

## TWENTY-SIXTH SESSIONS OF THE SUBSIDIARY BODIES OF THE UNFCCC AND ASSOCIATED MEETINGS: 7-18 MAY 2007

The twenty-sixth sessions of the Subsidiary Bodies (SB 26) of the United Nations Framework Convention on Climate Change (UNFCCC) took place from 7-18 May 2007, at the Maritim Hotel in Bonn, Germany. The third session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) was also held, from 14-18 May. In addition, the third workshop under the "Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention" (Convention Dialogue) convened on 16 and 17 May.

The events drew over 1800 participants, including almost 1100 government officials, over 650 representatives of UN bodies and agencies, intergovernmental organizations and non-governmental organizations, and 57 accredited members of the media.

At SB 26, the Subsidiary Body for Scientific and Technological Advice (SBSTA) took up issues such as the Nairobi work programme on impacts, vulnerability and adaptation to climate change, the development and transfer of technologies, reducing emissions from deforestation in developing countries, methodological issues, and climate change mitigation. The Subsidiary Body for Implementation (SBI) considered a range of issues, including national communications, the Adaptation Fund, the 2008-2009 budget, the adverse effects of climate change and impacts of response measures, and capacity building.

The Convention Dialogue and the Protocol's AWG originate from COP 11 and COP/MOP 1 in Montreal in late 2005. At those meetings, delegates adopted two decisions to engage in discussions to consider a framework for the post-2012 period (when the Kyoto Protocol's first commitment period ends) and long-term cooperative action on climate change. In Bonn, the AWG held a round-table discussion on the mitigation potentials of policies, measures and technologies, and adopted conclusions on analysis of mitigation potential and the AWG's future work.

The Dialogue workshop involved sessions on both mitigation and adaptation, as well as discussions in preparation for the fourth and final workshop in Vienna in August 2007.

SB 26 and AWG 3 resulted in 27 conclusions and six draft decisions that will be forwarded to the thirteenth Conference of the Parties to the UNFCCC (COP 13) and third Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP/MOP 3), which will take place in December 2007 in Bali, Indonesia.

In addition to the regular SB 26 sessions, the AWG and the Dialogue, many contact group and informal consultations took place in an attempt to help the subsidiary bodies make progress on their agendas. Four workshops were scheduled, addressing a proposal by the Russian Federation relating to voluntary commitments, and three mitigation-related topics: urban planning and development; energy efficiency, including industry, and residential and commercial end-use; and power generation, including clean fossil fuels and renewable energy. Many side events were also held (see: <http://www.iisd.ca/climate/sb26/enbots/>).

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This issue of the *Earth Negotiations Bulletin* © <enb@iisd.org> is written and edited by Asheline Appleton, Suzanne Carter, María Gutiérrez, Ph.D., Kati Kulovesi, and Chris Spence. The Digital Editor is Dan Birchall. The Editor is Pamela S. Chasek, Ph.D. <pam@iisd.org>. The Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. The Sustaining Donors of the *Bulletin* are the United Kingdom (through the Department for International Development – DFID), the Government of the United States of America (through the Department of State Bureau of Oceans and International Environmental and Scientific Affairs), the Government of Canada (through CIDA), the Danish Ministry of Foreign Affairs, the Government of Germany (through the German Federal Ministry of Environment - BMU, and the German Federal Ministry of Development Cooperation - BMZ), the Netherlands Ministry of Foreign Affairs, the European Commission (DG-ENV) and the Italian Ministry for the Environment and Territory General Directorate for Nature Protection. General Support for the *Bulletin* during 2007 is provided by the Swiss Federal Office for the Environment (FOEN), the Norwegian Ministry of Foreign Affairs and the Ministry of Environment, the Government of Australia, the Austrian Federal Ministry for the Environment, the Ministry of Environment of Sweden, the New Zealand Ministry of Foreign Affairs and Trade, SWAN International, the Japanese Ministry of Environment (through the Institute for Global Environmental Strategies - IGES) and the Japanese Ministry of Economy, Trade and Industry (through the Global Industrial and Social Progress Research Institute - GISPRI). Funding for translation of the *Earth Negotiations Bulletin* into French has been provided by the International Organization of the Francophonie (IOF) and the French Ministry of Foreign Affairs. Funding for the translation of the *Earth Negotiations Bulletin* into Spanish has been provided by the Ministry of Environment of Spain. The opinions expressed in the *Earth Negotiations Bulletin* are those of the authors and do not necessarily reflect the views of IISD or other donors. Excerpts from the *Earth Negotiations Bulletin* may be used in non-commercial publications with appropriate academic citation. For information on the *Bulletin*, including requests to provide reporting services, contact the Director of IISD Reporting Services at <kimo@iisd.org>, +1-646-536-7556 or 212 East 47th St. #21F, New York, NY 10017, USA.

In the annals of UNFCCC history, SB 26 is unlikely to stand out. Nevertheless, it can be said to have achieved the task at hand: it maintained some momentum, provided space for questions and ideas, focused on what lies ahead, and cleared some of the technical and routine issues necessary to make time for more important issues in Bali.

