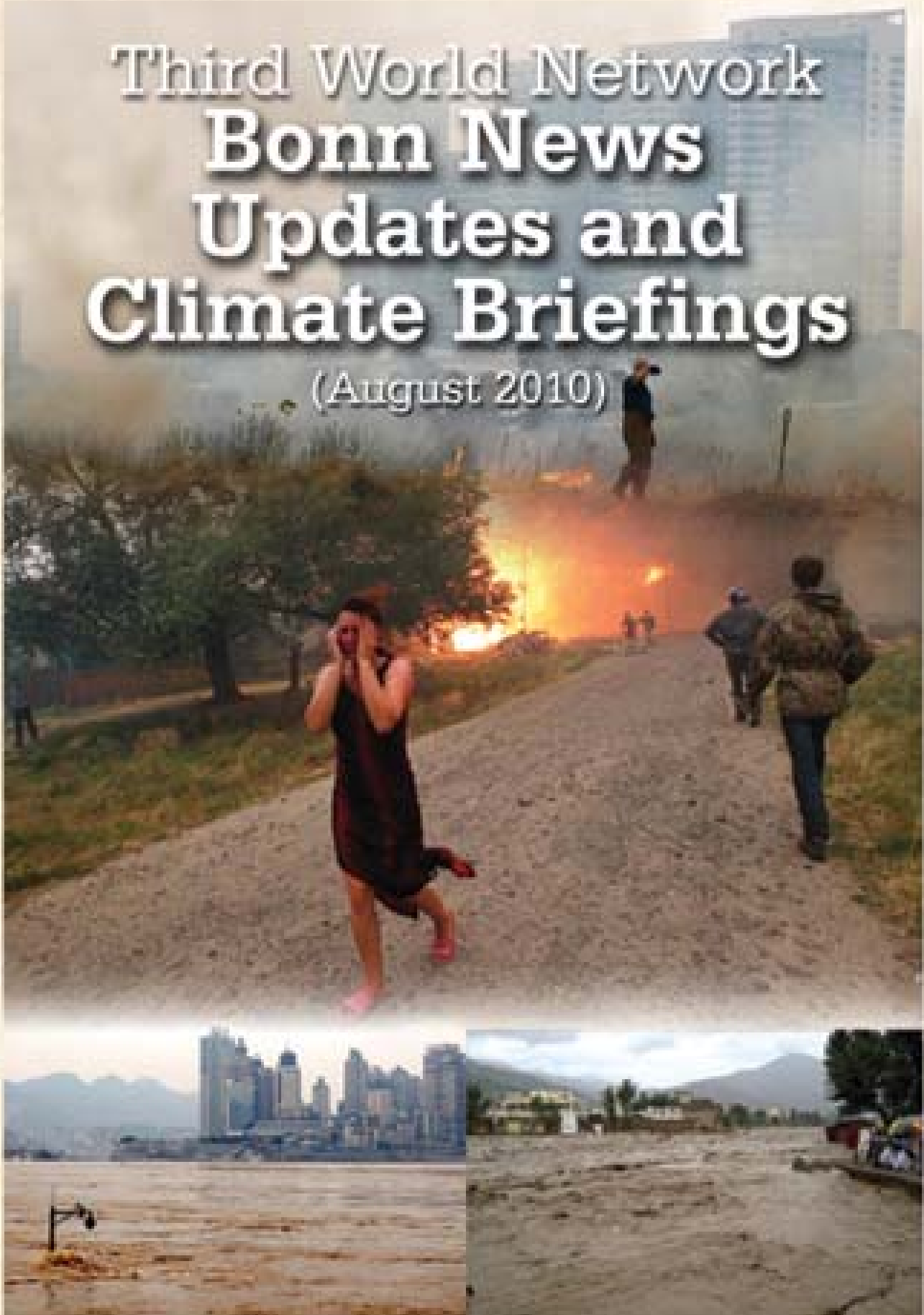


# Third World Network Bonn News Updates and Climate Briefings

(August 2010)



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**BONN NEWS UPDATES AND CLIMATE BRIEFINGS**  
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## **NOTE**

This is a collection of the nine News Updates and one Briefing Paper prepared by the Third World Network for and during the United Nations Climate Change Talks (Eleventh Session of the Ad Hoc Working Group on Long-term Cooperative Action under the UN Framework Convention on Climate Change – UNFCCC AWG-LCA 11, and the Thirteenth Session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol – AWG-KP 13) in Bonn, Germany, from 2 to 6 August 2010.

# **Bonn News Updates**



# TWN

## Bonn News Update

# 1

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2 August 2010

### UNFCCC Group Chair Issues New Draft for Negotiations

Bonn, 2 August (Meena Raman) – A new text to “facilitate negotiations among Parties” has been issued by the Chair of the UNFCCC’s working group following up on the Bali Action Plan.

The text dated 9 July 2010 will be discussed at the 11<sup>th</sup> session in Bonn on 2-6 August of the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA). At the same time, the Ad-hoc Working Group on Further Commitments for Annex 1 Parties under the Kyoto Protocol (AWG-KP) will also be meeting.

The Chair of the AWG-LCA, Ms. Margaret Mukahanana-Sangarwe of Zimbabwe, has prepared what she calls a second iteration of the text to facilitate negotiations among Parties which, according to her scenario note of 15 July, reflects her sense of the progress made by the AWG-LCA at its tenth session, which took place in Bonn on 1-11 June.

The 9 July text (document FCCC/AWGLCA/2010/8) has 9 chapters totalling 45 pages. It has re-installed several proposals or options of texts preferred by the developing countries, that had been deleted or omitted in the previous version of the text.

This previous version (dated 10 June) was sharply criticized by developing countries in the final plenary of the last session of the AWG-LCA in June. Many developing countries said it represented a major setback for them as it eliminated or ignored many of the proposals of the G77 and China and its members, while elevating the positions of the developed countries, particularly the “Umbrella Group” that includes the United States, Japan, Russia, Australia and Canada that have been advocating much looser international regulation over the emissions of developed countries.

The G77 and China had expressed “dismay” over the imbalanced 10 June text and called for a rebalancing in the next draft, while a wide range of

individual developing countries and their groupings attacked the text, including for its implied killing of the Kyoto Protocol, eliminating of equity considerations, obliging developing countries to “peak” their emissions by 2020, and blurring the distinction between developed and developing countries in their requirements to register and report on mitigation actions.

Following the strong criticisms by developing countries, the new draft shows an improvement particularly in the sections relating to the shared vision and mitigation of developed country Parties. Some highlights of the new text are set out below.

#### Equitable access to atmospheric space

In relation to the section on shared vision, several developing countries had wanted the concept of “an equitable share in the atmospheric space” to be reflected in the context of a global goal for emission reductions. This concept had been reflected in the Chair’s facilitative text of 17 May 2010 and the relevant paragraph read as follows:

“A long-term aspirational and ambitious global goal for emission reductions, as part of the shared vision for long-term cooperative action, should be based on the best available scientific knowledge and supported by medium-term goals for emission reductions, taking into account historical responsibilities and an equitable share in the atmospheric space.”

This concept was however removed in the 10 June text in Bonn and “equitable share” in atmospheric space was replaced with just “access to atmospheric space”, with the vital word “equitable” being dropped off.

The 9 July text has now reintroduced this important concept in its paragraph 2 which reads: “Deep cuts in global emissions are required according to science, and as documented in the

Fourth Assessment Report of the Intergovernmental Panel on Climate Change, with a view to reducing global emissions so as to maintain the increase in global temperature below [1][1.5][2] degrees Celsius above pre-industrial levels, and that Parties should take action to meet this objective consistent with science and on the basis of equity[, taking into account historical responsibilities and equitable access to global atmospheric space].” (Emphasis added).

In addition, in order to avoid dangerous climate change in limiting the temperature increase, the 17 May text also reflected the call by developing countries for a “paradigm for equal access to global atmospheric resources” to be determined before an agreement can be reached on the temperature goal.

The 17 May text read as follows: “Accordingly Parties shall cooperate to avoid dangerous climate change, in keeping with the ultimate objective of the Convention, recognizing [the broad scientific view] that the increase in global average temperature above pre-industrial levels [ought not to] exceed [2 C][1.5C][1C] [preceded by a paradigm for equal access to global atmospheric resources].” (Emphasis added).

However, the latest 9 July text, while reflecting the need for “equitable access to global atmospheric space”, has not stated that a paradigm for this equitable access would precede agreement on the temperature limit to be achieved.

In April 2010, Bolivia had made a proposal on a methodology for achieving an equitable allocation of global atmospheric space between developed and developing countries. This has however not been reflected in any of the Chair’s text.

Further, on the issue of peaking of emissions, the 10 June text had provided for the peaking of global and national emissions by 2020, while recognizing that the time frame for peaking will be longer in developing country Parties. This was an issue of concern for some developing countries which were strongly against the notion that developing countries should peak their emissions by 2020.

In the new 9 July draft, the peaking of global emissions is to take place by 2020 at the latest, with the peaking of national emissions to be “as soon as possible”, recognizing that the time frame for peaking of national emissions will be longer in developing countries, bearing in mind that social and economic development and poverty eradication are the first and overriding priorities of developing countries. The clause on “national peaking” has been removed.

## **Future of the Kyoto Protocol**

A significant improvement in the new text relates to the mitigation commitments of developed countries and the future of the Kyoto Protocol.

Developing countries in Bonn in June had criticised the 10 June text for attempting to “kill the Kyoto Protocol” and for “merging the negotiations into a single-track” from the Bali-mandated two-track approach of the AWG-LCA and the AWG-KP as was the understanding under the Bali Roadmap.

This criticism was because the 10 June text did not explicitly provide for the continuation of the Kyoto Protocol through an agreement on its second commitment period (due to start in 2013).

Nor did the text refer to the need for comparable efforts to be undertaken by the developed countries that are not party to the Kyoto Protocol (particularly the United States); their commitment would be undertaken under the Convention.

Previous texts from the work of the AWG-LCA as well as the 17 May text of the Chair provided for language that the developed countries who are Parties to the Kyoto Protocol would commit their emission-reduction targets under the Kyoto Protocol, while those who are not Parties to the protocol (i.e. the US) would make their commitments under the LCA. The relevant text in this regard from the Chair’s 17 May text was as follows –

“For those Annex I Parties that are Parties to the Kyoto Protocol, the quantified economy-wide emission reduction [objectives] [commitments] shall be those adopted for the second commitment period under the Kyoto Protocol inscribed in Annex B of the Kyoto Protocol as amended and also listed in Appendix [X] to this decision; for other Annex I Parties, the agreed economy-wide quantified emission reduction [objectives] [commitments] shall be those listed in appendix [X] to this decision.”

This clear language reflecting the two-track process was removed in the 10 June text. Instead, its paragraph 13 stated that “Developed country Parties commit to implement individually or jointly the quantified economy-wide emissions targets for 2020, to be submitted by these Parties in the format given in Appendix I; Annex I Parties that are Party to the Kyoto Protocol will thereby further strengthen the emission reductions initiated by the Kyoto Protocol.”

This paragraph is similar to the language in the Copenhagen Accord. Many developing countries had expressed concern over this language and to the negative implication it conveys as to the future of the Kyoto Protocol.

The 9 July text is an improvement over the June text. Its paragraph 17 now states: “[Annex I Parties that are Party to the Kyoto Protocol will, with the

targets referred to in paragraph 14 above, further strengthen the emission reductions initiated by the Kyoto Protocol. For those Annex I Parties that are Parties to the Kyoto Protocol, the quantified economy-wide emission reduction [objectives] [commitments] shall be those adopted for the second commitment period under the Kyoto Protocol inscribed in Annex B of the Kyoto Protocol as amended and also listed in Appendix [X] to this decision; for other Annex I Parties, the agreed economy-wide quantified emission reduction [objectives] [commitments] shall be those listed in appendix [X] to this decision.]

Another key issue that arose during the discussions in Bonn at the June session was whether and how an aggregate goal for emission reductions would be set for developed countries.

The Convention members are split on this issue. There are two major opposing views. The first approach is for individual national pledges to be made by Annex I Parties. This reflects the Copenhagen Accord approach.

In the second approach a top-down aggregate goal is set, and each Annex I Party would have an individual target which when added up would have to meet the aggregate goal. This is the approach that was agreed to be used in the current Kyoto Protocol process.

The developing countries are strongly in favour of the second approach, and are of the view that this Kyoto Protocol approach has to be followed. The developed countries have expressed divergent views. In the Bonn session in June, the European Union was in favour of an aggregate target to be set for Annex I Parties as a whole (including the US), proposing a 30% emissions reduction level by 2020 compared to 1990 levels.

In the same session, the United States did not refer to an aggregate target for developed countries. Its only reference of a “collective goal” was that of limiting temperature levels to 2 degrees C by 2050. Russia explicitly favoured a “bottom-up approach” where the collective goal would be arrived at by adding up the individual pledges of all developed countries.

The 10 June text contained the Copenhagen Accord paragraph 4 of individual pledges for developed countries. However in another paragraph it provided for developed country commitments to be “made with a view to reducing the aggregate greenhouse gas emissions of developed country Parties by 25-40 per cent from [XXXX] levels by 2020.” What the text failed to do was to reflect the various options of developing countries for targets higher than the 25-40 per cent mentioned.

The developing countries criticised the 10 June text for omitting their proposed figures. These options are now provided for in the latest Chair’s draft in paragraph 18 as follows:

“These commitments are made with a view to reducing the aggregate greenhouse gas emissions of developed country Parties by [at least] [25–40] [in the order of 30] [40] [45] [50] [X\* per cent from [1990] [or 2005] levels by [2017][2020] [and by [at least] [YY] per cent by 2050 from the [1990] [ZZ] level].”

Further, the 9 July text also provides for the long-term emission reductions of developed countries as a group to be “[75-85][at least 80-95][more than 95] per cent from 1990 levels by 2050 [more than 100 per cent from 1990 levels by 2040].”

The “more than 100%” option was a proposal by Bolivia to reflect the idea of “negative emissions” which was not reflected in the 10 June text which only provided for an 80-95% reduction from 1990 levels by 2050.

Another criticism of the 10 June text by developing countries was that it did not provide for mitigation efforts of developed countries to reduce their emissions to be comparable in terms of the “magnitude of effort”, although this was in the previous text of 17 May as well as the AWG-LCA text from Copenhagen and was a proposal advanced by G77 and China.

The 9 July text has rectified this problem by providing for the efforts of developed countries to be comparable in “magnitude/measure” of effort.

## **Finance**

As regards the quantum of finance, the 10 June text reflected only what was in the Copenhagen Accord, which was not adopted by the Conference of Parties in Copenhagen. This text had stated: “In the context of meaningful mitigation actions and transparency on implementation, developed countries commit to a goal of mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries. This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.”

The 9 July text now has another option: “Developed countries shall make assessed contributions of 1.5 per cent of the GDP of those countries a year by 2020 to support enhanced action on mitigation and adaptation, technology development and transfer, and capacity-building in developing countries.”

This is a proposal from the G77 and China made in Bonn in June. It was not reflected in the 10

June text but is now in the 9 July text and is hence an improvement.

It must also be noted however that the African Group in Copenhagen had proposed the sum of 5% of the Annex I GNP, while Bolivia had called for at least 6% of the GNP of the developed countries.

In addition, the African Group in Copenhagen had also proposed that “fast-track financing between 2010 and 2012 of at least USD400 billion shall be made available by developed countries Parties to developing countries. An equivalent of US\$150 billion worth of Special Drawing Rights shall be issued by the IMF as partial fulfillment of this undertaking by developed countries.”

These proposals were not reflected as options in either the 10 June or the 9 July texts.

### **Market instruments**

On one issue (the market approach) the latest 9 July draft has put in new text that was not in the 10 June draft, and which may become the subject of controversy.

The 9 July draft contains a chapter on “various approaches, including opportunities for using markets...” with regard to mitigation actions. It contains several new proposals which can be expected to be met with concern by many developing countries. This chapter has been very controversial during the course of negotiations even until and at Copenhagen.

All the previous texts of the AWG-LCA to facilitate negotiations since Copenhagen had two sections – one on “non-market based approaches” and the other on “market-based approaches”, including an option under the “market-based approaches” not to have a decision on the matter.

