies. While the Technology Mechanism will help build capacity for deployment of existing technologies and dissemination of environmentally sound technologies, there is a need to augment this arrangement in the form of removal of constraints at the global level on the development and availability of climate friendly technologies. An effective and efficient global regime for management of (IPRs) of climate friendly technologies is critical to the global efforts for development, deployment, dissemination and transfer of such technologies. In the absence of such an arrangement, the objective of advancing the nationally appropriate mitigation and adaptation actions at the scale and speed warranted by the Convention cannot be met effectively and adequately. Such a regime should promote access to (IPRs) as a global public good while rewarding the innovator and enhance the capacity of developing countries to take effective mitigation and adaptation actions at the national level. The Conference of Parties should urgently decide on addressing the issue of treating and delivering climate technologies and their IPRs as a public good in the interest of the global goal of early stabilization of climate and advancing developing country efforts aimed at social and economic development and poverty eradication.”

On the issue of ‘equitable access to sustainable development’, the explanatory note states that “at

Cancun, Parties agreed to a global goal for climate stabilization with a view to hold the increase in global average temperature below 2 degrees C above pre-industrial levels and decided that urgent actions be taken to meet this long-term goal consistent with science and on the basis of equity. Parties also decided to work towards identifying a timeframe for global peaking of greenhouse gas emissions based on the best available scientific knowledge and equitable access to sustainable development. The decisions at Cancun imply that the global goal of climate stabilization in terms of limiting the temperature rise to 2 degrees Celsius above pre-industrial levels should be preceded by a paradigm for equitable access to sustainable development. The achievement of the global goal must not compromise the sustainable development imperatives of developing countries and must fully take into account the overriding priority of social and economic development and poverty eradication in such countries. Keeping in mind the objective of identifying the suitable timeframe for reducing the global emissions on the basis of equitable access to sustainable development, the principle of equity must be defined so as to recognize that the global atmospheric resource is the common property of all mankind and each human being has equal entitlement to use of this resource in the interest of meeting the overriding priorities of developing countries.”

On the issue of ‘unilateral trade measures’, the note states that, “at Cancun, Parties agreed to promote a supportive and open international economic system. Parties decided, inter-alia, that measures taken to combat climate change including unilateral ones should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Unilateral Trade Measures (UTMs) include tariff, non-tariff, and other fiscal and non-fiscal border trade measures that may be taken by developed country Parties, against goods and services from developing country Parties. Recourse to UTMs on any grounds related to climate change, including protection and stabilization of climate, emissions leakage and/or cost of environment compliance would be tantamount to passing the mitigation burden onto developing countries, and would clearly contravene the fundamental principles and provisions of equity, common but differentiated responsibility and respective capabilities, and the principle enshrined in Article 3 of the Convention. Parties should expressly prohibit use of unilateral trade measures on such grounds, as they will have negative environmental, social and economic consequences

for developing countries and compromise the principles and provisions of the Convention.”

India requested that the 3 issues be included in the COP 17 provisional agenda and developing countries in the Bonn talks that ended on 17 June objected to attempts to have these items addressed by the Subsidiary Body on Implementation (SBI) that has no mandate to provide guidance on (thereby influencing) the COP agenda.

Attempts were made to negotiate and amend the elements of the provisional agenda for COP 17 that included the new issues proposed by India, under the discussions on ‘arrangements for intergovernmental meetings’ (AIMs) in a contact group of the SBI. This was thwarted following strong reactions from the G77 and China and several developing countries who saw the move as being contrary to the mandate of the SBI.

On Wednesday, 15 June, a non-paper was produced by the Secretariat on the ‘possible elements’ for the provisional agenda of COP 17, for discussion in the contact group on AIMs, which met on 15 and 16 June. In a footnote, the non-paper said that, “these elements will be amended as appropriate to reflect guidance from the SBI at its 34th session, through discussions ...”

Developing countries, led by the **G77 and China**, questioned the Chair, Mr. Robert Owen Jones (Australia), on the footnote as it implied making amendments to the elements of the agenda when this, they said, was not the mandate of the SBI and they thus asked the Chair to follow the rules of procedure. The Chair responded that there was not going to be a negotiation of the elements for the agenda, but only an exchange of views. Following strong reactions from developing countries, the footnote was deleted and the possible elements of the provisional agenda for COP 17 (which included the issues from the Indian proposal) were put in an addendum to the background note by the UNFCCC Executive Secretary on arrangements for intergovernmental meetings.

Developed countries including **Australia, the US, the European Union, Canada and Mexico** all said that it was good to have an exchange of views on the elements of the COP 17 agenda and were opposed to the issues raised by India to be included in the Durban agenda.