## A BRIEF HISTORY OF THE UNFCCC AND THE KYOTO PROTOCOL

Climate change is considered one of the most serious threats to sustainable development, with adverse impacts expected on the environment, human health, food security, economic activity, natural resources and physical infrastructure. Scientists agree that rising concentrations of anthropogenically-produced greenhouse gases in the Earth's atmosphere are leading to changes in the climate. According to the Intergovernmental Panel on Climate Change (IPCC), the effects of climate change have already been observed, and scientific findings indicate that precautionary and prompt action is necessary.

The international political response to climate change began with the adoption of the UNFCCC in 1992. The UNFCCC sets out a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases to avoid "dangerous anthropogenic interference" with the climate system. Controlled gases include methane, nitrous oxide and, in particular, carbon dioxide. The UNFCCC entered into force on 21 March 1994, and now has 189 parties. The parties to the UNFCCC typically convene annually in a COP, and twice a year in meetings of the subsidiary bodies – the SBI and SBSTA.

**KYOTO PROTOCOL:** In December 1997, delegates at COP 3 in Kyoto, Japan, agreed to a Protocol to the UNFCCC that commits developed countries and countries in transition to a market economy to achieve emissions reduction targets. These countries, known under the UNFCCC as Annex I parties, agreed to reduce their overall emissions of six greenhouse gases by an average of 5.2% below 1990 levels between 2008-2012 (the first commitment period), with specific targets varying from country to country. The Protocol also establishes three flexible mechanisms to assist Annex I parties in meeting their national targets cost-effectively: an emissions trading system; joint implementation (JI) of emissions-reduction projects between Annex I parties; and the Clean Development Mechanism (CDM), which allows for emissions reduction projects to be implemented in non-Annex I parties (developing countries). Following COP 3, parties began negotiating many of the rules and operational details governing how countries will reduce emissions and measure their emissions reductions. To date, 172 parties have ratified the Kyoto Protocol, including Annex I parties representing 61.6% of Annex I greenhouse gas emissions in 1990. The Kyoto Protocol entered into force on 16 February 2005.

**BUENOS AIRES PLAN OF ACTION:** The process for finalizing the rules and operational details of the Protocol was agreed at COP 4 in 1998 in a document known as the Buenos Aires Plan of Action (BAPA). The BAPA set COP 6 as the deadline for finalizing these details and strengthening

implementation of the UNFCCC. In November 2000, parties met at COP 6 in The Hague, the Netherlands, to complete these negotiations. They were not successful, and COP 6 was suspended until July 2001, when it reconvened in Bonn, Germany. After further talks, parties adopted the Bonn Agreements, a decision that provided high-level political direction on the implementation of the Kyoto Protocol. But delegates were still unable to finalize text on some issues, and agreed to forward all the draft decisions to COP 7 for final resolution.

**MARRAKESH ACCORDS:** In November 2001 at COP 7 in Marrakesh, Morocco, delegates reached agreement on the outstanding matters in the Marrakesh Accords. These Accords consisted of a package of draft decisions on many of the details of the flexible mechanisms, reporting and methodologies, land use, land-use change and forestry (LULUCF), and compliance with the Kyoto Protocol, to be adopted by parties at the first COP/MOP. The Accords also addressed issues such as support for developing countries, including capacity building, technology transfer, responding to the adverse effects of climate change, and the establishment of three funds – the Least Developed Countries (LDC) Fund, Special Climate Change Fund (SCCF), and Adaptation Fund.

Delegates built on the Marrakesh Accords at COP 8 and COP 9, elaborating on various technical rules and procedures. Parties also agreed on two new agenda items focused on adaptation and mitigation, and at COP 10 began informal negotiations on the complex and sensitive issue of how parties might engage on commitments to combat climate change in the post-2012 period. As a result of these discussions, a seminar of government experts was held in May 2005 that began to address some of the broader issues facing the climate change process.

**COP 11 AND COP/MOP 1:** COP 11 and COP/MOP 1 took place in Montreal, Canada, from 28 November to 10 December 2005. Parties discussed and adopted decisions on the outstanding operational details of the Kyoto Protocol, and formally adopted the Marrakesh Accords. Parties also took decisions on a process to discuss post-2012 commitments, which included a decision to establish a new subsidiary body, the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG).

COP 11 addressed issues such as technology transfer and the adverse effects of climate change on developing and least developed countries. After lengthy negotiations, the COP also agreed to consider future action under the UNFCCC through a series of workshops that would constitute a "Dialogue" on the matter until COP 13. The AWG and Convention Dialogue each convened for the first time in May 2006, alongside SB 24.

**COP 12 AND COP/MOP 2:** Held in November 2006, in Nairobi, Kenya, COP 12 and COP/MOP 2 placed strong emphasis on discussions on long-term action and a framework following on from the Kyoto Protocol's first commitment period, which finishes in 2012. The approach to these issues agreed at COP 11 and COP/MOP 1 continued with meetings of the AWG and the Dialogue. In addition, a review of the Protocol was convened, as required under Article 9, and procedural discussions were held on a proposal by the Russian Federation on procedures

to approve voluntary commitments under the Protocol. While the Nairobi conference did not result in any major breakthrough in negotiations, it did mark a staging post as negotiators seek to pave the way for a future post-2012 agreement.

## REPORT OF THE MEETINGS

The twenty-sixth sessions of the Subsidiary Bodies (SB 26) of the UNFCCC opened on Monday, 7 May. The following week, on 14 May, the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) began its third session. Parties also met for the third workshop under the Convention Dialogue on long-term action (16-17 May), as well as in several in-session workshops and numerous contact groups and informal consultations. These meetings resulted in the adoption of 27 conclusions and six draft decisions that will be forwarded to the COP or COP/MOP. This report summarizes the discussions and outcomes based on the agendas of the SBI, SBSTA, AWG and the Convention Dialogue.

