

SB 28 AND AWG HIGHLIGHTS: THURSDAY, 5 JUNE 2008

On Thursday, the SBI and SBSTA concluded initial consideration of their agendas, with many issues referred to contact groups for further discussion. The AWG-LCA convened a workshop on investment and financial flows to address climate change. Contact groups and informal consultations convened on a range of issues, including capacity building, non-Annex I communications, the fourth review of the financial mechanism, LULUCF, the flexible mechanisms, the Nairobi Work Programme (NWP), research needs of the Convention, and technology transfer.

SBI

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS: Future Sessional Periods: Executive Secretary Yvo de Boer outlined proposals for the 2009 calendar (FCCC/SBI/2008/4 and Add.1). The EU said at least eight weeks of meetings are needed, while the G-77/CHINA said the issue required further consideration. AUSTRALIA announced a US\$1 million contribution to the trust fund for developing country participation. A contact group will be co-chaired by Karen Nicole Smith (Barbados) and Maas Goote (Netherlands).

ADMINISTRATIVE, FINANCIAL AND INSTITUTIONAL MATTERS: Budget Performance for the Biennium 2008-2009: The Secretariat introduced this topic (FCCC/SBI/2008/3 & INF.6), highlighting the US\$6 million shortfall due to the depreciating US dollar. Informal consultations will be held by Wenhong Huang (China).

Implementation of the Headquarters Agreement: Chair Asadi will draft conclusions.

OTHER MATTERS: Operationalization of the Adaptation Fund: At the request of the Philippines, for the G-77/CHINA, Adaptation Fund Chair Richard Muyungi presented a summary of activities. SBI Chair Asadi will hold "friends of the chair" consultations.

SBSTA

PROTOCOL ARTICLE 2.3 (ADVERSE IMPACTS OF POLICIES AND MEASURES): Saudi Arabia, for the G-77/CHINA, noted the impacts of response measures on developing countries and proposed holding a contact group. JAPAN and the EU opposed this and suggested considering the issue jointly with the SBI item on Protocol Article 3.14. SBSTA Chair Plume, Gertraud Wollansky (Austria) and Kamel Djemouai (Algeria) will conduct informal consultations.

METHODOLOGICAL ISSUES (CONVENTION): International aviation and maritime transport: In light of discussions under other bodies, Chair Plume suggested

deleting this agenda item. SAUDI ARABIA and VENEZUELA supported this proposal, while BRAZIL objected. NORWAY and the EU suggested that SBSTA reconsider the issue after COP 15. CHINA, INDIA, ARGENTINA and PANAMA suggested treating this issue in the same way as the item on Protocol Article 2.3 by holding informal consultations. KUWAIT expressed concerns about this issue being used to shift commitments from Annex I to non-Annex I parties. Chair Plume will conduct informal consultations.

AWG-LCA

On Thursday, the AWG-LCA convened a workshop on investment and financial flows to address climate change. The Secretariat presented an overview of its ongoing finance and investment work (FCCC/AWGLCA/2008/INF.1).

The Philippines, for the G-77/CHINA, identified basic principles, including equity and direct access to funding by recipients. The EU said the challenge to ensure sufficient financing for climate change is significant but affordable. Bangladesh, for the LDCs, identified possible sources of funding such as a Convention fund, a levy on international air travel, and an international fuel levy.

Barbados, for AOSIS, said new resources should be channeled through the UNFCCC process and suggested a Convention adaptation fund, an insurance mechanism and a technology fund. MEXICO proposed a world climate change fund, or green fund, on mitigation, adaptation and technology transfer, with participation of all countries and contributions according to greenhouse gas emissions, population and GDP.

CHINA stated that funding should come from developed countries as a percentage of their GDP, and that financial initiatives outside the UNFCCC should not be counted as fulfillment of developed country commitments. NORWAY proposed auctioning emission allowances to finance adaptation.

The REPUBLIC OF KOREA proposed awarding credits from "nationally appropriate mitigation action" (NAMA) in developing countries to enable deeper cuts by Annex I parties. SWITZERLAND suggested a global carbon dioxide levy of US\$2 per tonne on all fossil fuel emissions, with an exception for less developed countries. He said the revenues could be administered by a multilateral adaptation fund.

In the afternoon, delegates discussed, *inter alia*, mitigation, historical responsibility and exemptions for countries under the Swiss proposal. SWITZERLAND clarified that the mechanism was aimed at financing rather than mitigation. Participants also addressed differences between NAMA and CDM credits; applicability of current CDM methodologies; and the role of

social issues under NAMA. The REPUBLIC OF KOREA stated that NAMA would be driven by host countries, partly addressing the geographic distribution problem.

INDIA stressed the need for significant new and additional funding. He said creating demand for carbon credits necessitates deep commitments by Annex I parties, and proposed a new financial architecture fully accountable to the COP. JAPAN highlighted its Cool Earth partnership and participation in World Bank initiatives. MALAYSIA expressed concern about the proliferation of funds outside the Convention and INDIA said financing should be in the form of grants. The US said public support for research and development and national enabling environments would promote private sector investment.

Parties also addressed, *inter alia*, the importance of clear regulatory frameworks, the role of private capital, linkages with financing initiatives outside the Convention and an international fuel levy.