This was because several developing countries had expressed concerns about proposals by developed countries to migrate issues regarding carbon trading and carbon markets which are under the remit of the AWG-KP into the AWG-LCA. Their fear was that this attempted “migration” is to prepare the ground for transferring elements of the Kyoto Protocol that are important for the developed countries to the AWG-LCA and thus to the Convention, and therefore to prepare the ground for doing away with the Kyoto Protocol without losing its valuable parts. The developing countries also had concerns about new proposals by developed countries for a global carbon market with new mechanisms.

At the Bonn session in June, there was a “spin-off group” to discuss the issue of the “various approaches”, following which the Chair has presented the significantly new text that has serious implications for developing countries.

Firstly, there is no longer any distinction between non-market based approaches and market-based approaches, thereby removing any obvious separation of the two distinct approaches. The current formulation has opened the road to laying the foundation for breaking the firewall between matters under the Kyoto Protocol and those under the LCA in relation to markets.

Secondly, there is use of the term “market instruments” which is not defined specifically and can therefore mean a wide category of instruments that includes tradeable permits under an international carbon market to carbon taxes, etc.

Developed countries, the EU in particular, have been emphasizing the need for an expanded global carbon market that goes far beyond the existing Clean Development Mechanism in the name of undertaking cost-effective measures, which are in effect offset mechanisms.

This chapter of the new text can be expected to be the subject of some controversy at next week’s session of the AWG-LCA.

In a “scenario note” prepared by the Chair on the organization of the work for this session, it is proposed that “the AWG-LCA continue to work in a single contact group, which is open to all Parties and to observer organizations, and that this contact group launch spin-off groups to work on specific issues in the text.”

The Chair has also suggested that the work at the eleventh session focus on three tasks: “elaboration, integration and negotiation of consensus outcomes”. The scenario note says: “Elaboration is needed where elements in the text are lacking in specificity or clarity, and integration is needed where the elements are interdependent and inter-linkages need to be clarified. The final step is the negotiation of consensus outcomes. Some elements in the text are ripe for that final step while other elements still need to be further elaborated and integrated.”

The note adds: “The Chair will seek assistance from delegates to facilitate work at this session as needed. Progress made will be captured during the session by making draft texts arising from the work ... These draft texts would be included in the next iteration of the text to facilitate negotiations at AWG-LCA 12,” which will be held in China in October.

# TWN

## Bonn News Update

# 2

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### Spotlight on Water Rights and on Climate Talks

Bonn, 2 August (Martin Khor) – The adoption of water as a human right by the UN General Assembly and the issuing of a new report on climate change kept environmental issues in the news last week, while the UN climate talks resume this week. Thus, the environment continues to be in the news spotlight in these weeks.

The General Assembly on 28 July at last recognised the right to safe and clean drinking water and sanitation as a human right essential to the full enjoyment of life and all other human rights.

The resolution was adopted by a vote of 122 countries in favour, none objecting and 42 abstaining.

Introducing the resolution and urging for a “yes” vote, Bolivia’s Ambassador, Pablo Solon, said: “I ask all delegations to bear in mind the fact that, according to the 2009 report of the World Health Organization and UNICEF entitled “*Diarrhoea: Why children are still dying and what can be done,*” 24,000 children die in developing countries every day from preventable causes like diarrhea contracted from unclean water.

“That is one child death every three and a half seconds. One, two, three ... As my people say, ‘Now is the time’”.

The General Assembly resolution called on countries and international organisations to offer funds and technology to help developing countries scale up efforts to provide clean, accessible and affordable drinking water and sanitation for all.

It also expressed concern that 884 million people lack access to clean water, 2.6 billion lack proper sanitation and 1.5 million children die each year because of water and sanitation related diseases.

Hopefully the passing of this resolution will lead to international actions and financing also to all governments placing higher priority and resources to getting clean water to the people.

When the UN Declaration of Human Rights was drawn up, water was a notable item left out of the list of human rights. Now the General Assembly has rectified it.

Also on 28 July, fresh evidence of a world facing a climate change crisis emerged from a new authoritative report by leading scientists.

The study provides a lot of new data, since the most cited work, the report of the Intergovernmental Panel on Climate Change (IPCC), was published in 2007 and based on data years before that date.

The new report should help convince the public that climate change is indeed a serious crisis, and in some ways worse than previously thought.

The public perception on climate change has in some countries been affected by “Climategate”, the leaking of e-mails of some climate scientists in a university in England, which sceptics then used to try to discredit the university scientists as well as the whole of climate science.

The new research was led by the US National Oceanic and Atmospheric Administration (NOAA), with contributions from other institutions including the United Kingdom’s Meteorological Office.

The *Financial Times* reported that Peter Scott of the Meteorological Office said the study made use of 11 indicators of climate change and found each of them was due to the influence of greenhouse gases. Seven of the indicators were rising phenomena, including temperature over land, sea-surface and marine air; sea levels; ocean heat; and humidity.

The NOAA director Jane Lubchenco said the study found that the world’s average temperature rose by 0.56 degrees Celsius in the past 50 years, which had altered the planet. He added that glaciers and sea ice are melting, heavy rainfall is intensifying and heat waves are more common.

The research also found that the first half of this year was the warmest on record. Peter Scott said that this refuted the claims of climate sceptics that global warming had stopped or reached a plateau in the past 10 years.

While “Climategate” was going on as a distraction from what the science says, the earth was continuing to warm, remarked Bob Ward of the Grantham Institute at the London School of Economics.

This new report should give a greater sense of urgency to the global climate talks that resume this week in Bonn under the UN Framework Convention on Climate Change (UNFCCC).

Most of this session is expected to focus on a new draft of a paper containing elements of a global deal and prepared by the Chair of the Ad Hoc Working Group on Long Term Cooperative Action under the UNFCCC tasked to follow up on the Bali Action Plan.

It contains sections on issues like mitigation (actions to reduce or avoid emissions), adaptation (actions to adapt to climate change that will take place), financing and technology to developing countries and a “shared vision”.

The commitments by developed countries for a second period of greenhouse gas emission cuts are also being negotiated by another group under the Kyoto Protocol.

Unfortunately the atmosphere for the negotiations has been dampened by recent news from Washington that the Democrats have given up trying to push through a comprehensive climate-related bill this year in the United States Senate.

Apparently the mood is such that there just won't be enough Senators willing to vote in favour of a climate bill, not this year at least.

It is thus clear that the US delegation at the climate talks will not be able to credibly maintain its offer to cut its country's emissions. It had previously offered to cut emissions by 17% by 2020 compared to 2005 levels, a figure that is also in the bill adopted by the House of Representatives.

Other Parties such as the European Union and Japan would be reluctant to make firm commitments of their own unless the US joins in.

Despite this setback, the developed countries can be expected to keep the pressure on developing countries to undertake more and more obligations.

But if the US, the biggest polluter historically, cannot make a serious pledge, how will the other countries respond?

### Developed Countries Urged to Reaffirm Commitment to Kyoto Protocol

Bonn, 2 August (Hilary Chiew) – Developing countries urged developed country Parties of the United Nations Framework Convention on Climate Change (UNFCCC) to reaffirm their commitment to its supplementary treaty, the Kyoto Protocol.

Groups representing developing nations or non-Annex I Parties also expressed concern that the slow progress in the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) would result in a gap between the first (2008-2012) and second commitment periods.

They unanimously called for a resumption of discussions to make progress on the further commitments of Annex I Parties on their emission reduction targets, with an aim of reaching an agreed outcome at Cancun by year end, at the opening of the 13<sup>th</sup> session of the AWG-KP in Bonn on 2 August.

The European Union said that it was open to considering a second commitment period under the Kyoto Protocol, as part of a wider, more rigorous and ambitious agreement, provided that certain conditions, founded on the urgent need for environmental integrity and effectiveness of international action, are met.

For the EU, this meant that Annex I countries that did not ratify the Kyoto Protocol and other major emitters take on their fair share of the global emission reduction effort in the context of an ambitious, legally binding global agreement and that the environmental integrity of the Kyoto Protocol would need to be addressed appropriately.

Speaking on behalf of the **Group of 77 and China**, Yemen said the Group considered the continuity of the Kyoto Protocol as an essential element for the future of the climate change regime. The definition of new quantified emission reduction commitments for Annex I Parties under the Protocol

is a legal obligation that must be met. It is a cornerstone of the Cancun outcome as a whole, it stressed.

The primary objective of the last session (in June) of the AWG-KP was to adopt conclusions on the scale of emissions reduction for Annex I Parties in aggregate. However, it said, the work has been transferred to this session, and should be the focus now.

The establishment of ambitious quantified emission reduction commitments for the second commitment period under the Kyoto Protocol that must start in 2013, is one of the most important actions to demonstrate the positive response of the Annex I Parties and their supporting partnership.

The Group noted that there is only one year left before the end of the first commitment period and to avoid any gap between the two periods, it is essential, therefore, for the AWG-KP to focus discussions on specifying the contribution of Annex I Parties, individually or jointly, to the scale of emission reductions to be achieved by Annex I Parties in aggregate.

It is pleased that the focus of work will be on the numbers, adding that time is short and it is now more urgent than ever that Parties progress as quickly as possible to quantified emission limitation and reduction commitments for Annex I Parties. Failure to do so, it added, would send a negative signal regarding the readiness of Annex I Parties to take forward their legal obligations under the Protocol and their readiness to contribute to a strong climate change regime.

As Parties sought to strengthen the global effort in (combating) climate change, the insufficient level of ambition expressed in the current mitigation pledges of Annex I Parties is of great concern to the members of the G77 and China, and an obstacle that must be overcome, it added.

It also said the Group is committed to constructive and transparent negotiations in this session to ensure that the AWG-KP delivers the results of its work pursuant to the decision of the CMP1 (first meeting of the UNFCCC Conference of Parties acting as the Meeting of Parties to the Kyoto Protocol) for adoption by the CMP at its sixth session (in Cancun).

The Democratic Republic of Congo, representing the **African Group**, said that, as the end of the first commitment period looms large, and 2013 is fast approaching, it is very concerned about the possible gap that might occur between the first and second commitment periods. To Africa, it added, this is not acceptable.

The African Group expressed its serious concern on the slow progress being made under the AWG-KP and reiterated the African position on the two-track approach as stated by the African Ministerial Conference on Environment, held in Bamako in June.

The African Group stressed that the AWG-KP must increase efforts to make progress on further commitments of Annex I Parties for an amendment to establish a second and subsequent commitment periods.

It welcomed the in-session workshop on the scale of emissions reduction to be achieved by Annex I Parties and hoped that it will provide a forum for Annex I Parties to increase the transparency of their pledges and lead them to increase the level of ambitions to bridge the gap between their current pledges and the 40% (reduction) recommended by science. However, it cautioned that while discussing the means to raise the level of ambition is in itself important, it is more important for Annex I Parties to agree on aggregate numbers.

It reminded the Chair, John Ashe of Antigua and Barbuda, of the strong views that Africa has on the continuation of the Kyoto Protocol and emphasized the need to conclude negotiations of the AWG-KP in Cancun, to avoid the gap. It said these discussions were much more important than reaching a conclusion in the other track, referring to the work of the Ad hoc Working Group on Long-term Cooperative Action under the UNFCCC, as Parties have a mandate to ensure that there is no gap between the commitment periods.

Africa is of the view that the Kyoto Protocol has been a very effective legal instrument in addressing global efforts to mitigate the adverse impacts of climate change, which will be felt in Africa more than any other continents.

Grenada, speaking for the **Alliance of Small Island States** (AOSIS), said the AWG-KP is

mandated to deliver a new set of Annex B (developed countries and countries with economies in transition, with emission reduction targets under the Kyoto Protocol) targets for the second commitment period of the Kyoto Protocol at Cancun and these targets must be ambitious and delivered on time.

It said the Kyoto Protocol, by its very design, enables a scaling up of effort from Annex B Parties, through a system that is transparent, inspires mutual confidence and allows for expansion. This is the time, it added, to build on the Kyoto Protocol's foundations and architecture without delay, rather than to look for cracks in its plaster.

It further said the time has come to move forward, and to move to the stage of upgrading the text (referring to the latest Chair's text) to the status of a full negotiating text.

In very pragmatic terms, this means that we should leave Bonn with agreement on LULUCF (Land-use, Land-use Change and Forestry) accounting rules, clear options for addressing surplus assigned amount units (AAUs) created in the first commitment period and a clear path for increasing the ambition of Annex I Parties.

AOSIS said that we need, at this critical time, to deliver results at Cancun that move Parties substantially forward in terms of emission reductions relative to 1990 emission levels and remove any public concerns over a possible gap between the first and second commitment periods.

It pointed out that the pledges of all Annex I Parties and non-Annex I Parties (in the Copenhagen Accord) showed that aggregate reductions would only reach 12 to 18% relative to 1990 levels, well below the 45% reduction that AOSIS has called for from Annex I Parties collectively, whether or not Parties to the Kyoto Protocol, in order to limit temperature increases to well below 1.5 degrees above pre-industrial levels.

It further highlighted that if (certain) Parties preferred changes to the LULUCF accounting rules, consideration of the impacts of surplus AAUs and surplus that is proposed for creation in the second commitment period, the actual emission reductions from Annex I pledges could be as little as 1 to 7% reduction below 1990 levels.

It warned that if technical issues of LULUCF accounting and surplus AAUs are not properly addressed, we may see Annex I Parties' aggregate for the second commitment period actually eroding the small gains achieved in the first period.

It said this scenario cannot be defended especially now that we know our impacts on the climate are far more alarming than when the Kyoto Protocol's first commitment period targets were

agreed. It drew attention to the recent United States' National Oceanic and Atmospheric Administration (NOAA) report which confirmed that the past decade was the warmest on record and that the Earth has been growing warmer over the last 50 years.

Quoting from the report that "For the past 15 years, sea level has been rising a little more than one eighth of an inch per year", AOSIS said that this is double the rate of sea-level rise during the past century, which followed 2,000 years of little change. It said it was mind-boggling for low-lying, small island developing states to contemplate their fate.

The problems we face are plain and the solutions are equally plain, it added.

It stressed that we cannot wait for Parties outside the Kyoto Protocol to find motivation before we engage the second commitment period machinery. We cannot have countries pledging to achieve less in the second commitment period than they agreed to achieve in the first period, undoing earlier commitments in the guise of new promises, it added.

The AWG-KP, it reiterated, must deliver at Cancun commitments for reductions that are commensurate with the challenge we face; reductions that are transparent, ambitious and sincere.

**China** said the AWG-KP cannot reach agreement because certain countries do not wish to make progress; certain countries are not prepared to shoulder responsibilities according to historical responsibilities, instead they come up with various kinds of excuses to avoid responsibilities.

It reiterated that the AWG-KP must stick to the basic framework laid down by the Kyoto Protocol and follow strictly the Bali Action Plan as the UNFCCC and the Kyoto Protocol are the legal foundation to meet the climate change challenges.

Speaking for the **European Union**, Belgium said the group is committed to make all the progress that is feasible in both negotiating tracks towards a successful, balanced and concrete outcome at Cancun, as a constructive step towards an ambitious and comprehensive agreement in line with the 2-degree Celsius objective.

It stressed that while the EU still would prefer a single legally binding instrument that would include the essential elements of the Kyoto Protocol, it is flexible regarding the legal form as long as it is binding.

It is, therefore, open to consider a second commitment period under the Kyoto Protocol, as part of a wider, more rigorous and ambitious agreement, provided that certain conditions, founded on the urgent need for environmental integrity and effectiveness of international action, are met.

This would mean, it added, that Annex I countries that did not ratify the Kyoto Protocol and other major emitters take on their fair share of the global emission reduction effort in the context of an ambitious, legally binding global agreement and that the environmental integrity of the Kyoto Protocol would need to be addressed appropriately, in particular regarding LULUCF accounting and the carry-over of AAUs and progress is made on the reform of existing mechanisms and on the establishment of new mechanisms.

It said the EU continues to stand by its own commitment to a 30% emission reduction as its contribution to a global and comprehensive agreement if other developed countries commit themselves to comparable emission reductions and if advanced developing countries contribute adequately and according to their responsibilities and respective capabilities.