### SUBSIDIARY BODY FOR IMPLEMENTATION

SBI Chair Bagher Asadi (Iran) opened the SBI 26 on Monday morning, 7 May, welcoming participants. UNFCCC Executive Secretary Yvo de Boer reflected on his first eight months in the post. He expressed concern at the enormous growth in the Secretariat's workload. He urged a long-term global response to climate change involving deep emissions cuts from industrialized countries, further engagement of developing countries, incentives for action, and flexibility through an enhanced carbon market.

Several parties then made opening statements. Pakistan, on behalf of the Group of 77 and China (G-77/China), urged progress on the Adaptation Fund, and called for progress on Kyoto Protocol Articles 2.3 (adverse effects of policies and measures) and 3.14 (adverse effects and response measures), the Buenos Aires Programme of Work, capacity building, and funding.

Germany, on behalf of the European Union (EU), stated the EU's commitment to cut emissions by 30% by 2020 compared with 1990 levels if other developed countries follow suit and economically advanced developing countries "contribute adequately according to their responsibilities and respective capabilities." She urged extending the carbon market, addressing emissions from international aviation and maritime transportation, and progress on the Adaptation Fund.

Australia, speaking for the Umbrella Group, highlighted the Adaptation Fund, the Russian proposal on voluntary commitments, and the AWG discussions.

Nigeria, for the African Group, called for better geographic distribution of CDM projects and more support for non-Annex I communications. Grenada, speaking for the Alliance of Small Island States (AOSIS), supported progress on the Adaptation Fund, technology transfer, and response measures. Maldives, for the Least Developed Countries (LDCs), highlighted the work of the LDC Expert Group, funding for adaptation, and management of the LDC Fund.

### ORGANIZATIONAL MATTERS

Parties adopted the agenda (FCCC/SBI/2007/1) and organization of work on Monday morning, 7 May, after agreeing to hold two items on the agenda in abeyance. These two items were the subject of disagreement among parties and dealt with Protocol Article 3.14 (adverse effects and response measures), and information contained in non-Annex I parties' national communications.

**PROTOCOL ARTICLE 3.14:** With regards to the item on Article 3.14, the point of dispute was disagreement over whether this agenda item overlapped with a SBSTA agenda item and should be removed from the agenda. The EU, supported by Japan, expressed concern at overlaps with the SBSTA agenda item on Protocol Article 2.3 (adverse effects of policies and measures) and suggested a single agenda item. The EU opposed the establishment of a contact group until the issue of duplication under the two subsidiary bodies was resolved. However, Saudi Arabia and others said these were separate matters and should have separate agenda items.

Chair Asadi consulted informally, and reported back to plenary on Friday, 18 May, that no agreement had been reached, although he hoped for resolution at SBI 27 in Bali. In accordance with the draft rules of procedure, he indicated that the item will be on the agenda of SB 27. Saudi Arabia expressed regret that a group of countries were not willing to meet their commitments in relation to Article 3.14.

**INFORMATION IN NATIONAL COMMUNICATIONS:** The other item held in abeyance was on "information contained in national communications from parties not included in Annex I to the Convention." This issue had first arisen at SBI 24, when the Umbrella Group and EU had asked the SBI to consider information from non-Annex I parties "in all of their national communications, including their second and, where appropriate, subsequent national communications." Developed countries took the view that this request was in accordance with Convention Article 10.2 (consideration of national communications), and had expressed the hope that SBI 26 could make "better use of the valuable information that these documents contain and assist non-Annex I parties to further improve these documents" (FCCC/SBI/2006/MISC.12).

However, at SBI 26, the G-77/China questioned the inclusion of this agenda item during the opening plenary, and the issue was held in abeyance pending consultations by Chair Asadi. During the closing plenary on 18 May, Chair Asadi reported that his consultations had not resulted in agreement to include this agenda item. He indicated that the issue would be included on the SBI 27 agenda with a footnote noting that there had been no consensus on whether to keep this item on the agenda at SBI 26.

### ANNEX I COMMUNICATIONS

This issue was first addressed in plenary on Tuesday, 8 May (FCCC/SBI/2007/INF.4 and FCCC/SBI/2006/INF.2). It was then taken up in informal consultations facilitated by Henriette Bersee (Netherlands) and Arthur Rolle (Bahamas). Discussions focused on reports that Annex I parties were required to submit by 2005, under Protocol Article 3.2, to demonstrate progress in achieving their commitments.

During closed informal discussions, non-Annex I countries suggested reflecting changes in Annex I emissions compared to the 1990 base year in a table on a country-by-country basis. They also proposed language expressing serious concern regarding the increasing trend of Annex I emissions and the substantial increase in emissions from some parties. Annex I countries initially opposed these proposals, highlighting their commitment to meeting the Kyoto targets and pointing to the decrease in the total Annex I aggregated emissions. However, parties ultimately concluded their work on SBI conclusions and a draft COP/MOP decision, which were adopted in plenary on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.17), the SBI notes, *inter alia*, that only eight Annex I parties met the deadline for the demonstrable progress reports.