The **US** said it was opposed to the issues on the agenda, which “have been contentious in the process” and had been discussed in Copenhagen and Cancun and there has been no agreement, and no prospects for any agreement on these issues. It said that the trade issue was a matter for the World Trade

Organisation and the UNFCCC had no competence over this. On the issue of intellectual property rights (IPRs), the US said that there was a mistaken impression that strong IPRs are a barrier for clean technologies when IPRs are a foundation for technology transfer.

**China** said that it was clear from the rules of procedure that the normal practice was for the elements of the agenda to be attached to the background document (for the AIMS) as was done last year. It said that it was clear that the agenda would be drafted by the Secretariat in agreement with the COP President and it was not the role of the SBI to provide guidance.

### Subsidiary Body for Implementation Adopts Conclusions

Geneva, 22 June (Meena Raman) – The 34th session of the Subsidiary Body for Implementation (SBI) of the United Nations Framework Convention on Climate Change (UNFCCC) adopted several conclusions at its closing session held on 16 and 17 June in Bonn.

Among the highlights are the work of the Consultative Group of Experts (CGE) on national communications from developing countries, national adaptation plans, approaches to address loss and damage associated with climate change impacts, and ways of enhancing the participation of observers in the intergovernmental process.

On the work of the CGE on national communications from Parties not included in Annex I to the Convention, the SBI recognized the important role played by the CGE in improving the process and preparation of national communications from non-Annex I Parties, by providing technical advice and support to non-Annex I Parties. It highlighted the importance of the training activities to be organized by the CGE, which remain underfunded and reiterated its request to the CGE to organize to the extent possible, at least two training activities per region in the period 2011 to 2012, subject to the availability of resources. The SBI will also review the need for the continuation of the CGE at the 17th meeting of the UNFCCC Conference of Parties (COP 17) in Durban, South Africa in late November-early December this year.

(Annex I comprises developed countries and countries with economies in transition.)

As regards the issue of national adaptation plans (NAPs), the SBI requested the secretariat to explore the possibility of convening an expert meeting to identify and discuss elements and deliverables of the process to enable least developed countries (LDCs) to formulate and implement NAPs, building upon their experience in preparing and

implementing national programmes of action on adaptation (NAPAs) and elaborate draft modalities and guidelines for LDCs and other developing countries to employ modalities formulated to support NAPs.

It also invited Parties and relevant organizations to submit their views to the UNFCCC Secretariat by 15 August 2011 for compilation on the above and for a synthesis report to be prepared on these submissions. The submissions will be considered together with the outcomes of the expert meeting at its 35th session with a view to making recommendations to COP 17.

On the issue of approaches to address loss and damage associated with climate change impacts in developing countries, the SBI noted the importance of addressing the following thematic areas in the implementation of the work programme: (a) Assessing the risk of loss and damage associated with the adverse effects of climate change and the current knowledge on the same; (b) A range of approaches to address loss and damage associated with the adverse effects of climate change, including impacts related to extreme weather events and slow onset events, taking into consideration experience at all levels; (c) The role of the Convention in enhancing the implementation of approaches to address loss and damage associated with the adverse effects of climate change.

The SBI invited Parties and relevant organizations to submit to the secretariat, by 15 August 2011, further views and information on the themes to be addressed above and requested the secretariat to compile these submissions into a miscellaneous document for consideration at its 35th session and to prepare a synthesis report based on the submissions and other relevant information before its 35th session. In this regard, the SBI requested the secretariat to explore the possibility of convening an expert meeting.

On the issue of enhancing the participation of observer organizations in the intergovernmental process, the SBI encouraged the chairs of workshops and expert meetings to invite, time permitting, observer organizations to make presentations, while maintaining the balance of participation between Parties and observer organizations. In this context, the SBI welcomed the practices of the recent mitigation workshops, at which observers could make presentations when time allowed.

The SBI took note of the report of the in-session workshop (in the recently ended June Bonn talks) to further develop ways to enhance the engagement of observer organizations in the UNFCCC process. The SBI considered the range of proposals contained in the report and examined their implementation. The SBI welcomed the initiatives by the secretariat to improve the participation of observer organizations and requested the secretariat to continue its efforts in this regard.

The SBI agreed that the existing means of engagement of observer organizations could be further enhanced, in the spirit of fostering openness, transparency and inclusiveness through:

(a) Inviting the presiding officers of various bodies, as relevant, subject to the availability of funding, time and space, to: (i) Seek opportunities for observer organizations to make interventions; (ii) Make greater use of observer inputs in workshops and technical meetings in accordance with the conclusions of the SBI at its 17th session in 2002; (iii) Increase opportunities for regular briefings and debriefings as a means for dialogue for observer organizations with presiding officers and Parties;

(b) Encouraging the hosts of future sessions of the COP and the CMP to: (i) Consider, in their planning and organization, the size of the venue, the distance between buildings and the need to facilitate the participation of all Parties and admitted observer organizations, recalling the conclusions of the SBI at its 32nd session; (ii) Engage stakeholders in the lead up to and during the COP and the CMP;