It agreed with non-Annex I Parties that current pledges do not meet the required level of ambition and the uncertainties regarding future accounting rules may further undermine the effort that is needed.

It said that we need a clear rules-based system so as to ensure that the numbers correspond with reduction levels that are clear to us all. It is hopeful that the workshops before and during this session will contribute to improving our understanding on how to bring the current pledges closer to the efforts needed and how to improve that Protocol's environmental integrity.

It also said the EU is of the view that carefully crafted market mechanisms enhance the cost-effectiveness of emission reductions, thus enabling Annex I Parties to take on more ambitious targets, and can promote technology transfer and generate additional financial flows to developing countries. It sees a continued strong role for the project-based mechanisms which needed reform in order to strengthen their effectiveness, geographical distribution, environmental integrity and governance, for example by establishing standardised baselines under the Clean Development Mechanisms.

While reforming existing mechanisms is important, it said, it is also crucial to develop new scaled-up market mechanisms, in order to deliver deeper emission reductions.

It further said the EU sees many synergies between the AWG-KP and the AWG-LCA and it believed that if common elements between both tracks are addressed together, using joint formats or back-to-back settings, it could unblock some of the discussions.

Representing the **Umbrella Group** (comprising Canada, Iceland, Japan, Kazakhstan,

New Zealand, Norway, the Russian Federation and Ukraine), Australia said discussions in the AWG-LCA track, markets and role of forests should take place in a broader context and not operate in isolation. It said it is pleased with the progress on mitigation commitments in a comprehensive post-2012 framework.

It said the Copenhagen Accord pledges are broader than those in the Kyoto Protocol as they cover 80% of global emissions and represent the most substantial reduction and would drive the global efforts, now and beyond 2012, adding that the group wants to engage in the AWG-KP as part of a comprehensive outcome.

**Japan**, speaking for itself, said it had committed to an extremely ambitious target under the Copenhagen Accord which captured the targets and actions of more than 80% of the global emissions in contrast to the limited coverage of the Kyoto Protocol which is only 30% of the global emissions.

Hence, Japan does not support amending Article 3.9 as it will not lead to effective global reduction. It said Japan will continue to pursue reduction of all major emitters and achieving a coherent approach between this group and the other group (the AWG-LCA).

**Norway** said it would be difficult to finalise a second commitment period as it is unclear of the level of commitments. However, it said it is flexible about the legal form of a new global climate commitment and is open to a second commitment

period as part of a wider and more ambitious agreement.

**Egypt** shared its concern about the slow progress in the AWG-KP process. It urged Parties to move into negotiation in order to achieve results in Cancun. It said it was compelled to intervene following some contradictory statements that said there must be a balanced and effective approach that takes into consideration environment integrity, yet Parties must not consider the legal obligation under Article 3.9.

Egypt said that we need a reality check that it's impossible to form new market mechanisms if there is no target for the second commitment period. We cannot supply (carbon credits) without knowing what the demand is, it said, and warned that without a second commitment period, the whole system will be threatened.

We should work constructively to achieve a comprehensive and balanced outcome in Cancun, it added.

The Chair, John Ashe, said Parties need to re-double their efforts in view of the four months left before Cancun, adding that he would prepare a negotiating text as an outcome from this session. He said three contact groups – on scale of emissions or the 'numbers group', on the LULUCF and methodological issues, and on legal matters – will be set up drawing on papers to be prepared by the secretariat.

### Parties Call for Negotiations to Begin on New Text

Bonn, 3 August (Meena Raman) – Parties at the opening session of the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the United Nations Framework Convention on Climate Change (UNFCCC) expressed their willingness to engage in negotiations on the basis of the “text to facilitate negotiations among Parties” that was produced on 9 July 2010 by the Chair of the working group.

The Chair of the AWG-LCA, Margaret Mukahanana-Sangarwe of Zimbabwe, had on 9 July prepared a new text to “facilitate negotiations among Parties”. (See TWN Bonn News Update 1 on highlights of the new text.) The AWG-LCA’s 11<sup>th</sup> session commenced in Bonn on 2 August and will conclude on 6 August.

**Ambassador Abdullah M. Alsaidi** of Yemen, speaking for the **G77 and China**, while appreciating the Chair’s efforts in producing a new, more balanced text to facilitate negotiations, said that there remains the need to have a more balanced and equitable treatment of many issues therein.

“Nevertheless, with only two weeks of negotiating time left before the Conference of the Parties (COP16) in Cancun later this year, and conscious of the fact that the process of work must be party-driven, the Group stood ready to immediately fully engage in the process of negotiation on the basis of the text,” he said.

The G77 and China stressed that it could not afford to lose more time and thus, urged other Parties to likewise engage constructively with an equal sense of urgency, and start working with concrete text proposals drafted and reflected on the screen where all Parties can start negotiating.

Similar sentiments were expressed by others both from developed and developing country groupings as well as individual countries. While expressing their willingness to engage in negotiations on the new text, countries also indicated their areas

of concern and wanted the negotiations to be a party-driven process where textual proposals will be advanced.

**Ambassador Alsaidi for the G77 and China** drew attention to the most recent flooding disaster in Pakistan and said that developing countries were experiencing daily, the adverse effects of climate change. He stressed that it was incumbent upon all Parties to the UNFCCC, to act and fulfill the mandate of the process that was launched in Bali, for the full, effective and sustained implementation of the Convention, through long-term cooperative action now, and not only up to and beyond 2012.

“Much work needs to be done in order to achieve a concrete, comprehensive and equitable agreed outcome in Cancun, which centers around the implementation of the Bali Action Plan (BAP), and is concordant with the provisions and principles of the Convention, in particular the principles of equity and common but differentiated responsibilities and respective capabilities,” added Alsaidi.

The Group also reaffirmed the centrality of the UNFCCC in addressing climate change, and stressed that the process of work must be open, party-driven, inclusive and transparent. This would include open and transparent consultations on issues involving all ongoing processes under the BAP.

While recognizing that negotiations on the main elements of the BAP are at different levels of maturity, the Group was cognizant of the close linkages of these issues and would therefore continue to work in a comprehensive and integrated manner, so that progress is achieved on all issues, moving forward to a balanced and equitable outcome for Cancun.

The **Democratic Republic of Congo, for the African Group**, welcomed the revised draft text of the Chair. It was not happy with all aspects of the text but believed that it is a balanced effort and represents an important step forward. The African

Group believed that it was time for Parties to engage in direct and party-driven negotiation during this session and that this should involve a manageable number of spin-off groups negotiating the text rather than merely discussing the concepts underlying it.

The African Group was willing to consider using the Chair's text as a basis for discussion towards further negotiation of a legally binding instrument under the Convention, recognizing that this was only one track of a two-track process, in which the second track is the negotiation of the Annex 1 commitments for the second commitment period under the Kyoto Protocol.

DRC expressed Africa's willingness to engage with the Chair's text on the following conditions, viz. that there is a process that allows for enhancing the text and addressing the gaps and there be a separate chapter on mitigation and another for capacity building.

The African Group said that the section on 'shared vision' was much improved since the last version and this section has profound implications for Africa as it defines both whether Africa will survive (by keeping temperatures low enough and with support for adaptation) and whether the continent will develop (by securing its fair share of atmospheric space and associated finance and technology).

On adaptation, the African Group stressed that adaptation is an overriding priority for Africa and was concerned that the new text risks creating new commitments for developing countries, particularly as it relates to monitoring and reporting of adaptation actions.

In relation to the issue of mitigation, the African Group was strongly of the view that the Kyoto Protocol must continue and that all developed country Parties to the Kyoto Protocol must take a second commitment period. There can be no progress on the AWG-LCA without progress in the KP and there can be no progress within the LCA on the issues of nationally appropriate mitigation actions of developing countries (NAMAs) or measurement, reporting and verification (MRV) if there is no progress on finance, or on commitments, comparability and compliance of Annex 1 Parties that are not Parties to the KP. Further, it stressed that a firewall must be maintained between mitigation commitments of developed countries that are legally binding in nature and appropriate mitigation actions by developing countries.

On the issue of finance, on the new fund to be set up, the relationship between the trustee and the COP must be spelt out in a legally binding treaty instrument. It reiterated its call for an assessed

contribution of 1.5% of the developed countries GDP with a balanced allocation for adaptation and mitigation. It said that the assessed contribution should be new and additional and not recycled ODA.

On technology, the African Group stressed the need to urgently address the issue of technology transfer, including through the identification and removal of all barriers to access climate related technologies, and appropriate treatment of the issue of intellectual property rights, including the exclusion of patents on climate related technologies in developing countries.

**Grenada** speaking for the **Alliance of Small Island States (AOSIS)** said that it could work with the new text as a basis of the negotiations. It said that given the state of maturity of the text, it believed that it could engage with it and welcomed drafting groups. It called for progress to be captured with textual proposals of Parties which are acceptable to a broad group of Parties. It said that there was a need for clarity as regards the legal form of the outcome and this should be discussed in an open and inclusive manner.

It said that there was a need for the determination of the aggregate numbers (for emission reductions) for all Annex 1 Parties without prejudice to the two-track process (referring to the work of the AWG-KP). Grenada also stressed that adaptation was essential for the Group and there was a need for a mechanism for loss and damage.

**Lesotho** for the **LDCs** said that the current text provides a basis for negotiations. It stressed the importance of adaptation and called for more elaboration of this issue in the first chapter of the text. It called for equal treatment of the issues of adaptation and mitigation. It said that levies from air transport and bunker fuels could provide additional financial resources. Lesotho called for preferential treatment of LDCs and SIDs as regards the need to undertake NAMAs.

**Belgium speaking for the European Union** said that the new text by the Chair provided a good basis for negotiations, although it had concerns with some proposals. It said that while Parties have to focus on options that are ambitious and that can deliver the deep emission cuts required by science, some of the options included in the text on mitigation are outside the realm of what is achievable.

The EU was also of the view that carefully crafted market mechanisms are efficient and effective tools that can supplement domestic emission reductions, promote technology transfer and generate financial flows. It said that there was a need to develop new scaled-up market mechanisms next to the ones that exist under the Kyoto Protocol.

It welcomed new text on MRV as a good basis for negotiations and hoped for progress towards further developing the rules for MRV and international consultations and analysis (ICA). The MRV and ICA are key to an effective architecture and there was a need to develop guidelines that can increase transparency of developing country actions and that can secure developed country compliance with their commitments. The EU wanted Cancun to lay the foundation for a solid, rule-based MRV system.

On mitigation, the EU said that there was a need to engage in a discussion on how to raise the level of ambition so as to limit temperature increase to a maximum of 2 degrees C. It wanted the pledges (by Parties) to be brought into the formal process.

As regards finance, the EU called for further work in developing the financial architecture, making effective use of both the UNFCCC and non-UNFCCC institutions, improving the coordination of financial flows and developing the basic framework for the Copenhagen Green Climate Fund.

**Australia**, speaking for the **Umbrella Group**, said that it was committed to achieving a durable, environmentally effective and comprehensive legally binding post-2012 outcome. The Copenhagen Accord had laid the foundation of this agreement and Parties must build on the Accord to successfully conclude negotiations. To prepare for Cancun, it said that it will be essential to focus on those elements that will have an operational effect.

On the text, the UG said that there are elements in the text that it appreciated and saw as a basis for further negotiations. There were also elements that it would not be able to have consensus on and these should be set aside. It said that the shared vision section could be pared down to better capture the common vision and that the Accord provided a concise model that focuses on the long-term global goal for mitigation and adaptation goals.

It welcomed the text on transparency and verification for developed and developing countries. It said that Parties must achieve agreement on an operational MRV framework in Cancun. A text that did not reflect all aspects of MRV and ICA will not be workable going forward from Bonn.

On mitigation, this area of text required revision. It said that all UG members as well as many other developed countries are willing to inscribe economy-wide mitigation targets in an environmentally effective and legally binding agreement that contains commitments from all major economies. The Accord provides a useful model for an agreement that reflects the mitigation efforts by all major emitters, it said. The Accord reflects

mitigation targets and actions for all Parties with a common legal format and character but differentiated levels of effort. The mitigation efforts of individual developed and developing countries are recorded in separate appendices attached to a single instrument. In a future legal regime, all major economies, both developed and developing country Parties, must take legally binding mitigation commitments that have the same legal character. It said that there was a need to explore methods for countries to move to higher levels of ambition to reflect changes in the world since 1992 and into the future.

**Switzerland**, for the **Environmental Integrity Group**, also said that the new text provided a good basis for further work.

**Russia** stressed the need for an agreement that covered all major emitters and economies. It expressed disappointment with the text as in some areas, text was missing as in the role of forests, not just for developing countries but also for developed countries. It was also concerned that the continuity of using the market-mechanisms under the Kyoto Protocol was not reflected in the text.

**Saudi Arabia** said that while the new text was an improvement, there was a need for all the elements of the BAP to be treated equally in chapter 1 of the text.

**Brazil** said that the new text provided an adequate basis for work by Parties. It hoped that the spin-off groups will engage on drafting exercise by Parties and not by the Chair or by facilitators. It stressed the need for a bottom-up text developed through exchange among Parties.

The **United States** said that it could work with the new text but it had to be a Parties' text where Parties can introduce their own proposals. It expressed concern that the new text moves Parties away from the Copenhagen Accord. The text on MRV and ICA needed to be further elaborated. It could not accept elements of the text that relate to activities under the Kyoto Protocol as it was not a Party to the Protocol.

In relation to domestic efforts in the US, it said that President Obama is not backing away from agreement reached in Copenhagen. The US will use all existing tools it has and success in Cancun did not hinge on the passing of comprehensive legislation in the US.

**Egypt** said that additional work is needed on the text and all are bracketed. It said that there were concepts in the text that were not consistent with the BAP or the Convention.

**Pakistan** said that the adjustments made in the text were a step in the right direction and ownership of the text should shift to Parties. It said that the

nature and shape of the outcome is not important as it complicates discussions. The objective should be to establish understanding and clarity on substantive issues. On the issue of ‘vulnerability’, Pakistan said that the text does not take into account the vulnerability of all developing countries.

**China** said that it was time for negotiations and appreciated the Chair’s facilitative text which was a starting point for negotiations.

**India** said that the text did represent some advance but there was a need for the necessary balance. It said that equitable carbon space remains a central concern for India and is key for global action. This must precede the articulation of a quantum for a long-term global goal (for emission reductions) and movement on aggregate reductions of emissions for Annex 1 Parties.

India said that developing country actions should be seen in the context of voluntary actions and cannot be subject to an MRV regime that is more onerous and which is not according to the Convention. Attempts to introduce differentiation

among developing countries and competitiveness concerns in an MRV regime will be problematic. It also said that Parties should desist from the idea of selective outcomes for the sake of expediency and must instead seek a comprehensive, balanced and equitable outcome.

The opening plenary was then adjourned and Parties then met as a contact group. The Chair then proposed the launch of spin-off groups. Following a heated exchange that went on for more than 2 hours between the Parties and the Chair on what the spin-off groups should be, the meeting was adjourned late in the evening on 2 August.

When the contact group resumed on 3 August, the Chair proposed the setting up of drafting groups on (i) mitigation, (ii) shared vision, (iii) adaptation and (iv) finance, technology and capacity building. During the week, the mitigation drafting group is to have 8 meetings; shared vision 3 meetings; adaptation 7 meetings and the fourth drafting group 8 meetings. Parties agreed to the proposal and drafting groups began their work.

### Developed Countries Urged Not to Over-consume Remaining Atmospheric Space

Bonn, 4 August (Meena Raman and Dale Wen) – Developed countries were urged at the climate talks in Bonn not to repeat history in continuing to over-consume the remaining atmospheric space.

In a workshop on the scale of emission reductions to be achieved by Annex 1 Parties held on 3 August, under the working group of the Kyoto Protocol, Bolivian Ambassador Pablo Solon said that “if the developed countries (Annex 1 Parties) emit more greenhouse gas emissions beyond their fair share of the remaining carbon budget, they will not only be occupying the carbon space of developing countries but will also hurt Mother Earth”.