**Draft COP/MOP Decision:** The draft COP/MOP decision (FCCC/SBI/2007/L.17/Add.1) annexed to the SBI Conclusions acknowledges:

- progress by Annex I Kyoto parties in developing and implementing policies and measures and reducing emissions;
- progress by Annex II Kyoto parties in providing capacity building and technology transfer to developing countries;
- the decrease in Annex I aggregated emissions, while noting that this has mainly resulted from a decrease in emissions in countries with economies in transition (EITs), and that emissions in some Annex I parties have increased from the base year; and
- that all EITs in Annex I and several other Annex I parties expect to meet their Kyoto targets with implemented policies and measures, others are elaborating and implementing additional policies and measures; and for others, further actions are needed to achieve their targets.

The draft COP/MOP decision also calls on Annex I parties to continue and “where appropriate, intensify” their efforts to reduce greenhouse gas emissions and provide financial assistance and capacity building. It also contains an annex with data on total Annex I emissions without LULUCF on a country-by-country basis, including changes in 2003 or 2004 as compared to the base year of 1990.

### NON-ANNEX I COMMUNICATIONS

While the agenda item on information contained in non-Annex I national communications was held in abeyance (see the section on Organizational Matters, above), the items on the work of the Consultative Group of Experts (CGE) and provision of financial and technical support were addressed by the SBI plenary on Monday, 7 May, and subsequently taken up during informal consultations facilitated by Kristin Tilley (Australia) and Arthur Rolle (Bahamas) (FCCC/SBI/2007/3, 6, 7, 10, 10 Add.1, and INF.2). Although there were some differences over the appropriate response to the CGE’s technical reports and the provision of financial and technical assistance, including the implications of the Global Environment Facility’s (GEF) Resource Allocation Framework on non-Annex I reporting, these were resolved in the group, and parties adopted conclusions on 18 May.

**SBI Conclusions:** In its conclusions on work of the CGE (FCCC/SBI/2007/L.13), the SBI, *inter alia*:

- commends the three CGE reports, noting that they may be useful in improving subsequent national communications;
- requests the Secretariat to prepare material on the CGE reports for dissemination to relevant experts;
- reiterates its invitation to parties to submit views on the mandate and terms of reference for the CGE; and
- invites non-Annex I parties to voluntarily use the tables in the cross-cutting themes template.

In its conclusions on provision of financial and technical support (FCCC/SBI/2007/L.12), the SBI, *inter alia*: invites the GEF to provide information at SBI 27 on modalities and sources of funding for second and subsequent national communications and explanations of any changes to procedures relating to financing national communications; and invites parties to submit views on their current experiences with the GEF and its implementing agencies in providing financial support for the preparation of national communications.

### FINANCIAL MECHANISM (CONVENTION)

**LDC FUND:** This issue was first addressed in plenary on Monday, 7 May. It was subsequently taken up during informal consultations facilitated by David Lesolle (Botswana).

Informal consultations were brief. During SBI 26, Australia pledged up to A\$7.5 million to the Fund and New Zealand noted its recent contribution of NZ\$1.8 million, replicating the same contribution in 2006. Parties adopted conclusions on this matter on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.2), the SBI takes note of the document “Programming Paper for Funding the Implementation of NAPAs under the LDC Trust Fund” by the GEF, and notes that US\$120 million has been pledged for the Fund. The SBI also recognizes the need for the GEF to continue efforts to mobilize additional resources to implement National Adaptation Programme of Action (NAPA) activities, invites submissions containing information on implementation of NAPAs, and invites the LDC Expert Group to consider in its stocktaking meeting experiences from the implementation of NAPAs.

### FINANCIAL MECHANISM (PROTOCOL)

**ADAPTATION FUND:** This issue was first addressed in plenary on Tuesday, 8 May (FCCC/SBI/2007/MISC.2), when it was referred to a contact group co-chaired by Jukka Uosukainen (Finland) and Ositadinma Anaedu (Nigeria). Delegates convened in three contact group meetings and held several informal consultations.

During the first week, discussions focused on eligibility criteria, priority areas and monetizing the share of CDM proceeds channeled to the Fund. Delegates agreed that the outcome would form part of a package on the Adaptation Fund and be forwarded to Bali as negotiating text to be complemented with other elements, most notably those concerning institutional arrangements.

On eligibility criteria, the EU and the Environmental Integrity Group (Switzerland, Mexico, Republic of Korea, Monaco and Liechtenstein) proposed that the criteria should cover non-Annex I parties, “especially those that are particularly vulnerable.” The G-77/China preferred the wording “developing country

Parties to the Kyoto Protocol that are particularly vulnerable.” The language agreed is similar to that used in Protocol Article 12.8, apart from reference to the costs of adaptation. Instead of referring to “full cost of adaptation,” as suggested by the EU, delegates agreed to Tuvalu’s proposal that the funding will “assist in meeting the cost of adaptation.”

On priority areas, delegates discussed which “shopping list” to use and how detailed the list should be. The G-77/China provided text referring to “projects and programmes identified by countries as priorities” and listing several possible examples. The EU suggested reference to Decision 5/CMP.2 and the Environmental Integrity Group to Decision 5/CP.7 and “areas identified as priorities” by other relevant decisions. The agreed text refers to priorities defined by eligible countries.