(c) Encouraging all Parties to further engage stakeholders at the national level, including information dissemination and consultation;

(d) Requesting the secretariat, where feasible and appropriate, to: (i) Post submissions from observer organizations on the UNFCCC website in a way that makes them accessible to Parties; (ii) Make use of observer inputs, including scientific and technical, for the preparation of background documentation;

(e) Requesting the secretariat, subject to the availability of resources and where appropriate, to:

(i) Enable the replacement of names of nominated representatives of admitted observer organizations in the online registration system before and during sessions in exceptional circumstances; (ii) Increase the number of meetings that are webcast.

The SBI requested the Chairs of the subsidiary bodies, workshop Chairs and the secretariat to make additional efforts to promote transparency and observer participation, while safeguarding the effectiveness of workshops.

The SBI also adopted several other conclusions on various items on the agenda.

At the closing plenary of the Bonn session, **Ambassador Silvia Meregá of Argentina, the Chair of G77 and China**, said that according to the ‘Compilation and Synthesis of fifth national communications from Parties included in Annex I to the Convention’, over the period 1990-2008, the total aggregate of greenhouse gas (GHG) emissions from Annex I Parties that are not economies in transition, excluding LULUCF (land use, land use change and forestry), increased by 8%. Moreover, according to projected data, the GHG emissions of Annex I Parties, excluding emissions and removals from the LULUCF sector, are expected to increase by 7.8%, between 2010-2020. The Group expressed concerns about the facts and the trend contained in the reports and strongly urged Annex I Parties to intensify their efforts aimed at reducing their GHG emissions.

With reference to the same document on the ‘Compilation and Synthesis of Fifth National Communications of Annex I Parties’, on financing, Meregá said the report states, in Section III covering the implementation of commitments for financial resources, transfer of technologies and capacity-building, that ‘‘many data gaps and inconsistencies in reporting approaches among Annex II countries and across periods still persist, which was also noted in the previous synthesis report...’’. She urged Annex I Parties first, to provide detailed information or make available in their national communications the level of improvement in emission reductions, or lack thereof.

In this sense, she said it is important to maintain and strengthen annual reports on the technical review of greenhouse gas inventories from Parties included in Annex I to the Convention as well as the monitor, report and evaluation of their domestic mitigation action. Secondly, as repeatedly stated in the synthesis of Annex I communications, standard formats of reporting on the provision of financial resources, including for transfer of technology and adaptation, should be utilized in fulfillment of obligations under Article 12.3 of the Convention, she added.

She also underlined the Group's call on developed country Parties to intensify their efforts aimed at fulfilling their commitments on the provision of financial resources, enhancing technology development and transfer, meeting costs of adaptation, and strengthening capacity building in developing country Parties. To this end, the accuracy, comparability and level of detail of information regarding the provision of support of financial resources, technology development and transfer and capacity building reported in national communications of developed country Parties must be further defined and enhanced.

Merega also reiterated the shared difficulties faced by developing country Parties in terms of lack of technical and financial support to enable them to prepare their national communications. Recalling the 2010 Cancun decisions which contain additional reporting obligations for developing countries, as well as provisions on more frequent timelines for the submission of reports, she said that the submission of biennial reports is contingent on support, and would therefore require specific technical and technological inputs, as well as increased human and institutional capacities.

Predictability of funding and the provision of the agreed full costs for the preparation of national communications from non-Annex I Parties are crucial, she added. Financing of non-Annex I

national communications is currently subject to limited allocations and other conditions. She also reiterated the call for more contributions to the funds devoted to adaptation under the Convention, in particular the Special Climate Change Fund, the Least Developed Countries Fund and the Adaptation Fund under the Kyoto Protocol. Not only are they hugely underfunded, and most of them dependent on voluntary funding, they are also the only main sources of financing adaptation under the Convention, said Merega.

In addition, Merega urged that conditions attached to the allocation and use of the funds that are managed through the Global Environment Facility as an operating entity of the financial mechanism of the Convention should not be applied to these funds, in particular the requirement of co-financing prior to accessing funding. The historical imbalance in financing to the detriment of adaptation must be redressed, and adaptation financing be treated in an equal manner as for mitigation. Balanced allocation of resources for adaptation, including for the design of the Green Climate Fund, as well as direct access as operationalized in the Adaptation Fund, are basic principles and are strong positions of the Group of 77 and China. The Group expects that the process for the formulation and implementation of National Adaptation Plans modalities and guidelines will truly enable developing countries to address adaptation needs.

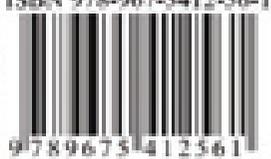
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