Solon in his presentation at the workshop pointed out that there is a limit on how much emissions can be allowed in the atmosphere if temperature rise is to be limited. He cited several scientific studies to propose a carbon budget as well as a way to allocate this budget.

The workshop on the scale of emission reductions to be achieved by Annex 1 Parties in aggregate and the contribution of Annex 1 Parties individually or jointly to this scale was held under the Ad-hoc Working Group on Further Commitments for Annex 1 Parties under the Kyoto Protocol (AWG-KP) thirteenth session from 2 to 3 August. The workshop was organised at the request of the Parties at the AWG-KP’s previous session in June.

The workshop was chaired by Mr. Leon Charles from Grenada and Mr. Jurgen Lefevere of the European Union, who are co-chairs of the contact group under the AWG-KP on the scale of emission reductions by Annex 1 Parties.

The workshop was divided into three parts to address specific questions which were: (i) how Parties assess the current level of pledges and the scale of emission reduction by Annex 1 Parties (developed countries) in aggregate; (ii) what are the quantitative implications of the use of land use, land-use change and forestry (LULUCF) and emissions

trading, project-based mechanisms on the emission reduction by Annex 1 Parties in aggregate? How to ensure that efforts and achievements to date and national circumstances are taken into consideration and what could be the implications on emission reductions by Annex 1 Parties in aggregate?; and (iii) how to enhance transparency of pledges for emission reduction for Annex 1 Parties under the Kyoto Protocol?

Presenters at the workshop included some Parties from Bolivia, India, the Alliance of Small Island States (AOSIS), Japan, the EU, Russia and Switzerland as well as from organisations and experts from both developed and developing countries.

Solon spoke at the third part of the workshop. He said that if Parties wanted to have a 67% chance of staying below 2 degrees C, the CO<sub>2</sub> emissions budget between 2010 and 2050 for the entire humanity is 750 Gt (Gigatonne).

“If Parties want to stay below 1.5 degrees C with a similar probability, the total budget would be 420 Gt. If this budget is exceeded, the probability of exceeding the temperature limit will be higher,” he said.

Solon then proposed that the budget allocation should be based on the principle of equity (in terms of population) and historical responsibility (in terms of the climate debt i.e. what is owed by developed countries to developing countries).

Citing the estimates of UN DESA, Solon said that Annex 1 countries will have 16% of the global population between 2010 and 2050, and hence, they are entitled to 16% of the remaining global CO<sub>2</sub> budget, which is 120 Gt under the 2-degree scenario and 67 Gt under the 1.5-degree scenario.

“If Annex 1 Parties emit more than that, they will be occupying the carbon space of developing countries and will also hurt Mother Earth,” he added.

Solon said that the emissions of Annex 1 Parties in 1990 were 15.08 Gt CO<sub>2</sub>. Based on the pledges

of Annex 1 Parties under the Copenhagen Accord, and taking into account the high end of their combined pledges (which would be the best-case scenario), the annual emission of Annex 1 Parties would be 13.3 Gt, said Solon.

According to Solon, for the period 2010 to 2020, Annex 1 Parties would therefore be emitting 133 Gt and will use up their entitlement of 120 Gt of the CO<sub>2</sub> budget under the 2-degree scenario in 10 years.

He pointed out that the above consideration had not taken historical responsibility into account yet. Solon said that in the last 160 years (1850-2010), 1300 Gt CO<sub>2</sub> has been emitted globally into the atmosphere.

According to Solon, given that the population of Annex 1 Parties averaged about 25% of the global population, their fair share of the historical emissions budget was 325 Gt.

However, the Annex 1 Parties actually emitted 932 Gt CO<sub>2</sub> in the last 160 years, occupying 72% of the carbon space, said Solon. Hence, their over-consumption was 607 Gt CO<sub>2</sub> – a climate debt they owed to the non-Annex 1 Parties, he added further.

On the issue of the transparency of the pledges, Solon said that transparency should be for meeting the objectives of the Convention and based on science.

During the question and answer session, Solon emphasized that ‘historical responsibility’ should not

stay abstract or an empty term. Parties could discuss if they want to go back to 1850 or 1900, but historical responsibility can be measured, he said.

With the current Annex 1 pledges, history will be repeated where 16% of the population will over-occupy their fair share of the atmospheric space, said Solon.

Solon said that Parties have to be clear about the criteria that are used for deciding the pledges. There is a need to be clear about the carbon budget and it would be a big and important step to agree on this. There is a budget for the 1-, 1.5- and 2-degree C scenarios and this can be calculated. “The issue is how Parties are going to allocate the remaining budget,” he stressed.

“Developed countries will occupy again the space of developing countries. History will be repeated from the last 160 years in the next 40 years. Developed countries will occupy more than their fair share of atmospheric space and it is important that something is done about this,” he added.

“The climate change issue is not only about science, but is also about equity between all developed and developing countries. If developed countries could not reduce their emissions fast enough to stay within their fair share of atmospheric space, they should compensate developing countries through finance and technology transfer, as well as in repaying their climate debt. This is why finance is not about aid, it is about equity,” he stressed further.

### Workshop Reveals Low Ambition in Emission Reduction Pledges of Developed Countries

Bonn, 5 August (Hilary Chiew, Dale Wen and Meena Raman) – A workshop on the scale of emission reductions to be achieved by Annex I Parties under the working group of the Kyoto Protocol in Bonn, revealed the low level of ambition in the pledges of developed countries which are compounded even further by ‘loopholes’ that could potentially lead to an increase in emissions by 2020, based on 1990 levels.

Several presenters showed that the nominal aggregate of the pledges of Annex I Parties (including the United States) amounts to only a 12-18% reduction in emissions compared to 1990 levels, when developing countries have called for more than 40% reductions by 2020. The loopholes alone could account for around 21% of emissions, thus effectively neutralizing Annex I Parties’ emission pledges, and potentially allowing emissions to rise above 1990 levels by 2020.

Developing countries and experts from organisations stressed the need for much higher ambition in the emission reduction targets of Annex I Parties and the closure of loopholes as indicated by science and equity.

Japan opposed the establishment of an aggregate target for developed countries and Russia wanted more flexibilities. These developed countries also stressed the need for all “major emitters or economies” to undertake ambitious targets in reducing emissions as well.

India stressed the need for equity-based rules in sharing the carbon space.

The workshop held on 2-3 August was chaired by Mr. Leon Charles from Grenada and Mr. Jurgen Lefevere of the European Union, who are co-chairs of the contact group on the scale of emission reductions by Annex I Parties. This is one of three contact groups under the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP).

Presenters at the workshop included India, the Alliance of Small Island States (AOSIS), Bolivia, Japan, Russia, the EU and Switzerland as well as from organisations and experts from both developed and developing countries. Highlights from the workshop are presented below.

**India’s negotiator Dr. Ajay Mathur** made a presentation entitled “*Equity and Global Carbon Budgets – A Framework for Sharing of the Global Carbon Space*”.

Mathur said that various academic researchers in India are working on frameworks to operationalize the principle of sharing of carbon space based on science and equity. His presentation outlined the approach and provided some illustrative results and emerging conclusions.

According to Mathur, the goal was to develop a framework for a just, equity-based partitioning of the global carbon space in order to restrict temperature rise to less than 2 degrees C. He said that CO<sub>2</sub> emissions have a dual character both as a “global warming agent” and a “development necessity”, thus there is a trade-off.

“Equal per capita cumulative share is a viable ethical basis for sharing the commons. Nature also imposes a global carbon budget, and all countries should work together to live within this budget,” he added.

While there can be discussions about which year should be taken as the starting point for accounting of carbon stock, it is clear that the global carbon space has been over-occupied by the developed nations.

“Annex I Parties accounted for 18.7% of global population, but they have occupied 73.8% of the carbon space since 1850,” said Mathur. “The consequence of over-occupation means that in terms of entitlements, developed nations have now negative entitlements into the future,” he added.

Mathur said that there was a need for “equity-based rules for the sharing of carbon space”, adding that “Rule 1 is that countries cut ‘luxury emissions’ if their current share of emissions is more than their fair share. Countries are allowed ‘development’ emissions if their current share of emissions is less than their fair share of carbon space”.

“There will be reduction in emissions even for developing countries if they can reach fair share at the end of the time period. No country is allowed to cross their fair share of total carbon space (of stock and flow). The objective of this is to minimize the deviation from fair share,” he explained.

“Rule 2 is that total global emissions for 2000-2050 and 2051-2100 is restricted by a global carbon budget and the objective is to minimise the deviation from the global budget,” he said further.

According to Mathur, “Rule 3 is that countries with per capita cumulative emissions above a specified threshold have to cut their emissions and the objective is to minimise deviation of per capita cumulative emissions from a specified threshold.”

He said that there were major policy implications of this.

“The allocation or utilisation of carbon space cannot be determined by a single party alone (within a budget if one gains and the other loses). It is necessary to distinguish between allocations or entitlements and physical access to carbon space,” he added.

“A key feature is the over-occupation of global carbon space by developed nations. The consequence of over-occupation is that developed nations now have negative entitlements into the future. The over-occupation has restricted the physical availability of the carbon space to developing nations and the need to observe a global carbon budget restricts developing countries from realising their full entitlements,” said Mathur.

When questioned by some Parties on what is meant by “negative entitlement”, Mathur said that this implies that the fair share of carbon space by the developed country is long gone.

“It could well mean that political agreement has to provide for developed countries to pay for future emissions, and this could be the basis for future agreement. Negative entitlement indicates that future emissions from countries which have emitted more than their fair share can only be allowed if there is a transfer of resources to address the climate crisis,” he explained.

**Mr. Jun Arima, Deputy Director-General for Environmental Affairs from the Ministry of Economy, Trade and Industry of Japan,** said that

it is inappropriate to emphasise that Annex I Parties must hit a specific range of reductions by 2020 to achieve the 2-degree C target of limiting temperature rise, and that there is more than one pathway to achieve that target.

On the question of how Parties assess the current level of pledges and the scale of emission reduction by Annex I Parties in aggregate, Arima said there could be multiple long-term pathways to the 2-degree C target.

He said further that the 25 to 40% reduction from 1990 levels by 2020 is scientifically arbitrary as it was not an IPCC (Inter-governmental Panel on Climate Change) conclusion or recommendation and its political feasibility or economic consequences had not been considered.

“Science can tell us of the cumulative global emissions driving atmospheric concentration levels but not the emission reduction by any one country or group of countries in any given year,” he added.

He said that Japan’s 25% emissions reduction pledge is inscribed under the Copenhagen Accord and not in the context of an amendment to Annex B of the Kyoto Protocol.

Arima added that most of the high-end Annex I Parties’ pledges are premised on actions from Annex I Parties that are not in the Protocol (referring to the United States) as well as other major economies. Japan’s emissions target is “premised on the establishment of a fair and effective international framework with the participation of all major economies and the agreement of ambitious targets,” he said.

“Setting top-down aggregate emission reduction targets which are then allocated among individual Annex I countries is not pragmatic as those targets need to be acceptable by the general public in each country taking into account its achievability,” he said further.

According to Arima, “there will be no consensus on indicators to be used for ‘allocation’ (of targets).” He said further that the pledges by Annex I and non-Annex I Parties that are inscribed under the Copenhagen Accord should be discussed further in the context of establishing a global deal and should be conducted in the Ad-hoc Working Group on Long-term Cooperative Action under the UNFCCC.

**Dr. Sivan Kartha from the Stockholm Environment Institute** spoke in the same session as Japan. He assessed the level and transparency of pledges by Annex I Parties.

He said that the nominal aggregate of the pledges amounts to a 12-18% reduction compared

to the 1990 baseline, in comparison with a business-as-usual projection of that which is 1% below 1990 levels by 2020. He acknowledged that this “represents a non-trivial amount of mitigation, but in order to assess the pledge transparently, we need to compare it to the level science demands, as well as to consider how these pledges will be complied (with) and whether it leads to real mitigation.”

“The minus 12-18% pledges fall short of the 25-40% Annex 1 target suggested in the IPCC, which is associated with a somewhat higher than 50% risk of exceeding 2 degrees C, and which itself falls short of satisfying the requirement of the approximately 100 Parties who have specified a 1.5-degree C limit on global warming,” said Kartha.

Regarding the issue of compliance in meeting with their mitigation targets, Kartha presented data regarding diverse alternatives which are available to Annex I Parties in place of real mitigation according to the current rules under the Kyoto Protocol, including the carry-over of surplus AAUs (Assigned Allowable Units), CERs (Certified Emission Reductions), and RMUs (Removal Units), LULUCF (land use, land-use change and forestry) accounting, non-additional CERs and bunker fuels.

Kartha said that “surplus AAUs from the first commitment period amount to 9-13 gigatonne (Gt) CO<sub>2</sub> according to estimates of different research institutes. Surplus Clean Development Mechanism carry-over CERs for the first commitment period amounts to 1Gt.

“Surplus first commitment period LULUCF RMUs amounts to 1Gt CO<sub>2</sub>, while LULUCF accounting may weaken the target further by 0.4 Gt CO<sub>2</sub>/year with inflated land-use baselines for Annex I countries.

“Bunker (international aviation and marine) fuels, which are not currently covered by the Kyoto Protocol, are projected to lead to further emissions of 0.4 Gt CO<sub>2</sub>/year by 2020 based solely on growth in Annex I consumption. Non-additional CDM CERs is estimated to be 0.2 Gt/year.”

One thing that Kartha said he did not take into account was the likely generation of surplus AAUs in the second commitment period, which can be created in significant amounts depending on how the current pledges are translated into QELROs (quantified emission limitation and reduction objectives).

His presentation showed these alternatives to mitigation amount to a 21% diminishment of the pledged reductions, based on conservative assumptions. He pointed out that this would allocate much more of the remaining emission space to Annex

I Parties than is even required by their business-as-usual projection: the lower end of the pledges, of 12% below 1990 levels, is weakened to 9% above 1990 levels. Even the higher end of their pledges weakens to 3% above 1990 levels, and lies above the projected business-as-usual emissions. He pointed out that unless these alternatives to real mitigation are largely eliminated, it would mean that Annex I Parties would have easy access to surplus which can be carried over to the third commitment period without real mitigation.

His main conclusions were: (i) Annex I targets must be strengthened. The current 12-18% pledges are on a 3.5°C temperature path; and (ii) the Kyoto Protocol provisions and methodologies must be changed to ensure compliance with targets that are achieved through real mitigation during the second commitment period.

**Dr. William Hare from the Potsdam Institute** said that the global limit for a 2-degree C temperature level in 2020 is 44-45 Gt carbon dioxide equivalent per year (GtCO<sub>2</sub>-eq/yr).

“Present estimates of pledges of all, including non-Annex I Parties inscribed under the Accord, add up to 48 to 53 GtCO<sub>2</sub>-eq/yr. This is a gigatonne gap which is being confirmed by other research institutions,” he added.

According to Hare, analyses showed that the ‘raw targets’ of Annex I Parties is between 15.5 and 16.5 GtCO<sub>2</sub>-eq/yr and its “effective target with carryover” – which means increase in allowed emission in 2020 is about 18.5GtCO<sub>2</sub>-eq/yr.

“According to the IPCC’s 4th Assessment Report, to stay below 2 degrees C, the emission level of Annex I should be between 11 and 14 GtCO<sub>2</sub>-eq/yr excluding credits from LULUCF. In percentage terms, Annex I Parties’ effective reduction is between 12 and 18% below 1990 level, which is below the IPCC estimates of the 25 to 40% emission reductions required,” said Hare.

“While many pathways seem to be logical as argued by some Annex I Parties,” Hare said that, “we are dealing with a physical system.” “What is logical may not be physical – one has to look at the physics of the problem as well as economics of the problem,” he added.

**Mr. Rob Dellink, economist and policy analyst from the OECD**, made a presentation titled “*Costs and effectiveness of the pledges for emission reduction for Annex I Parties*”. He acknowledged that pledges for 2020 are not ambitious enough for the long-term goal of keeping temperature rise below 2 degrees C. With the current pledges, emissions may stabilise, but CO<sub>2</sub> concentrations will not, implying

temperature will not stabilise. It means significantly more action is required after 2020 at higher costs. Thus it is not economically rational to delay reduction efforts until some future date, he said.