On monetization of the share of proceeds, discussions focused on the details, including whether the entity operating the Adaptation Fund should “maximize” or “optimize” the revenue, and what would be the acceptable risk tolerance.

At the beginning of the second week, delegates briefly exchanged views on institutional arrangements but did not attempt to negotiate these issues. Instead, they agreed to include an annex on points for discussion in Bali.

Delegates also considered SBI conclusions. Tuvalu expressed disappointment that his proposed special funding window for small island developing states (SIDS) was not reflected. As a result, delegates agreed to modify some wording in the conclusions that broadened the scope of issues to be considered in Bali.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.14), the SBI takes note of the submission by an interested institution (the GEF) on how it would operationalize the Adaptation Fund and also notes a Co-Chairs’ paper containing some points for discussion on institutional arrangements at SBI 27. The SBI also agrees to organize, subject to availability of resources, consultations among parties prior to SBI 27, and agrees to continue its deliberations at SBI 27 “*inter alia*” on the basis of the draft negotiation text and the Co-Chairs’ paper.

The conclusions also contain an annex with negotiating text for a draft COP/MOP decision indicating, *inter alia*, that:

- developing country Kyoto parties “that are particularly vulnerable to the adverse effects of climate change” are eligible for funding from the Adaptation Fund;
- funding will be provided to concrete projects and programmes “that are country-driven and are based on needs, views and priorities” of the eligible parties;
- the entity operating the Fund is responsible for the monetization of Certified Emission Reductions forwarded to the Fund;
- the monetization should ensure predictable revenue flow, optimize the revenue and be transparent and cost-effective; and
- the COP/MOP reviews “all matters relating to the Fund at its xx session.”

Annex II of the conclusions contains points for discussion on institutional arrangements and contains the following headings: role of the COP/MOP, governing body, decision-making process, trustee, implementing agencies, and review.

## CONVENTION ARTICLE 6

During its opening plenary on Monday, 7 May, SBI 26 considered a report expressing parties’ views on the New Delhi Work Programme for Article 6, which deals with education, training and public awareness (FCCC/SBI/2007/MISC.3 and Add.1). Informal consultations were subsequently conducted by Marie Jaudet (France), focusing on developing a strategic approach beyond 2007, when the New Delhi Work Programme’s mandate expires. Parties commended the New Delhi Work Programme as a useful tool, with many parties suggesting to enhance the current work programme instead of drawing up a new one. The SBI adopted conclusions on this matter on 18 May, with the Russian Federation inserting a text referring to World Meteorological Day.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.11), the SBI agrees to extend the New Delhi Work Programme, adapting it to address gaps and needs identified. It states that the internet resource, CC:iNEt, will also undergo a new development phase and a regional workshop on the needs of SIDS will be held in Saint Lucia later in 2007.

## IMPLEMENTATION OF UNFCCC ARTICLE 4.8 AND 4.9

### PROGRESS ON IMPLEMENTING DECISION 1/CP.10:

This issue was first taken up during SBI plenary on Monday, 7 May, when it was held in abeyance following requests for clarification from Pakistan, speaking for the G-77/China, and objections from Saudi Arabia to the separation of the sub-items under separate headings on Article 4.8 (adverse effects of climate change) and 4.9 (impact of the implementation of response measures) in the context of implementation of Decision 1/CP.10 (Buenos Aires Programme of Work on Adaptation and Response Measures). The Secretariat explained the rationale behind separating the two sub-headings, indicating that adverse effects were being considered for the first time following the conclusion of regional workshops. The EU and AOSIS supported separate consideration, while Saudi Arabia continued to oppose this. Following successful informal consultations undertaken by Chair Asadi, delegates agreed to retain the main title but delete both sub-headings, which had referred to the “adverse effects of climate change” and “impact of the implementation of response measures.”

The SBI then formally approved the agenda item without the sub-headings and established a contact group co-chaired by Philip Gwage (Uganda) and Shayleen Thompson (Australia). In the contact group, the US observed that although the synthesis report (FCCC/SBI/2007/14) of outcomes from the regional workshops and expert meeting on adaptation under Decision 1/CP.10 contained a number of good ideas, not all may be actionable by the SBI. During informal sessions, several parties questioned language referring to “taking into consideration elements relating to further actions,” since Decision 1/CP.10 requested parties to look specifically at outcomes from regional workshops and expert meetings. An annex, presenting possible elements relating to adverse effects and response measures, was included as “input” from the Co-Chairs for consideration at SB 27.

Conclusions on this topic were adopted by the SBI on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.16), the SBI agrees to continue its deliberation on this matter at SBI 27, taking into consideration the outcomes of the regional workshops, expert meetings and pre-session expert meeting, including possible elements for further action with a view to considering what further action may be required by COP 13.

**MATTERS RELATING TO LEAST DEVELOPED COUNTRIES:** This item was introduced in the SBI 26 plenary on Monday, 7 May (FCCC/SBI/2007/12). The Secretariat reported on this item and delegates agreed to appoint David Lesolle (Botswana) to conduct informal consultations, which resulted in the adoption of conclusions on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.3), the SBI welcomes the 15 NAPAs submitted to the Secretariat as of 1 May 2007, and strongly encourages those countries who have not yet submitted their NAPAs to do so in a timely fashion. The SBI also takes note of the elements of the LDC Expert Group work programme for 2006-2007 that have been implemented so far.