CONTACT GROUPS AND INFORMAL CONSULTATIONS CAPACITY BUILDING UNDER THE CONVENTION

(SBI): Co-Chair d'Auvergne informed the group that the Co-Chairs had prepared draft documents for the group to consider, comprising draft conclusions, a draft decision, and draft terms of reference for the second comprehensive review of the capacity building framework. Tanzania, for the G-77/CHINA, opposed the distribution of new draft documents, expressing a preference for the Secretariat's draft terms of reference (FCCC/SBI/2008/2). The US, supported by the EU, JAPAN, NORWAY and AUSTRALIA, supported the distribution of the Chairs' draft for perusal and consideration. Consultations will continue informally.

CAPACITY BUILDING UNDER THE PROTOCOL

(SBI): The Secretariat clarified the legal basis for a second comprehensive review of the capacity building framework under the Kyoto Protocol, which he said is found in decisions 2/CP.7, 29/CMP.1, and 6/CMP.2. He said this is the basis for a second comprehensive review of capacity building under the Kyoto Protocol. He also clarified that there was no basis for such a review to be separate and distinct from that contemplated under the Convention under decision 2/CP.10. Consultations will continue informally.

FINANCIAL MECHANISM (SBI): Participants decided to consider what input to provide for discussions on the GEF's fifth replenishment, followed by the fourth review of the financial mechanism. The contact group will reconvene Friday morning.

LULUCF (AWG-KP): Informal consultations resumed on Thursday, with a number of new ideas on rules and modalities proposed, and an exchange of views on definitions.

MECHANISMS (AWG-KP): Informal consultations on the flexible mechanisms continued with delegates generating a list of options for consideration in a potential post-2012 CDM. Parties considered such topics as governance, scope, methodologies, and institutional issues. Consultations on joint implementation, emissions trading and cross-cutting issues will convene Friday.

NAIROBI WORK PROGRAMME (SBSTA): Parties agreed to hold discussions on the basis of a Chair's draft paper presented by SBSTA Chair Plume. Some developing countries urged a more action-oriented approach, with SUDAN suggesting a "mechanism for actions," while the US and AUSTRALIA stressed the need to focus on the most critical points. INDIA and others highlighted the importance of an expert group and noted connections with the SBI and AWG-LCA.

Informal consultations commenced in the afternoon. Participants considered the Chair's document section by section, noting areas requiring further consideration. Topics considered included methods and tools, data and observations, climate-related risks and extreme events, socioeconomic information, and

adaptation planning and practices. Discussions revolved around the relationship between data and observation and socioeconomic information, and the nature of a potential knowledge base on methods and tools.

NON-ANNEX I COMMUNICATIONS (SBI): Co-Chair Ojoo-Massawa invited comments on two sub-items, relating to the Consultative Group of Experts (CGE) on non-Annex I communications and to the provision of financial and technical support. On the CGE, several parties said the lack of agreement at SBI 27 was regrettable and expressed hopes for a more positive outcome in Bonn.

On financial and technical support, Brazil, for the G-77/CHINA, expressed concerns about the relationship between the GEF's Resource Allocation Framework (RAF) and funding for national communications. Cook Islands, for AOSIS, said almost half the RAF allocation for many Pacific Islands goes towards national communications, leaving little for other activities. The GEF said it is conducting a mid-term evaluation of the RAF. Informal consultations will take place late Friday morning.

RESEARCH ACTIVITIES (SBSTA): An informal discussion under the SBSTA took place on "developments in research activities relevant to the needs of the Convention." The meeting was held in response to an invitation by SBSTA 26 requesting relevant research programmes and organizations to inform the SBSTA regularly of developments in relevant research activities (FCCC/SBSTA/2007/4). The event involved presentations by the IPCC and relevant regional and international climate change research programmes and organizations, including the Earth System Science Partnership, Inter-American Institute for Global Change Research, and Asia-Pacific Network for Global Change Research.

TECHNOLOGY TRANSFER (SBI): The contact group addressed terms of reference, and the nature and timing of the review of the effectiveness of the implementation of Convention Articles 4.5 and 4.1(c) (technology transfer), and the GEF paper on the strategic programme to scale up the level of investment for technology transfer. CANADA, the US and JAPAN, opposed by GHANA, suggested using the EGTT's performance indicators for the review. CHINA expressed disappointment with the GEF paper, and GHANA said he will not consider the paper because it does not conform to the terms of reference given by the COP in decision 4/CP.13. Some parties suggested a follow-up paper by the GEF more accurately reflecting the guidance given by the COP. The GEF explained the process of elaborating the paper and approval by the GEF Council.

IN THE CORRIDORS

Many delegates were talking about the AWG-LCA workshop on financing, particularly the wide range of ideas and opinions expressed, as well as specific proposals from Mexico, China, Switzerland, India, and the Republic of Korea. "It was an interesting day with many innovative ideas, although some are probably more politically feasible than others," observed one participant.

"The importance of market-based mechanisms is now much more widely accepted than it was a few years ago," noted one observer. "We would have benefited from more private sector participants at the workshop today," she added.

A few delegates were also discussing the issue of where future funds should be hosted, particularly whether they should come under the Convention. Few seemed to expect a simple resolution to this question.

Meanwhile, some negotiators were reflecting on the first full day of contact groups, with many seeming to feel that most groups had made a reasonable start. "It's early days yet, though," cautioned one.