The **European Union** also presented scenarios of cumulative emission reductions relative to baseline from 2013 to 2020 for Annex I Parties. The data showed that if the surplus AAUs from the first commitment period were fully used, together with the existing LULUCF accounting rules, Annex I Parties countries would be allowed higher emission levels compared to 1990 levels.

**Ms. Dinara Gershinkova of Russia** gave a presentation and said that it was looking for more adequate and equitable accounting rules going into the future. She explained that in the current context of negotiations, it means it is looking for the establishment of reference levels for carbon sinks where the baseline year would be 1990, avoiding additional caps or discount factors for its carbon sinks and possibility to exclude emissions caused by extreme natural events from being accounted.

She said the country's announced target of 15% to 25% of emission reductions from 1990 levels by 2020 is in line with the Copenhagen Accord commitment, adding that the range of emission reductions will depend on the appropriate accounting of the potential of Russia's forestry as a contribution in meeting the obligations of anthropogenic emission reductions and the assumption that all major emitters will have legally-binding obligations.

Russia, she said, occupied the 5th position in a list of top 25 carbon dioxide emitters in 2009 that included other major economies. She said the emissions of those major economies (like China and India) will grow significantly and the share of developed countries will shrink. "That is why non-Annex I Parties that are major economies are encouraged to participate in a global emission reduction plan," she added.

Gershinkova said Russia would like to see coherence in negotiations between the AWG-KP and the Ad hoc Working Group on Long-term Cooperative Action (AWG-LCA).

"Russia would like to retain the use of surplus for the next commitment period in accordance with Article 3.13 of the Kyoto Protocol as well as carry-over of other credits," she added.

**Albert Binger of Grenada, representing the Alliance of Small Island States**, said in his presentation that the group was really concerned about the prospect of the inclusion of 'hot air' that will be carried over from the first commitment period into the second commitment period.

The AOSIS scientific advisor said that the inclusion of the surplus Assigned Amount Units (AAUs) and the adoption of a liberal accounting of emissions from LULUCF would mean that we are basically running on a treadmill (not getting anywhere close to actual reduction or retaining status quo on reduction).

Binger said there was a need for at least a 45% reduction from 1990 levels by 2020 to keep temperature rise below 1.5 degrees C in order for the island states to survive. He also requested Annex I Parties with surplus of AAUs to let go of the units and not to carry them over to the next emission reduction phase.

Analysing data submissions from Parties on LULUCF, he said removing carry-over of surplus AAUs from the first commitment period to the second commitment period would provide a reduction of 1,200 MtCO<sub>2</sub>-eq/yr or effecting an 11 to 15% emission reduction from 1990 levels.

"If Parties agreed to removing LULUCF credits, that would result in 790MtCO<sub>2</sub>-eq/yr or between 16 and 19% of emission reductions in 2020 from 1990 levels," he added.

Binger said the best way to improve the level of ambition is for Parties to move to the top of their pledges announced so far, adding that even then, "we are still a long way from meeting the AOSIS demand".

Outlining the possible options to address surplus AAUs, he said they could be divided into the supply and demand side for the credits. On the supply side, he urged Parties not to request for carry-over as provided by Article 3.13. But if carry-over is permitted, the volume should be capped where any additions to the assigned amount shall be limited to a certain percentage of Parties' assigned amount in the preceding period.

"Parties should also limit the purpose for which carry-over may be used, for example, only for domestic use in the immediate subsequent commitment period and up to a certain percentage of its commitment. Substantial levy or discounting should be placed on transfer of such carried-over AAUs."

On the demand side, Binger said Parties could agree not to purchase carried-over AAUs, implement far stricter Annex I targets, place substantial levy on acquisition and restrict use of acquired AAUs.

**Lim Li Lin of the Third World Network** in her presentation said that "the scale of emission reductions so far pledged by Annex I Parties – i.e. their level of ambition collectively and individually – is to be evaluated against the relevant provisions

of the Convention and its Kyoto Protocol to ensure it is consistent with the principles of equity and common but differentiated responsibilities, and contributes adequately to the objective of avoiding dangerous warming. This requires an approach that is principled, fair and science-based.”

“Annex I Parties must also reduce emissions in practice, and not merely on paper. Consequently, a range of loopholes established by the Kyoto Protocol must be closed to ensure that emissions are reduced in fact and not merely in national accounts. And new pitfalls must be avoided. The current pledges, combined with current and potential new loopholes, are well below what is required and lack credibility. A major effort will be required to get the Kyoto negotiations back on track,” she added.

Lim said that, “A large gap exists between the pledges of Annex I Parties, and the scientific and equitable aggregate scale of emission reductions required of Annex I Parties in the 2nd commitment period. Enhancing the scale of emission reductions of Annex I Parties requires a principled, fair and science-based approach. This would involve first determining the aggregate target guided by considerations of science and equity, and subsequently apportioning the task to individual Annex I Parties. A paradigm shift is needed to address the urgency and seriousness of the climate change problem.

“The problem of grossly inadequate emission reductions by Annex I Parties in the 2nd commitment period is compounded by the fact that serious and large ‘loopholes’ exist that erode Annex I Parties’ emission reductions even further, and may actually increase their emissions compared to 1990 levels.

“Loopholes, in this sense, are means by which Annex I Parties’ can comply with their emission

reduction commitments without having to reduce their domestic emissions. They involve accounting for some but not all sectors, using inadequate accounting rules, or using other means to increase emissions without counting them or otherwise shifting the burden of mitigation to developing countries.”

Lim said that there are at least four categories of loopholes that involve LULUCF accounting rules; market-based mechanisms; surplus AAUs (“hot air”) and international aviation and shipping (“bunker fuels”).

“All of these loopholes combined could total around 21% by 2020 – thus effectively neutralizing Annex I Parties’ emission pledges, and potentially allowing emissions to rise above 1990 levels by 2020. The inadequate pledges by Annex I Parties (17-25% from 1990 levels by 2020; and 12 to 18% if the United States is included), combined with the loopholes, give rise to a major gap in terms of mitigation – and credibility,” she further said.

“The scale of Annex I Parties’ pledges must rise, and the loopholes must be closed, in order to ensure the integrity and credibility of Annex I Parties’ aggregate emission reductions. To address this, a systematic study and accounting of each of these loopholes, and their combined effect, must be carried out immediately to determine their implications for the level of actual domestic emission reductions to be achieved by Annex I Parties in aggregate, and the associated impact on burden sharing by non-Annex I Parties. The loopholes must then be closed through appropriate decisions in Cancun. Alternatively, the aggregate emission reduction commitments of Annex I Parties for the 2nd commitment period should be increased by the sum of the loopholes,” she added.

### UN SG's Advisory Panel on Climate Finance Comes under Fire

Bonn, 6 August (Hilary Chiew and Meena Raman) – The UN Secretary-General's High-Level Advisory Group on Climate Change Financing (AGF) came under fire during its briefing to Parties to the UNFCCC on the sidelines of the ongoing climate talks in Bonn.

Venezuela's Special Envoy on Climate Change, Claudia Salerno Caldera, questioned the status of the AGF as Parties of the UNFCCC did not ask for its advice. Speaking to representatives of the AGF on 5 August during the briefing, Caldera said that the Group "was born out of the Copenhagen Accord which was not adopted by the Conference of Parties and was started by the UN Secretary-General in his own capacity in New York."

UN Secretary-General Ban Ki-moon launched the AGF in February last year and appointed 19 experts to the Group. It was initially co-chaired by former UK Prime Minister Gordon Brown and his counter-part from Ethiopia, Meles Zenawi. Mr. Brown has since been replaced by Norwegian Prime Minister Jens Stoltenberg. It was established to study the potential sources of revenue for the mobilisation of USD 100 billion per year for financing mitigation and adaptation activities in developing countries.

The special briefing to UNFCCC Parties was given by Ato Newai Grebe-ab, the Chief Economic Advisor to the Prime Minister of Ethiopia, Norwegian state secretary of the Ministry of Finance, Kjetil Lund, UNCTAD's representative Lucas Assuncao and Nicolas Stern from the London School of Economics, who is a member of the AGF.

Venezuela's Caldera also objected to the idea of the final report of the AGF being presented to the current Danish Presidency of the UNFCCC Conference of Parties (COP) and to the incoming Mexican Presidency as was informed by the AGF representatives during the briefing.

"This study was not agreed to and is not part of the UNFCCC process and I strongly object to this

report being sent to the UNFCCC. It can only be sent to the Parties by the Secretary-General through our missions (in New York) and it is up to the countries to decide if it is going to be introduced into this process," Caldera stressed.

She asked that this message be conveyed to the UN Secretary-General.

Caldera said that Venezuela "will not accept the implementation of paragraph 8 of the Copenhagen Accord as it was never agreed to (by all Parties)."

(Paragraph 8 of the Accord, among other things, provides that "in the context of meaningful mitigation actions and transparency on implementation, developed countries commit to a goal of mobilizing jointly USD 100 billion a year by 2020 to address the needs of developing countries.")

Caldera referred to a 2009 UN-DESA report which estimated the sum for climate financing to be in the region of USD 600 billion a year and questioned why the Secretary-General asked the AGF to follow the figure of USD 100 billion referred to in the Copenhagen Accord instead of the report of the UN.

She said, for Venezuela, political feasibility (of sourcing revenues for climate finance) would mean alignment with the principles of the Convention viz. common but differentiated responsibility and historical responsibility of developed countries.

In response, Stern said that he was not in a capacity to deliberate on the issue of process but only that he conducted the study as instructed by the Secretary-General.

"I am keenly aware that higher numbers (on the quantum of finance) have been discussed but the point here is what we been asked to do," he said, referring to the figure of USD 100 billion.

Stern said that the Group looked at both public and private sources of revenue. He cited possible revenues from auctioning of carbon permits, carbon

taxes, taxes from international transport, financial transaction taxes, and direct budget contributions for generating new resources which could be grants or concessions.

Argentina asked what the criteria were for determining potential sources of finance and how developing countries would be affected. Referring to carbon taxes and levies from international transport, Argentina asked how this would affect the principles of equity, common but differentiated responsibility and the need for an open international economic system under the Convention.

Egypt said that most of the proposals seem to relate to the carbon markets and asked if different scenarios were considered in the context of the financial crisis.

Ecuador, in reference to Stern's presentation, said that the revenues generated will be channelled through the international financial institutions which are part of the existing financial architecture that have many problems.

In response to these questions, Stern said that there was a need to look at what kind of mechanisms can compensate for incidents on developing countries. In relation to the issue of trade, he said that it was important to distinguish between instruments that correct market failures and those that do not. He did express concern over "green protectionism" and the current economic slow-down has also been considered.

Australia, in response to Venezuela, welcomed the AGF report and said that more than 133 countries had signed the Copenhagen Accord.

### AWG-LCA Session Ends with Calls for Party-driven Text

Bonn, 9 August (Meena Raman) – At the closing plenary of the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA) at the UNFCCC talks in Bonn on 6 August, developing countries stressed the importance that future drafts of texts for an outcome be driven by Parties.

They were alluding to the need for Parties to negotiate among themselves and to produce texts, and not to rely on the working group's Chair to come up with further texts which would be the basis for future negotiations.

The Chair had produced three versions of a "facilitating text" on 17 May, 10 June and 9 July, and the third version had been used in the Bonn session of the AWG-LCA on 2-6 August. Much of the week saw Parties engaging in textual negotiations on various issues in what has been termed "spin-off groups" for some issues and "drafting groups" for other issues.

According to many delegates, the meetings of the groups had seen several Members proposing additions and changes to the 9 July text. This has resulted in expanded texts on the various issues which include more of the language that countries had earlier proposed but had been left out in the 9 July text.

The G77 and China emphasised its understanding that the text, as worked on during the week's negotiations, will be "sacrosanct" until the Parties recommence negotiations in Tianjin, China from 4-9 October.

All countries called for progress in the negotiations to move with urgency.

Margaret Mukahana-Sangarwe of Zimbabwe, the Chair of the AWG-LCA, said that the work of the Parties in the various drafting groups (on shared vision, mitigation, adaptation, finance, technology and capacity building) has given rise to a negotiating text which has grown from her text of 9 July but this was to be expected and that Parties had assumed

ownership of the text. She said that the text has become "richer in substance and reflects the positions of Parties on issues which are important to them". She said that efforts now had to be redoubled to bridge the differences among Parties.

In the preparation for the next session of the AWG-LCA in Tianjin, China (in the first week of October), Sangarwe said that the draft text produced at the session in Bonn would be the official document. She will also provide a scenario note on the organisation of work and also a note of the Chair's analysis of the text and possible solutions on specific issues.

Several developing countries including India, Malaysia and Singapore also stressed the importance of the negotiations to focus on the mandate of the AWG-LCA to ensure the implementation of the Convention and not deviate with proposals by developed countries that would violate the Convention. They were referring to proposals that called for developing countries, especially "major emitters", to take on new obligations in reducing emissions.

On the other hand, many developed countries (the United States and Japan and the Umbrella Group to which they belong) called during the closing plenary for the operationalising of the Copenhagen Accord.

However, some developing countries do not want the AWG-LCA process to adopt or legitimise the Copenhagen Accord, the controversial political document that was not adopted by the last meeting of the Conference of Parties in December 2009 due to lack of consensus. The Accord was a document that was the result of an exclusive meeting of selected heads of states, and it was only "taken note of" by the Conference of Parties in Copenhagen.

**Ambassador Abdullah M. Alsaidi of Yemen, for the Group of 77 and China**, said that the Group at the opening of the AWG-LCA argued for change

in the methodology of work and emphasized the urgent need to immediately engage in Party-driven negotiations on the basis of the Chair's text of 9 July 2010. He thanked the Chair for "guiding our work" in this respect.

"It is vitally important, however, to continue our work in a negotiating mode if we are to achieve the desired outcome in Cancun," said Alsaidi. The Group stressed the fact that an outcome to be obtained from Party-driven negotiations is an outcome that will not be contested. "All of us, including our partners, must bear this in mind," emphasized Alsaidi.

Referring to several meetings organized by Mexico and other Parties outside the UNFCCC process, Alsaidi said that the "plethora of initiatives, seemingly meant to enhance the negotiations, is a tactic that is inconsistent with the aim of the UNFCCC. The urgency of the climatic situation dictates that we move expeditiously to contain an ever-growing menace that will overwhelm us all".

"It is incumbent upon all of us, Parties to the Convention, to act and fulfill the mandate of the process we launched in Bali, to enable the full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012. This would be consummated by adhering to the provisions and principles of the Convention, in particular the principles of equity and common but differentiated responsibilities and respective capabilities".

The Chair of G77 and China reaffirmed the centrality of the UNFCCC in addressing climate change, and stressed the fact that the work process must be open, Party-driven and transparent.

Alsaidi reconfirmed the Group's understanding that the text, as worked on during the week's negotiations, will be sacrosanct until the Parties recommence negotiations in China in October.

"The Group of 77 and China will diligently work toward reaching an agreement to address the global climatic change. We obviously expect no less from our partners," he said.

**The Democratic Republic of Congo, speaking on behalf of the African Group,** said that on shared vision, it had become apparent in the discussions that at present there is no common vision and that if Parties continue to emphasise the areas of divergence, rather than building on areas of convergence, it will not be possible to achieve a common vision.

On mitigation the African Group expressed concern that many Parties re-introduced pre-Copenhagen positions, which has resulted in a dramatic expansion of Chapter 1 (of the negotiation

text). It added that Parties have introduced levels of detail in Chapter 1 that create a complete imbalance with the treatment of other equally important issues – like adaptation.

It also expressed extreme concern about the U-turn taken in the REDD-plus (in relation to reducing emissions from deforestation, degradation, forest conservation etc.) negotiations. It said that the REDD-plus was largely unchanged from where the Parties signed off in December last year and was ripe for negotiations. The introduction of new texts was disconcerting, said the African Group.

It was disappointed with the slow progress made on adaptation during this session. Africa saw the Adaptation Committee as an institution that will provide coherence in the implementation of enhanced action on adaptation under the Convention. It saw the Committee giving guidance and providing technical support for implementing these actions.