#### **CAPACITY BUILDING UNDER THE CONVENTION**

This issue was first taken up by SBI 26 on Monday, 7 May, with Japan emphasizing the need to avoid duplicating activities under the Convention and Protocol and the US stating that there was a more logical sequence of tasks than that set out in the Secretariat report (FCCC/SBI/2007/5). Crispin d'Auvergne (Saint Lucia) and Helmut Hojesky (Austria) consulted informally and prepared draft conclusions on the topic, which were adopted in plenary on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.8), the SBI takes note of the Secretariat's report on a possible format for reporting and monitoring the implementation of the capacity-building framework, and requests an annual synthesis report. The SBI also outlines the focus of a two-day workshop and requests the Secretariat to report on the outcomes of the workshop at SBI 27. The conclusions include an annex containing a summary table for annual reporting on the monitoring of capacity building.

#### **CAPACITY BUILDING UNDER THE PROTOCOL**

The SBI addressed this issue in plenary on Monday, 7 May, with the presentation of a report from the Secretariat (FCCC/SBI/2007/5). The EU warned against creating additional reporting burdens. Crispin d'Auvergne (Saint Lucia) and Helmut Hojesky (Austria) consulted informally and prepared draft conclusions that were adopted in plenary on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.9), the SBI requests the Secretariat annually to compile submissions by parties and reports from relevant multilateral and bilateral agencies and the private sector on capacity-building activities, to be presented jointly with the report on capacity building under the Convention. The SBI also reiterates the request by the COP/MOP for parties to continue implementing measures to assist non-Annex I parties, particularly African nations, LDCs and SIDS, and to build capacity in the African region to allow it to attract CDM projects.

#### **COMPLIANCE**

The agenda item on "amendment of the Kyoto Protocol in respect of procedures and mechanisms relating to compliance" was taken up briefly in plenary on Tuesday, 8 May. Chair Asadi indicated that he would propose draft conclusions and the SBI agreed to continue consideration of the topic at SBI 27.

**SBI Conclusions:** Written conclusions were not adopted by the SBI. However, in the closing plenary on 18 May, the SBI agreed to further consider this issue at SBI 27, with a view to completing its consideration of the issue at that session.

#### **INTERNATIONAL TRANSACTION LOG**

The International Transaction Log (ITL), a computerized system that performs automated checks on transactions of carbon credits under the Kyoto Protocol between national registries, was first discussed during SBI 26 in plenary on Tuesday, 8 May. The Secretariat briefed delegates on progress on implementing the ITL, noting the development and deployment of the ITL software (FCCC/SBI/2007/INF.3). Both the EU and Chile, for the G-77/China, expressed concern over the timely implementation of the ITL, with the G-77/China adding that the ITL should be fully functional by the end of 2007. The EU also requested more budget information about the ITL, and Switzerland said resource issues would need to be considered.

The issue was then referred to informal consultations facilitated by Shuang Zheng (China). These discussions quickly resulted in draft SBI conclusions on implementation of the ITL. In addition to these consultations, there were also more protracted small group negotiations relating to budget issues raised by the ITL, particularly the scale of contributions from parties. These negotiations were facilitated by Helen Plume (New Zealand) as part of the budget negotiations, and are addressed in this report in the section on the 2008-2009 budget.

On 18 May, Shuang Zheng reported on successful consultations on the non-budget aspects of the ITL. She noted constructive discussions and agreed conclusions noting progress in testing the ITL and registry systems, as well as recognition of the work still needed. Parties adopted the text, as presented.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.15), the SBI commends the Secretariat, in its role as ITL administrator, for implementing the ITL and for making it available to Annex B parties to connect it to their own national registries. The SBI urges parties to initiate the operation of their national registries with the ITL as soon as possible and no later than December 2007, so as to allow for the timely delivery of certified emission reductions (CERs). The SBI also reiterates the importance of ensuring that sufficient resources are made available to the Secretariat for it to implement and operate the ITL.

#### **ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS**

This issue was first addressed in plenary on Monday, 7 May (FCCC/SBI/2007/9). It was then taken up during two contact group meetings chaired by Outi Berghäll (Finland). Discussions focused on how to consider the IPCC AR4 at the Bali meeting. Chair Berghäll outlined plans to include AR4 on both the COP13 and COP/MOP 3 agendas and to consider it during a joint high-

level segment. She also explained that the views expressed would assist the Secretariat in preparing the provisional agendas, but that the final agendas would be adopted in Bali.

Highlighting precedent with the IPCC Third Assessment Report, Saudi Arabia, for the G-77/China, supported considering AR4 at SBSTA 27. The EU and New Zealand indicated that there was no precedent on consideration of IPCC assessment reports by COP/MOPs, and with others, supported the inclusion of AR4 on COP and COP/MOP agendas.

On the proposal to consider AR4 during the high-level segment, the US questioned whether specific agenda items were normally addressed during this part of the conference. New Zealand responded by recalling round-table discussions on various topics at previous COPs. Saudi Arabia noted that the SBI should not give ministers and heads of delegations instructions on what to consider in their national statements and delegates agreed to delete text inviting them to address AR4 in their statements. Parties agreed, however, to recommend that the high-level segment include a presentation on AR4. Parties adopted the conclusions on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.7), the SBI, among other things:

- requests the Secretariat to take note of the views expressed on the provisional agendas for COP 13 and COP/MOP 3;
- recommends that the high-level segment of COP 13 and COP/MOP 3 include a presentation on AR4 by the IPCC; and
- requests the Secretariat to monitor and incorporate into its practices any relevant good practices within the UN system on enhancing the participation of observer organizations and report back at the latest at SBI 30.

**Draft COP Decision:** In the draft decision (FCCC/SBI/2007/L.7.Add.1), the COP specifies the dates and venues for COP 14 (Poznan, Poland, December 2008) and COP 15 (Copenhagen, Denmark, November-December 2009), and sets out the calendar of the meetings for 2012.

#### ADMINISTRATIVE, FINANCIAL AND INSTITUTIONAL MATTERS

**BUDGET PERFORMANCE FOR 2006-2007:** This item (FCCC/SBI/2007/INF.1 and INF.5) was introduced in SBI plenary on Monday, 7 May. Chair Asadi noted that he would consult informally with parties and draft conclusions, which were adopted on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.4), the SBI takes note of the interim financial statements for the biennium 2006-2007 as of 31 December 2006. It also takes note of the status of contributions as of 30 April 2007, and expresses its appreciation to the parties that have paid their contributions to the core budget on time and to those parties that have made voluntary contributions to the Trust Fund for Participation in the UNFCCC Process and the Trust Fund for Supplementary Activities. In addition, the SBI expresses its concern over outstanding contributions, particularly those spanning several years, and urges parties that have not made contributions to do so as soon as possible.

**PROGRAMME BUDGET FOR BIENNIUM 2008-2009:** During the SBI plenary on 7 May, UNFCCC Executive Secretary Yvo de Boer outlined a work programme for the biennium focused on enhancing support to developing countries; strengthening the Secretariat's capacity in support of the carbon market; and strengthening support to the Convention and the Kyoto Protocol. In this context, the Secretariat proposed a budget of US\$55.3 million representing an increase of 3.3% (FCCC/SBI/2007/8 and Add.1 and 2). This budget proposal was considered in contact group and informal sessions chaired by Harald Dovland (Norway). Negotiations were lengthy and detailed and the Secretariat was required to revise their originally proposed budget several times before agreement could be reached.

The US, Japan and the Russian Federation initially favored a zero nominal increase, while Nigeria, speaking for the G-77/China, opposed a reduction of the original proposal, and asked for the avoidance of any budgetary cuts that would affect activities directed at non-Annex I parties. The US sought clarification regarding attribution of costs between the Protocol and the Convention.

The budgetary implications of the proposed installation of a new records management system became a particular sticking point during negotiations. Delegations suggested reductions under this item. Several reduction scenarios were proposed by the Secretariat, but parties expressed views that further cuts could still be made. On Tuesday, 15 May, the Secretariat distributed a table outlining a reduction scenario of US\$1,754,900, and identified cost-cutting measures already implemented. The G-77/China identified some areas where it might show some flexibility, while the US reiterated its preference for zero nominal growth, but also expressed willingness to compromise. During the final contact group meeting, delegates approved the core programme budget of US\$54,031,584 representing a 0.99% increase. The final budget also reflected details for the contribution of fees from parties relating to the International Transaction Log, which had been the subject of additional "Friends of the Chair" consultations facilitated by Helen Plume (New Zealand). Conclusions and a draft COP decision were adopted by the SBI on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.18), the SBI recommends to COP 13 to approve a core programme budget of US\$54,031,584 and authorizes the Executive Secretary to notify parties of their 2008 contributions, after taking into account the special annual contribution from the Host Government of €766,938 and an annual drawing of US\$1 million from the unspent balances or contributions (carry-over) from previous financial periods. The SBI also authorizes the Executive Secretary to notify concerned parties of their annual fee for 2008 for the connection of their national registry, and use of the ITL. Additionally, the SBI requests the Secretariat, when drafting future budget proposals, to present the budget in a format and at the level of detail provided in the previous biennium, in a timely manner.

**Draft COP Decision:** In the draft decision (FCCC/SBI/2007/L.18/Add.1), the COP: approves the programme budget for the biennium 2008-2009, amounting to US\$54,031,584; notes with

appreciation the annual contribution of the host government, Germany, of €766,938; approves a drawing of US\$2 million from unspent balances; and adopts the indicative scale of contributions for 2008 and 2009.

**Draft COP/MOP Decision:** In the draft decision (FCCC/SBI/2007/L.18/Add.1), the COP/MOP adopts the indicative scale of contributions for 2008 and 2009 contained in the annex to this decision, covering 36.8% of the indicative contributions. The COP/MOP also takes note of the resource requirements of activities relating to the ITL administrator for 2008-2009 identified in the programme budget proposal.

**IMPLEMENTATION OF PARAGRAPH 7(C) OF CONVENTION FINANCIAL PROCEDURES:** During the SBI plenary on Monday, 7 May, the Secretariat reported that the practice of withholding funds to eligible parties through the Trust Fund for Participation has had little effect on contributions to the core budget and on the number of parties that have had access to financial support provided by the Trust Fund (FCCC/SBI/2007/4). Chair Asadi undertook to consult informally, and the SBI subsequently adopted conclusions on this matter on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.5), the SBI notes the practices of withholding funding to eligible parties to participate in the UNFCCC process if they have outstanding contributions to the core budget for two years or more, and concludes that this practice has had little effect on the payment of contributions to the core budget and the number of parties that have had access to financial support provided by the Trust Fund for participation in the UNFCCC process. The SBI, therefore, requests the Secretariat to discontinue this practice and further requests the Secretariat to urge parties “through other means,” including issuing reminders, to meet their commitments under the core budget.