On finance, Africa was of the view that while the establishment of the new Fund was very important, it was more important to ensure the sustainability and adequacy of its resource base. It further stressed the need to identify the various mechanisms and institutional arrangements, such as a finance committee under the COP that would address the MRV (measurement, reporting and verification) of the financial commitments by developed country Parties.

It also registered disappointment on the little time afforded to the subject of technology transfer at the Bonn session and at the lack of progress made on the issue of capacity building.

**Lesotho, on behalf of the Least Developed Countries,** said that what was most worrying is that Parties are still grappling with mechanisms that would stop the advance of climate change for a future that would be less affected by monsoons, hurricanes, temperature rise, extreme drought etc.

It said that the progress achieved in the Bonn session has been inadequate, characterized by lack of seriousness and focus by Parties. It also saw deliberate delaying tactics. There has been robust discussion but there was still a need to restore trust among Parties.

The LDCs expressed disappointment at the apparent perception that LDCs aim to earn more than they deserve out of the UNFCCC process to an extent that many proposals by the LDCs attract unfavourable reactions from some Parties. The vulnerability of LDCs has even been questioned.

**Grenada, speaking for the Alliance of Small Island States (AOSIS),** said that there has been insufficient progress in Bonn in the negotiations. There was a need for ambitious targets in adaptation,

mitigation, finance, technology transfer and capacity building. It was important to move into drafting mode in China. Facilitators should be empowered to explore all means to arrive at a consensus text.

On the form of the legal outcome for Cancun (whether there be a set of COP decisions or a legally-binding treaty), it said that informal consultations held in this regard in Bonn had not achieved any consensus. It said that there was a need for detailed elaboration of different positions and their implications and this could be contained in the Chair's scenario note or separate document as there was a need for an informed decision on the matter.

**India** said that the Bonn session has marked a significant step forward in our negotiations. After the disappointment at Copenhagen, it was happy that the discussions are firmly back on the multilateral track. India thanked the Chair for coming up with a draft that has paved the way for the text-based negotiations to recommence. The process has become Party-driven, as it should rightly be, said India.

The text with which we will go to Tianjin may not be in the best of shape, but it does instill confidence in the process and gives hope for a comprehensive outcome at Cancun that provides a balanced treatment to all the pillars of the Bali Action Plan, it added.

Parties had been able to have the first reading of a sizeable part of the draft text in an inclusive and transparent manner. It is imperative that the first reading of the remaining portions of the draft be completed as soon as discussions begin in Tianjin.

India stressed that the mandate of the AWG-LCA is very clear - to ensure sustained, effective and comprehensive implementation of the Framework Convention (UNFCCC). Parties must not, therefore, weaken this mandate by deliberating on elements that diminish the implementation of the principles and provisions of the Convention.

It said that Parties must remain focused on the fulfillment of commitments by the Parties to the Convention in accordance with the principles of equity and common but differentiated responsibility. The absence of an equitable access to global atmospheric resources and protection of the developmental needs of the developing countries will impede our progress, it added.

India said that the outcomes in Cancun have to be a part of a comprehensive package and that cherry-picking of ideas will create confusion and distract attention from central issues. A regime for MRV of developing country actions cannot be pushed to the exclusion of enhanced commitments of developed

country commitments and progress on other elements of the Bali Action Plan. There has to be a balance on all elements of the Bali Action Plan in the package of negotiations.

In a very moving statement, **Pakistan's** delegate Mr. Farrukh Khan drew attention to the intense suffering of his people due to (recent) torrential rains that have not only disrupted the economy but also led to great loss of lives and affected more than 12 million people. He said that climate change was a reality for his country exacerbated by economic and security challenges.

He said that what Pakistan is facing bears testimony to its vulnerability to climate change. He said that Pakistan has endeavoured to include vulnerability to monsoons in the negotiations. He called on Parties to avoid a repeat of Copenhagen and said that urgent action was imperative as climate change did not wait for "political wrestling" to finish and hinges on the need for greater political will on the part of Parties to act.

**Malaysia** expressed dismay that developed country Parties persist in inserting text that was clearly at odds with the principles enshrined in the Convention. Such text had no place in the document and any voluntary removal of such text by Parties who had proposed them cannot be regarded as a concession in good faith. It believed that in Bali, a critical mandate had been given to enable the full, effective and sustained implementation of the Convention. Any deviation from this would be viewed as an irresponsible abdication of duties.

**Bolivia** was of the view that there was now a text for negotiations that, even if it had some failures and shortcomings, reflected the positions of all Parties in some way. It felt that it was now possible to say that various proposals from the World People's Conference on Climate Change and Mother Earth's Rights, which was held in Cochabamba in April this year, were expressed as options in the negotiation text.

**Venezuela** reminded Parties of its objection to the adoption of the Copenhagen Accord in December last year. It said that there had been some progress here in Bonn and in order to have effective negotiations at the 16<sup>th</sup> meeting of the Conference of Parties in Cancun, there was a need for a transparent, effective and efficient process. It said that at the next session in China, there was a need to work towards language that will unite Parties.

**Ecuador** said that the drafting of the text had gone forward as it was Party-led. It also called for greater political willingness from developed countries. It also further drew attention to its initiative

together with the United Nations Development Programme on the Yasuni National Park, where Ecuador has committed to keeping the oil in the ground.

[The Ecuadorian government and the UNDP signed an agreement on 3 August that creates a trust fund for managing international contributions to the Yasuni-Ishpingo Tambococha Tiputuni (ITT) initiative. The initiative is to keep crude oil in the ITT field underground in order to preserve the environment. The ITT is part of the Yasuni National Park, the country's largest nature reserve and also a UNESCO biosphere reserve].

Ecuador said that it was the main contributor to the fund and called on developed countries to support such initiatives.

**Singapore** said that while progress is slow, no matter how imperfect the text was, it was a text produced by the Parties for the Parties. It expressed great concern that some Annex 1 Parties have made proposals which are not in accordance with the mandate of the UNFCCC, the AWG-LCA and the Bali Action Plan.

It said there were many examples of this and referred to one proposal for the reclassification of Non-Annex 1 Parties. Singapore said that it rejected such proposals and that they did not advance negotiations and are counter-productive and divert attention from the fundamental issue of long-term cooperative action to implement the Convention. The Bali Action Plan provides a clear mandate and these rules and agreement must be respected and applied. All countries, both developed and developing, do their part according to their common but differentiated responsibility.

**Bangladesh** said progress in the negotiations was slow. It said that while there is a differentiation between developed and developing countries, the Convention also distinguishes the special circumstances of the LDCs and the small-island states. It expressed dismay that some Parties are undermining this. It also said that the promised fast-start finance of USD 30 billion by developed countries under the Copenhagen Accord had yet to be mobilised and disbursed. It also called on the secretariat to come up with a 'vulnerability' criterion.

**The Maldives** referred to a meeting of 28 countries under what is termed the 'Cartagena Group'. It said that the group is made up of like-minded 'progressive' countries. They were for an ambitious, comprehensive, fair and legally binding agreement. Its purpose was to identify middle-ground and build bridges and identify solutions where positions are far apart.

**Australia on behalf of the Umbrella Group** with regard to the text said that it supported a balanced and effective package covering all the major elements. In particular, it wanted more time for discussion on MRV (of mitigation actions) for both developed and developing countries. It said that the group had provided (as regards the text) 'international consultations and analysis' (ICA of mitigation actions of developing countries which are not enabled and supported) as a means for Parties to take ownership and showcase their actions and to provide transparency to enable and facilitate dialogue. It added that this was an elaboration of what leaders agreed to in Copenhagen (referring to the Accord that was "taken note of" but not adopted by the Conference of Parties due to lack of consensus). It wanted to engage more in-depth in further discussions.

The Umbrella Group said that it was committed to a durable, fair and environmentally effective and legally binding agreement that provided for mitigation actions for all economies with a robust framework that ensures transparency. It was also concerned about the pace of negotiations.

**Belgium speaking for the European Union** said that the Bonn session did not live up to its expectations in terms of progress. It had hoped to find convergence on some issues for ambitious results in Cancun. It did see some convergence emerging in a few areas but this was becoming more and more of a challenge. The EU said that Cancun should put in place the key institutional and architectural arrangements for the comprehensive and ambitious legally binding outcome on issues such as mitigation, MRV, financial architecture, REDD-plus, technology, adaptation, capacity building and market mechanisms.

It said that the Kyoto track (referring to the working group under the Kyoto Protocol) has made considerable progress but it had concerns. The EU did not see equivalent progress under the Convention track. It called for negotiations to be put on 'fast track'. In order to engage in a discussion on how to raise the level of ambition, there was a need to bring commitments put forward by developed countries and the nationally appropriate mitigation actions of developing countries into the formal negotiating process. It encouraged Parties to put forward their proposals before the meeting in Tianjin and said that this was not a stepping stone for a pledge-and-review approach.

On the form of the legal outcome, while reiterating its preference for a single legally binding instrument that would include all essential elements

of the Kyoto Protocol, the EU said that it was flexible regarding the legal form, as long as it was binding. It was open to considering a second commitment period under the Kyoto Protocol as part of a wider approach in which a binding instrument capturing the outcome of the LCA process would complement and work in parallel with an improved Kyoto Protocol. Such an approach should ensure that other major emitters take on their fair share of the global emission reduction effort and that environmental integrity is improved.

(The United States is not a Party to the Kyoto Protocol but as an Annex 1 Party under the UNFCCC it has a legally binding commitment to reduce greenhouse gas emissions.)

The **United States** said that Parties were now in the midst of critical negotiations. There was a need to be ambitious and to move forward. The US drew attention to the record temperatures and fires in Russia and to the floods in Pakistan and said that these were consistent with climate change and cautioned that the situation would get worse.

The US then stressed the need for a significant operational outcome in Cancun that will enhance the Copenhagen Accord. It said that leaders had struck

a balance under the Accord towards a clear path forward that required developed countries taking on economy-wide targets and for major developing countries to take robust mitigation action. The US said that it was implausible that Parties would now change the balance (reached under the Accord). The agreement must be robust, flexible, durable and capable of adapting to national and global changes. It expressed concern with the pace of negotiations.

Referring to the statement by the EU, the US said that some Parties were talking about reaching a deal in South Africa. It said that delay is not the answer and there was a need for an outcome this year, which was the speedy conclusion of the Copenhagen Accord. It asked Parties to continue negotiations and not debate on process.

**Japan** said that there was a need to adopt a comprehensive legally binding document based on the Copenhagen Accord which establishes a fair and equitable framework with the participation of all major emitters. It said that a substantial set of decisions was needed to set up a robust system of MRV and ICA (“international consultations and analysis”, a term introduced in the Accord) to realise an environmentally effective framework.

### Chair Issues Draft Text as Kyoto Protocol Session Ends

Bonn, 10 Aug (Hilary Chiew and Lim Li Lin) – The week-long session of the working group under the Kyoto Protocol ended on Friday 6 August with the issuance of a new 50-page draft proposal by the Chair of the group, and a closing plenary in which developing countries strongly criticised developed countries for their so-far-abysmal plans to cut emissions and the apparent refusal of many of them to commit to a second commitment period of the Protocol.

The Chair of the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), Mr. John Ashe of Antigua and Barbuda, issued his draft proposal comprising texts with options (representing the differences of views of Parties to the Protocol).

The Chair's proposal is in the form of an amendment to the Kyoto Protocol and draft decisions to be adopted (by the Conference of Parties of the UN Framework Convention on Climate Change serving as the Meeting of Parties to the Kyoto Protocol, or CMP) at the UNFCCC meetings in Cancun, Mexico on 29 November-10 December.

Five draft decisions are contained in the document's five Chapters.

Chapter I is an amendment to the Kyoto Protocol for the second commitment period pursuant to its Article 3.9, accompanied by a draft decision adopting the amendment. Chapter II is a Draft decision on Land use, land-use change and forestry (LULUCF). Chapter III is a Draft decision on Emissions trading and the project-based mechanisms.

Chapter IV is a Draft decision on Greenhouse gases, sectors and source categories, common metrics to calculate the carbon dioxide equivalence of anthropogenic emissions by sources and removals by sinks, and other methodological issues. Chapter V is a Draft decision on Consideration of information on potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties.

The Chair's draft proposed text is based on the previous documentation that has now been updated with proposals by Parties (on the amendment to the Kyoto Protocol for the second commitment period, in which the scale of Annex I Parties' emission reductions is central) and which also captures the progress made at this session in the various contact groups (on "other issues" including land use, land-use change and forestry, emissions trading and the project-based mechanisms, methodological issues and potential consequences).

Several developing countries supported the issuing of the Chair's text and called for negotiations to begin based on it. They stressed that satisfactory progress in the AWG-KP is key to the success in the two negotiating tracks at the Climate Conference in Cancun. The other track is the Ad hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA).

In closing statements at the final plenary of the working group, the developing countries criticised developed countries for their lack of commitment to the Kyoto Protocol process.

The G77 and China said that Annex I Parties had been unwilling to table emission reduction pledges that are transparent or ambitious enough. At the next meeting in Tianjin, China (in October), they must raise the ambition level to close the gap.

The G77 and China was also concerned about the loopholes allowing Annex I Parties to avoid real reductions. It reiterated its well-known stance that the Kyoto Protocol must continue in line with the legal obligation.

(Annex I Parties refer to developed countries and countries with economies in transition that are Parties to the UNFCCC with legally binding commitments to reduce greenhouse gas emissions. The Kyoto Protocol sets the reduction targets for Annex I Parties. The US is an Annex I Party but not a Party to the Protocol.)

In a strong statement, China said it is against any proposal to replace the Kyoto Protocol, as well as proposals to impose unfair obligations on

developing countries. "If the Kyoto Protocol process fails, it will be the failure of the whole multilateral process on climate change," it warned, and called for the group to engage in full negotiating mode based on the Chair's draft, at the next meeting.

The European Union seemed to be the only developed country Party that indicated that it could still support the continuation of the Kyoto Protocol, but under certain conditions. While expressing its openness to consider a second commitment period of the Kyoto Protocol, the EU said it should be clear that it is premised on ensuring a satisfactory balance between both tracks and on improving the environmental integrity of the Protocol. (The first commitment period spans 2008 to 2012.)

Speaking on behalf of the Group of 77 and China, Yemen said the Group notes that consideration of the scale of emission reductions of Annex I Parties has been delayed through the continuing inability or unwillingness of negotiating partners to bring to the table pledges for emission reduction commitments that are transparent or consistent with the level of ambition needed to address the increasingly urgent challenge of climate change.

In this context, it said the key focus for the next session (in Tianjin) must be on raising the level of ambition in order to close the gap between these pledges and the commitments that are truly needed.

The continuity of the Kyoto Protocol is an essential element for the future of the climate change regime, it said.

The establishment of new quantified emission reduction commitments for Annex I Parties under the Protocol is a legal obligation that must be met and is a cornerstone of the climate regime and the Cancun outcome as a whole.

The Group reiterated its serious concern as to the extent of loopholes (which allow Annex I Parties to avoid undertaking real emission reductions), as indicated by many of the presentations at an in-session workshop that was held during the Bonn session (on the scale of emission reductions by Annex I Parties), as well as the slow progress in the AWG-KP negotiations.

It said talks in Cancun can succeed only if there is a clear commitment from Annex I Parties to meet their legal obligations in the two negotiating tracks, and the Kyoto Protocol track must lead the way in reaching the Cancun outcome.

Representing the African Group, the Democratic Republic of Congo said that it is very disturbed by the way Annex I Parties have re-inserted some of their old positions back into the Chair's draft text. The Group, it said, is concerned that that would lead Parties to renegotiate issues where compromises were reached in the past.

This, it added, is a clear sign that Annex I Parties are not fully committed to reaching an agreement that will result in a second commitment period.

It said that Africa requires an outcome that establishes ambitious greenhouse gas emission reductions for Annex I Parties in order to ensure that the impacts of climate change do not undermine its development and poverty eradication goals.

Specifically, it stressed that that would require agreement on the continuation of the two-track approach, culminating in an amendment of the Kyoto Protocol thereby establishing the second and subsequent commitment periods.

The amendment, it said, must contain deep economy-wide quantified emission limitation and reduction targets for all developed countries for the period beyond 2012. In accordance with the science and in line with developed countries' historical responsibility for emissions, and in line with the African Union's call, the level of ambition should be at least 40% below 1990 levels by 2020 and between 80 and 95% by 2050.

Acknowledging that while Parties have different interpretations of the contents of the Secretariat's paper on legal matters (which describes legal options to ensure that there is no gap between the first and subsequent commitment periods and legal implications if such a gap were to occur), it said that the Group believes that very important issues have been raised, all of which require further deliberations.

It said opportunity must be created for Parties to zero in on some of these legal options and explore these further so that they can adequately prepare for all eventualities.

The Alliance of Small Island States (AOSIS), represented by Grenada, said that it is concerned by the lack of progress made at this session, on both contextual and technical issues.

At the in-session workshop, it said Parties saw a high degree of convergence from presenters on the scale of the challenges faced in raising the ambition of Annex I Parties' pledges to the level required by science.

Presentations confirmed that the pledges would only achieve a 1 to 7% reduction below 1990 emission levels, including those of non-Kyoto Protocol Parties, it said.

This is extremely disturbing for countries vulnerable to the impacts of climate change. However, it said, Parties also learned from the workshop that there are a series of measures that can be taken to increase the effective emission reductions of the pledges now on the table.

These include measures to close what are termed as "loopholes" in the Kyoto Protocol accounting system in the areas of LULUCF accounting and surplus AAUs (assigned amount units). It reminded that the loopholes identified have not been closed and it would still be absolutely essential to see a substantial increase in ambition from Annex I Parties.

Otherwise, it said, Parties cannot hope to come close to the range indicated in the IPCC (Intergovernmental Panel on Climate Change) report of 25 to 40% reductions by 2020, which is associated with a 2 to 2.4-degree Celsius increase in temperature, or to go beyond this range to a more than 45% reduction.

AOSIS believes it is essential to achieve a long-term limitation of temperature increase to well below 1.5 degrees Celsius. This has a support base of 107 countries and a rising scientific base, it said.

“We must address pledges from Parties that are above business as usual scenarios; we must address the quantitative implications of surplus carryover (of AAUs) from the first commitment period to the second commitment period; we must address Article 3.7 on deforestation; and we must address LULUCF crediting. We must also see a substantial improvement in Annex I Party pledges,” it added.

“If we fail to fix these,” the group warned, “we would be left at a 1 to 7% reduction in emissions from Annex I Parties below 1990 levels by 2020, which would be an unconscionable result, given the vulnerable countries around the world that are waiting for this process to achieve something real and meaningful”.

It said that it is appreciative of the Chair’s draft text which took into account Parties’ proposals, including for increasing the share of the proceeds for adaptation, and for addressing the issue of surplus AAUs and improving the accounting under Article 3.7 (of the Protocol).

It disagreed with some Parties who felt that these issues are beyond the mandate of this working group. Instead, it sees these elements as essential for a strong Kyoto Protocol.

Lesotho, speaking for the Least Developed Countries (LDCs), said that there should be no gap between the first and second commitment periods, and stressed the urgency of agreeing to deep and ambitious Annex I emission reductions. It said that it was disappointed with the slow progress of the AWG-KP, and that in Cancun, the Kyoto Protocol must lead the way.

India felt that the Chair’s draft text should enable Parties to focus attention on the key issues that have to be addressed to help Parties reach an effective outcome at Cancun. The text, it said, should therefore follow the mandate of the AWG-KP which is to decide the quantified emission reduction commitments of Annex I countries in the second commitment period of the Kyoto Protocol.

India believes that the work of the AWG-KP is the key to the success of the two-track negotiations. A satisfactory outcome on the basis of science and equity is central to the success of the negotiations at Cancun, it added.

It further said that it would be unfair and also a digression from our main task if the attention is instead shifted to the actions of developing countries.

It said the UNFCCC and the Kyoto Protocol are the two legal realities that have been negotiated after much thought and effort. These must not be allowed to be diluted, marginalised or supplanted. Therefore, Parties are here in the AWG-KP not for negotiating a new treaty or agreement. Whatever Parties choose to do must only enhance and not diminish the principles and provisions of these two legal realities.

Agreeing with India that future work must be focused on its mandate, China said it is still concerned with the intention of setting preconditions (by certain Parties) for the Kyoto Protocol track, in the name of balance or coherence between the two tracks. It is also against any proposal to replace the Kyoto Protocol with a new protocol, as well as those (who) try to misuse the Kyoto Protocol negotiations to introduce or even impose unfair obligations on non-Annex I countries.

It said during this session, it further identified the gap between what has been offered by Annex I (countries) and what is needed in accordance with their historical responsibilities and based on science. It is shocked and deeply concerned by the size of the gap, and as government delegates, it heard the strong voice of civil society and recognises the duty of the AWG-KP to set the scale of emission reductions of Annex I (countries) in the second commitment period of the Kyoto Protocol, which should be ambitious, without being severely compromised by any loopholes.

It reiterated that the Kyoto Protocol process should draw conclusions before Cancun according to its mandate, and this should be the cornerstone of a meaningful outcome in Cancun.

It said the Kyoto Protocol track, therefore, has to catch up and make progress ahead of the AWG-LCA. It warned that if the Kyoto Protocol process fails, it will be the failure of the whole multilateral process on climate change. With the draft text proposed by the Chair, it said that it is prepared to go into full negotiation mode at the next session.

Referring to the in-session workshop held on 2 and 3 August, Bolivia said it was made very clear that the actual emission reduction pledges (under the Copenhagen Accord) are not consistent with the objective of limiting temperature increase to 1.5 degrees Celsius and not even 2 degrees Celsius.

It pointed out that each limit to the increase in temperature corresponds to a budget of carbon emissions that cannot be surpassed. The distribution of the remaining carbon budget between developed and developing countries must be done in an equitable way, taking into account population distribution and the emissions debt that the developed countries owe developing countries.

The reduction commitments that the developed countries tabled are not consistent with science nor with the equitable distribution of the atmospheric space, it said. Therefore, it said, it is fundamental

that the next session in China is dedicated to progress substantially on this issue which is the heart of these negotiations, and without which there cannot be a satisfactory result in Cancun.

Representing the European Union (EU), Belgium reiterated that while it preferred a single legally binding instrument that would include the essential elements of the Kyoto Protocol, it is flexible regarding the legal form, as long as it is binding.

It said it is open to a second commitment period under the Kyoto Protocol as part of a wider approach in which a binding instrument capturing the outcome of the AWG-LCA process would complement and work in parallel with an improved Kyoto Protocol.

Such an approach, it added, should ensure that other major emitters take on their fair share of the global emission reductions effort and that environmental integrity is improved, noting that many Parties expressed similar interests.

It restated its objective to make all the progress that is feasible in both negotiating tracks towards a comprehensive and legally binding outcome, in line with its 2 degrees Celsius objective. It acknowledged that current pledges do not match the required level of ambition. There also seems to be broad recognition now, that if we do not get the accounting rules right, this would further undermine the effort that is required, it added.

The EU said progress has been made on improving the accounting rules with a better understanding of the implications of the LULUCF accounting options and of the assumptions underlying current pledges.

It is concerned that while within the Kyoto Protocol track, Parties were discussing quantified emission limitation and reduction objectives, options for accounting, the length of commitment periods, the inclusion of additional gases etc, it did not see an equivalent level of progress under the Convention track.

It deplored that within that track, Parties were unable even to put their respective mitigation commitments on the negotiation table, adding that it would carefully analyse the new text that the Chair will produce, in preparation for the next session in Tianjin.

Speaking for the Umbrella Group, Australia said it is committed to being part of a comprehensive global deal and stressed the importance of the growing need for clarity on rules including for (carbon) markets and LULUCF, and of recognizing the special circumstances of economies in transition.

Korea, on behalf of the Environmental Integrity Group, said that the work of the AWG-KP is part of a broader comprehensive and balanced

package defining the future climate change regime. It suggested that the pending issues such as surplus AAs and LULUCF have to be resolved by Cancun.

It emphasised further developments on the flexible mechanisms and the establishment of new ones, and suggested streamlining the draft Chair's text for amendment of the Kyoto Protocol as well as related decisions.

To advance politically, conditionalities for the second commitment period under the Kyoto Protocol should be addressed. It said that in Cancun, common issues, e.g. mitigation, market mechanisms, and expectations for the two working groups should be dealt with.

Japan said it seeks a balanced, environmentally effective and comprehensive global deal and emphasised the importance of ensuring a coherent approach with the AWG-LCA for moving forward.

It said the whole world thirsts for a post-2012 global deal that is more effective and comprehensive than the present Kyoto Protocol where only certain countries are required to reduce greenhouse gas emissions while others are not, hence, the simple Kyoto Protocol regime appears weak to address global warming.

It said that, "an aircraft that flies on one engine will drop us short of our ultimate destination and can by no means save the earth".

This is the rationale of the Umbrella Group's statement and its steadfast position that the international community should seek a single, fairer and effective legal instrument where developed and developing countries can participate in the form of an amended Kyoto Protocol or the creation of a new agreement.

It further said the lack of coherence of both ad hoc working groups has caused insufficiencies and has invited criticisms and suspicions.

In closing the plenary, the Chair, John Ashe, invited Parties to submit comments on his draft proposal in writing by 31 August, as he intends to prepare a scenario note on how the draft text can be considered in Tianjin. He said comments will be compiled as a miscellaneous document and made available to all Parties.

At the session, the legal contact group considered the Secretariat's paper on "Legal considerations relating to a possible gap between the first and subsequent commitment periods" that was requested at the last session of the AWG-KP.

It was decided that no further work on this issue was needed at this point, and that the legal interpretation of the Kyoto Protocol is the prerogative of Parties, and they would determine when this is necessary.

# **Climate Briefings for Bonn**



## Addressing the Credibility Gap: A Principled Approach to Setting Annex I Aggregate Reductions and Closing Loopholes in the Kyoto Protocol

*Lim Li Lin, Third World Network*

Annex I countries are committed under the UN Climate Convention to demonstrate they are taking the lead in modifying longer-term trends in greenhouse gas emissions consistent with the objective of the Convention. This commitment is reflected in the provisions of the Kyoto Protocol, and the current negotiations to establish further emission reduction targets for Annex I countries through a second period of commitments commencing in 2013.

The scale of emission reductions so far pledged by Annex I Parties – i.e. their level of ambition collectively and individually – is to be evaluated against the relevant provisions of the Convention and its Kyoto Protocol to ensure it is consistent with the principles of equity and common but differentiated responsibilities, and contributes adequately to the objective of avoiding dangerous warming. This requires an approach that is principled, fair and science-based.

Annex I Parties must also reduce emissions in practice, and not merely on paper. Consequently, a range of loopholes established by the Kyoto Protocol must be closed to ensure that emissions are reduced in fact and not merely in national accounts. And new pitfalls must be avoided. The current pledges, combined with current and potential new loopholes, are well below what is required and lack credibility. A major effort will be required to get the Kyoto negotiations back on track.

This note provides a basic overview of issues relating to the scale of Annex I Parties' emission reductions, the potential effect of loopholes, and the steps that should be taken to get the Kyoto Protocol negotiations back on track and ensure Annex I countries fulfill their obligation to address a fair and science-based share of the challenge of curbing climate change.

### **Scale of Annex I Parties' aggregate emission reductions**

The work programme of the AWG-KP agreed to in Poznan (FCCC/KP/AWG/2008/8) makes clear that conclusions on the scale of emission reductions to be achieved by Annex I Parties in aggregate should be adopted *before* conclusions on the contribution of Annex I Parties, individually or jointly, to the aggregate scale of Annex I emission reductions are adopted.

This is premised on the understanding that scientific information should inform the level of Annex I emission reductions for the 2<sup>nd</sup> commitment period. This understanding was influenced by the IPCC's 4<sup>th</sup> Assessment Report, which included a summary of some studies indicating that Annex I Parties as a group should reduce

their emissions in the range of 25-40% below 1990 levels by 2020. However, this range is based on studies involving questionable burden sharing assumptions and is equated with a 450ppm CO<sub>2</sub>eq scenario in the IPCC report, which provides a less than 50% chance of remaining below 2°C.

More than 100 developing countries (AOSIS, LDCs, African Group) have thus called for Annex I Parties' emission reductions in the 2nd commitment period to be 45% below 1990 levels by 2020. Some developing countries have also proposed 49% or 50% domestic emission reductions by Annex I Parties in the commitment period 2013-2017, below 1990 levels. Others have proposed 40% below 1990 levels by 2020.

These proposals are scientifically grounded in the objective of the Convention to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, and are in line with the demand by most developing countries for Annex I emission reductions in the 2<sup>nd</sup> commitment period that contribute adequately to ensuring that temperature increase is limited to 1.5°C or 1°C, and that greenhouse gas concentrations in the atmosphere return to 350 or 300ppm CO<sub>2</sub>eq.

These proposals are also based on equity, in terms of the fair sharing of atmospheric space and sharing the mitigation burden. The smaller the effort of Annex I Parties, the larger their taking of the atmospheric space, which has already been overused by developed countries. The smaller the effort of Annex I Parties, the larger the adaptation and mitigation burden on developing countries.

However, according to the July 2010 update of the UNFCCC Secretariat's paper, 'Compilation of pledges for emission reductions and related assumptions provided by Parties to date and the associated emission reductions'<sup>10</sup>, current pledges by Annex I Parties are expected to be between 17 and 25% below 1990 levels by 2020 (whether LULUCF is excluded or included). These figures would be between 12 and 18% if the United States were included. This is far below the scientific and equitable emission reductions that are required of Annex I Parties in the 2<sup>nd</sup> commitment period.

*In sum:* A large gap exists between the pledges of Annex I Parties, and the scientific and equitable aggregate scale of emission reductions required of Annex I Parties in the 2<sup>nd</sup> commitment period. Enhancing the scale of emission reductions of Annex I Parties requires a principled, fair and science-based approach. This would involve first determining the aggregate target guided by considerations of science and equity, and subsequently apportioning the task to individual Annex I Parties. A paradigm shift is needed to address the urgency and seriousness of the climate change problem.

### **'Loopholes'**

The problem of grossly inadequate emission reductions by Annex I Parties in the 2<sup>nd</sup> commitment period is compounded by the fact that serious and large 'loopholes' exist that erode Annex I Parties' emission reductions even further, and may actually increase their emissions compared to 1990 levels.

'Loopholes', in this sense, are means by which Annex I Parties can comply with their emission reduction commitments without having to reduce their domestic emissions. They involve accounting for some but not all sectors, using inadequate accounting rules, or using other means to increase emissions without counting them or otherwise shifting the burden of mitigation to developing countries.

At least four major categories of loopholes exist:

1. LULUCF accounting rules
2. Market-based mechanisms
3. Surplus AAUs ("hot air")
4. International aviation and shipping ("bunker fuels")

## **LULUCF accounting rules**

Under the land use sector, a number of key issues give rise to accounting loopholes or remain unresolved and so could give rise to large loopholes in the future:

### *Elected activities*

Under the Kyoto Protocol, only some forestry activities must be accounted for in the 1<sup>st</sup> commitment period (e.g. deforestation, afforestation, and reforestation), while others remain voluntary (e.g. forest management, cropland management, grazing land management, re-vegetation, and wetlands), and current proposals for the 2<sup>nd</sup> commitment period would allow Parties to continue to pick and choose which activities they would like to account for under the land use sector.

This means that Annex I Parties could elect to account for activities that remove or reduce emissions while ignoring those that increase emissions. In practice, this may allow them to increase their emissions, while accounting only or primarily for decreased emissions in the land use sector.

### *Reference levels for forest management accounting*

Current proposals would allow Annex I Parties to use projected (future) baselines, instead of a standardized historical baseline for forest management activities. The proposed future baselines are set at levels above the historical trend. The expected increase in forest management emissions over time would therefore result in a high baseline. Furthermore, as stated above, accounting for forest management activities is not currently mandatory under LULUCF.

This means that Annex I Parties could increase rather than decrease their emissions in this sector, or maintain them at the current trend and increase emissions in other sectors, while still complying with their emission reduction commitments, simply because the baseline is set high.

### *Article 3.7*

Article 3.7 allows for 1990 land use emissions, when they have constituted a net source, to be included in Annex I Parties' 1990 baseline, allowing high emissions to boost the baseline by which emission reductions are compared against in that sector.

This means that Annex I Parties (principally Australia) have been allowed to increase emissions in the land use sector without accounting for them, because high baselines were set for 1990, due to high emissions in the land use sector.

### *Gross-net and net-net accounting*

Different accounting rules have been established and apply to different Parties. Gross-net accounting is generally favorable to those countries that were sinks in 1990. Net-net accounting is generally favorable to those countries that were sources in 1990. The main difference is that gross-net only accounts for changes in LULUCF during the commitment period, whereas net-net compares net changes in the commitment period against net changes in a base year.<sup>7</sup>

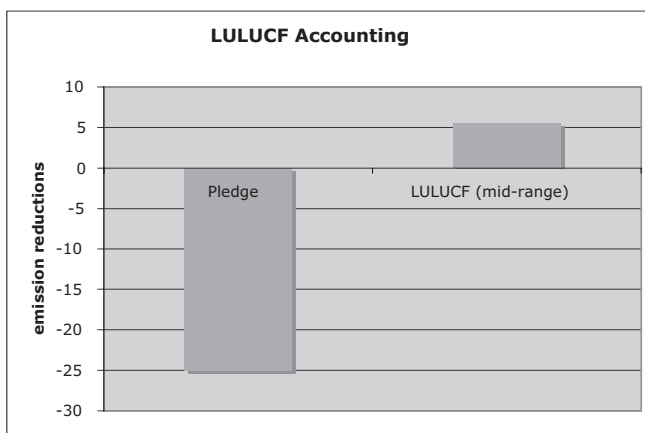
The existence of different accounting systems reduces transparency, enables countries to hide poor performance, and results in emissions that go unaccounted for. Shifting to a net-net approach using a 1990 base year is more transparent, comprehensive and consistent with accounting in other sectors. But it must be done in concert with other changes to increase the environmental integrity and equity of LULUCF rules.

### Force majeure

Current proposals would allow Annex I Parties to exclude from accounting certain emissions that arise from extraordinary events or circumstances beyond their control (e.g. forest fires). They could do so until the emissions are balanced by removals (e.g. the trees growing back), or they could carry the emissions over to a subsequent commitment period.

This means that Annex I Parties could exclude emissions from the balance sheet whenever they can be characterized as resulting from *force majeure* events. The proposal constitutes a potentially significant loophole, and is an unnecessary means to address the risk that *force majeure* events pose in complying with targets. In addition, increasing numbers of *force majeure* events are likely to be linked to climate change; it is antithetical to remove from accounting major problems that must be addressed as part of the solution.

The totality of these and other LULUCF accounting loopholes would depend on the rules agreed. Two of these issues alone – projected reference levels and Article 3.7 accounting – are estimated to amount to around 5 to 6% of Annex I Parties’ 1990 emission levels.<sup>(1,2,4,6,9)</sup> In other words, these two loopholes alone would bring down Annex I Parties’ current pledges, at best, to between 12 and 20% emission reductions by 2020.



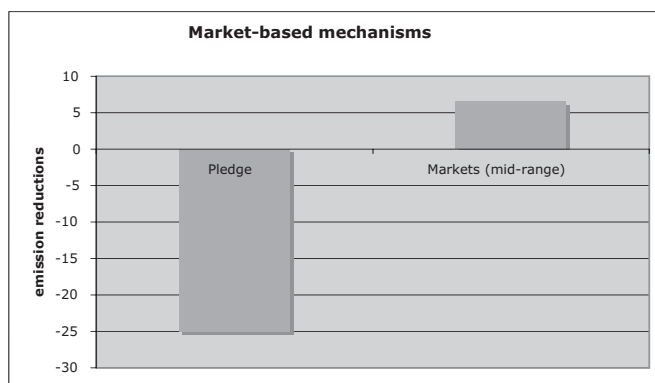
### Market-based mechanisms

The Kyoto Protocol allows Annex I Parties to invest in CDM projects in developing countries in order to earn credits that they can count towards their emission reduction commitments at home. This allows Annex I Parties to avoid making real reductions domestically, and may even contribute to them increasing their domestic emissions while accounting for emission reductions abroad.

Additionally, CDM projects have themselves been shown to have significant accounting problems.<sup>5</sup> This includes crediting projects that would have been undertaken regardless of the support of the developed country, i.e. that are not ‘additional’. If the projects would have been undertaken anyway, then credits are earned by Annex I Parties that count towards their compliance with their emission reduction commitments, allowing them to pollute more, but no additional emission reductions occurred as a result.

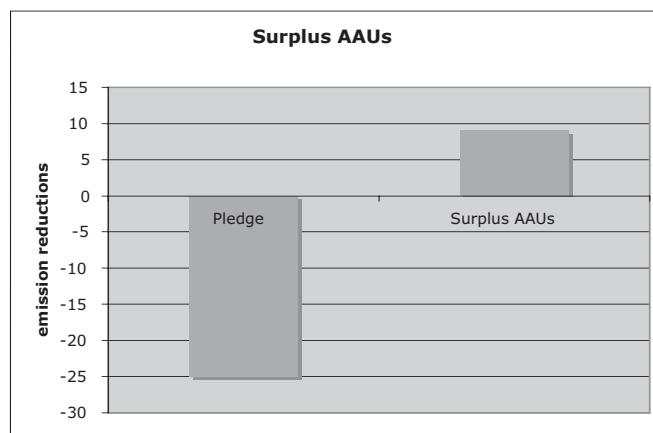
The UNFCCC Secretariat’s paper on investments and financial flows estimates that by 2020 around 1.7 Gt of CDM offsets will be available.<sup>12</sup> Current proposals would allow for offsetting of up to 30% of Annex I Parties’ emission reduction commitments for the 2<sup>nd</sup> commitment period. This is consistent with the position of a number of developed countries that around one-third of their emission reduction pledge by 2020 would be achieved through offsetting.<sup>10</sup>

It is estimated that this would amount to between 5 and 8% of Annex I Parties’ 1990 levels. In other words, based on Annex I Parties’ mitigation pledges, this loophole alone would bring down the domestic effort by Annex I Parties to, at best, between 12 and 20% emission reductions by 2020.



## Surplus AAUs

Some countries have large quantities of surplus assigned amount units (AAUs) due to their national circumstances. Russia and former Soviet states experienced a significant economic downturn after 1990 curtailing their emission levels. Under the Kyoto Protocol these Parties are allowed to sell the excess AAUs that were generated due to these unforeseen economic circumstances to other Parties, or carry them over to meet their own commitments in subsequent periods.



However, this may allow these Annex I Parties to avoid taking real actions to reduce emissions, either allowing them to benefit economically from the sale of these credits or comply with emission reduction commitments in the next commitment period without actually taking actions to reduce their emissions.

Projected quantities of surplus AAUs from the first commitment period are large enough to significantly erode Annex I Parties' emission reductions in the second commitment period. The UNFCCC Secretariat's own estimates of 7-11 Gt indicate that this would amount to around 9% per year of Annex I Parties' 1990 emissions (using the average of 9 Gt), assuming an eight-year 2<sup>nd</sup> commitment period.<sup>(3,6,11)</sup> Assuming a five-year 2<sup>nd</sup> commitment period (which is the position of G77 and China), this would be approximately 15% of Annex I Parties' 1990 emissions.

(This is assuming however that the same amount of surplus AAUs is used each year in the commitment period, which is unlikely. It is more likely that a larger amount will be used towards the end of the commitment period. In which case, the proportion of Annex I emission reductions in 2020 achieved through surplus AAUs could be higher than 9% of their 1990 emissions, and higher than 15% in a five-year commitment period.)

In other words, this loophole alone would bring down Annex I Parties' current pledges to between 8 and 16% emission reductions by 2020 below 1990 levels. If the 2<sup>nd</sup> commitment period is five years, this erosion of Annex I Parties' pledges would be considerably larger.

## International aviation and shipping

Emissions from international aviation and shipping are large but are currently not accounted for under the Kyoto Protocol. Parties are supposed to work through the International Civil Aviation Organisation and the International Maritime Organisation to limit or reduce emissions from this sector.

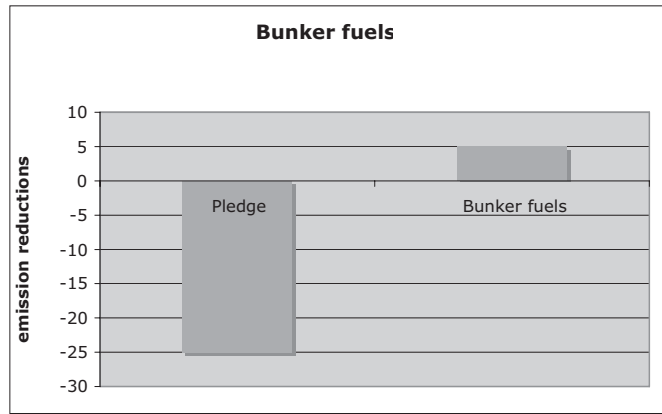
However, neither organization has dealt with reducing emissions from this sector in a concrete or satisfactory manner, and emissions from this sector were not included in Annex I Parties' 1990 baselines. Consequently, the significant and rising emissions associated with these two sectors do not have to be accounted for by Annex I Parties as part of their emission reduction commitments under the Kyoto Protocol.

As such, Annex I Parties' emissions from this sector can continue to increase without affecting compliance with their emission reduction commitments. If this sector continues to be excluded, the size of the loophole will grow as emissions from this sector continue to grow.

Additionally, even if these sectors are included in the 2<sup>nd</sup> commitment period, the increase in Annex I Parties' emissions from this sector since 1990 may not be accounted for. There are currently no proposals to include these sectors in the second commitment period.

Scientists and researchers have estimated that emissions from aviation and shipping will amount to a loophole of around 5% of Annex I countries' 1990 emission levels by 2020 (this estimate is not limited to Annex I Kyoto Parties).<sup>(4,6)</sup>

*In sum:* Together, all of these loopholes combined could total around 21% by 2020 – thus effectively neutralizing Annex I Parties' emission pledges, and potentially allowing emissions to rise above 1990 levels by 2020.

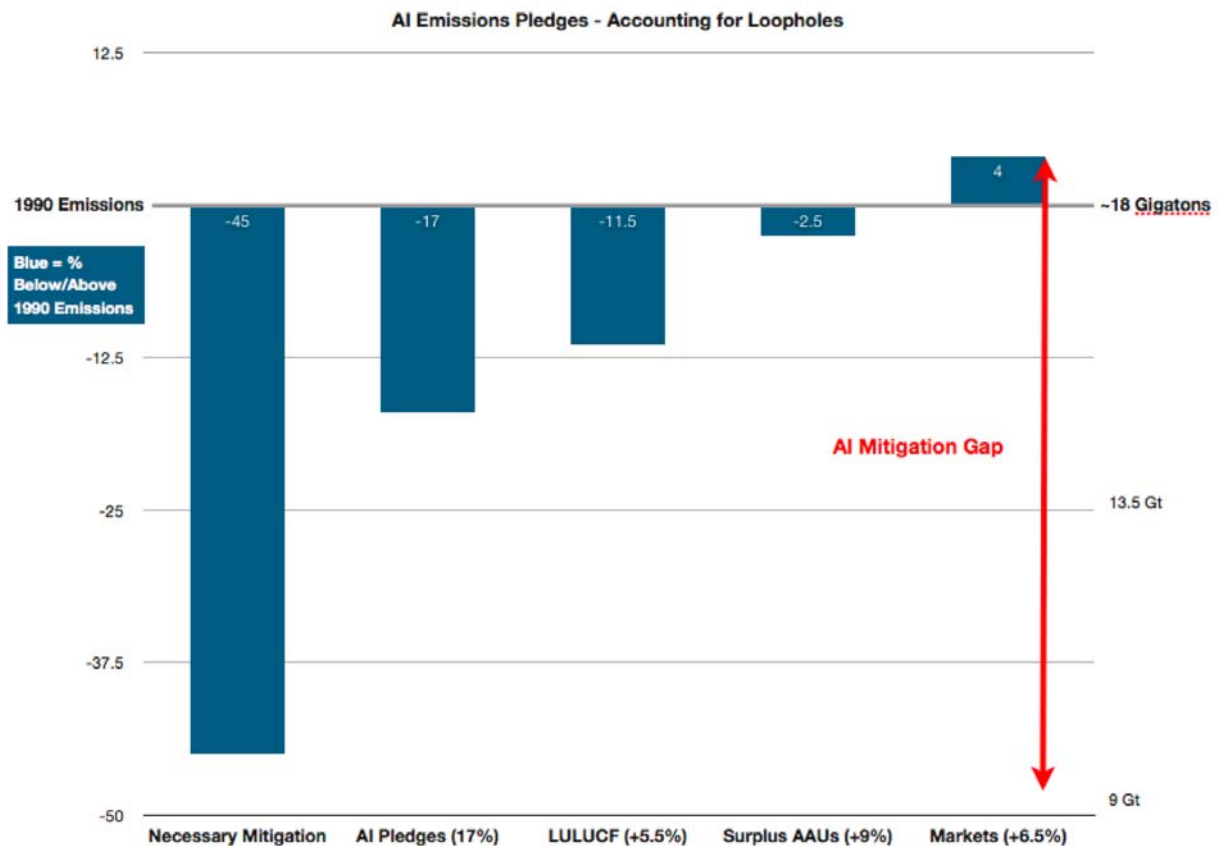


**Conclusion**

Annex I Parties' aggregate emission reductions must be based on scientific and equitable parameters. Yet Annex I Parties' pledges are grossly inadequate to meet the challenge of climate change.

Loopholes negate Annex I Parties' pledges. They would substantially erode the scientific and equitable aggregate emission reductions that are required from Annex I Parties. The potential combined effect of loopholes is depicted below (excluding bunker fuels, which could further increase the gap). These are based on relatively conservative estimates of the effects of each of the loopholes on AI Party pledges.

Judged against the scientific and equitable aggregate scale of emission reductions required of Annex I Parties in the 2<sup>nd</sup> commitment period, the picture is very bleak. The gap that exists between what is required and Annex I Parties' current pledges, further eroded by the loopholes, is a yawning chasm.



In sum, the inadequate pledges by Annex I Parties (17-25% from 1990 levels by 2020; and 12 to 18% if the United States is included), combined with the loopholes, give rise to a major gap in terms of mitigation – and credibility. Current pledges are an abrogation of the Annex I Parties' responsibility, and would further increase the risk of dangerous climate change.

The scale of Annex I Parties' pledges must rise, and the loopholes must be closed, in order to ensure the integrity and credibility of Annex I Parties' aggregate emission reductions. A failure to address the loopholes satisfactorily would:

- Substantially add to the risks of dangerous climate change;
- Even more unfairly place mitigation and adaptation burdens on developing countries; and
- Result in an even larger unfair taking of the atmospheric space by developed countries.

To address this, a systematic study and accounting of each of these loopholes, and their combined effect, must be carried out immediately to determine their implications for the level of actual domestic emission reductions to be achieved by Annex I Parties in aggregate, and the associated impact on burden sharing by non-Annex I Parties. The loopholes must then be closed through appropriate CMP decisions in Cancun. Alternatively, the aggregate emission reduction commitments of Annex I Parties for the 2<sup>nd</sup> commitment period should be increased by the sum of the loopholes.

Closing the loopholes, and increasing the scale of Annex I ambition, will avoid shifting the burden of mitigating and adapting to climate change further towards developing countries. The loopholes are inconsistent with the letter and spirit of Annex I commitments under the Convention and its Kyoto Protocol, and will drastically increase the grave and growing risk of dangerous climate change.

**Discussion draft**

**This paper was presented at the in-session workshop on the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually and jointly, to this scale at the 13<sup>th</sup> session of the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol, 2 August 2010, Bonn.**

**The paper and related powerpoint slides are available at: [http://unfccc.int/kyoto\\_protocol/items/5685.php](http://unfccc.int/kyoto_protocol/items/5685.php)**

## Endnotes

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