**IMPLEMENTATION OF THE HEADQUARTERS AGREEMENT:** This item was discussed in SBI plenary on Monday, 7 May, where Germany updated parties on matters relating to the new UN campus in Bonn and Chair Asadi undertook to prepare draft conclusions. The conclusions were adopted in plenary on 18 May.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.6), the SBI takes note of the statement made by the Host Government describing progress made on the accommodation of the Secretariat’s office at the United Nations Campus in Bonn, and invites the Host Government and the Executive Secretary to report to SBI 28 on further progress made on the implementation of the Headquarters Agreement.

**PRIVILEGES AND IMMUNITIES:** The issue of privileges and immunities for individuals serving under the constituted bodies of the Kyoto Protocol was first taken up on Tuesday, 8 May. At SB 26, parties considered issues relating to the consequences and resource implications of obtaining written agreements from private or national entities seeking to participate in the Kyoto Protocol mechanisms. These agreements would state that entities would only bring claims against individuals serving on the constituted bodies in accordance with COP/MOP decisions. Parties also considered the consequences, including resource implications for the Secretariat of providing assistance

to members of constituted bodies who are faced with disputes or claims from private national entities (FCCC/SBI/2006/21). These matters were addressed primarily in a contact group chaired by Paul Watkinson (France).

The main issues addressed by the contact group related to the implementation of short or long-term measures for addressing the underlying problem of lack of immunity and the absence of a dispute settlement mechanism. The EU preferred a focus on short-term measures, as outlined in Decision 9/CMP.2, which authorizes the Executive Secretary to take action to minimize the risks of disputes, complaints and claims against individuals serving on these bodies and also advocated considering legally binding measures in the context of discussions concerning post-2012 legal arrangements. The G-77/China favored a legally-binding mechanism, while Canada preferred allowing the Secretariat to enter into bilateral arrangements with parties and/or the enactment of relevant domestic legislation. The EU also emphasized the need to consider the outcome of the Secretariat’s technical paper relating to practices by other UN agencies and the insurability of risks, before charting a course of action. Brazil presented text requiring entities participating in the Protocol mechanism to give a formal declaration so that claims would be brought in accordance with COP/MOP decisions and that an *ad hoc* special review team would be constituted to address such claims.

Conclusions on this topic were finalized and adopted by the SBI on 18 May, with Brazil’s proposal (FCCC/SBI.2007/MISC.4) as an addendum.

**SBI Conclusions:** In its conclusions (FCCC/SBI/2007/L.10), the SBI:

- invites the Chairs of the constituted bodies established under the Kyoto Protocol to ensure that information on concerns or issues raised regarding a constituted body or individuals serving on these bodies are included in the reports of the constituted body to the COP/MOP;
- requests the Secretariat to prepare technical papers on the results of a review of the legal framework and practices concerning privileges and immunities for bodies of other UN agencies and the feasibility of insurance to cover the costs associated with claims; and
- recognizes that Decision 9/CMP.2 does not address the underlying issue of immunities for individuals serving on such bodies.

#### OTHER MATTERS

Two issues were addressed under the agenda item on other matters. The first related to an objection raised by Argentina over the UK’s inclusion of the Falkland Islands/Islands Malvinas and other South Atlantic islands in its national communications. The second matter was a brief update from SBI Chair Asadi on meetings to coordinate activities among the different expert groups.

**UK NATIONAL COMMUNICATIONS:** On Tuesday, 8 May, during SBI plenary, Argentina, supported by Brazil, made a statement objecting to the UK’s inclusion of Islas Malvinas/Falklands Islands and other South Atlantic islands in its national communications, citing sovereignty disputes. The UK responded

that it believed itself to be in compliance with its obligations by including these territories in its national communications, and that it would give a more detailed response at a later date.

Argentina subsequently submitted a short document setting out its position (FCCC/SBI/2007/MISC.5). In the closing SBI plenary on 18 May, the UK said it “firmly rejects” Argentina’s objections, has no doubt about its sovereignty over the Falklands Islands, South Georgia, South Sandwich Islands and surrounding maritime areas, and is respecting the wishes of the Falkland Island people in this regard. The SBI did not adopt any conclusions on this matter.

**EXPERT GROUP COOPERATION:** On 18 May, Chair Asadi reported on a meeting during SB 26 of the SBSTA and SBI Chairs, Executive Secretary Yvo de Boer and Chairs of the Convention’s expert groups – the CGE, Expert Group on Technology Transfer (EGTT), and LDC Expert Group. Chair Asadi noted that the meeting aimed to exchange information, and encourage cooperation and collaboration, for instance on the Nairobi Work Programme on Impacts, Vulnerability and Adaptation. He said that there was now a “good practice” of cooperation among these groups, and expressed the hope that it would continue and even be enhanced in the coming years.

#### **CLOSING PLENARY**

In the closing plenary on Friday morning, 18 May, UNFCCC Executive Secretary Yvo de Boer said SB 26 had provided useful input for the COP and COP/MOP on such issues as the Adaptation Fund and transfer of technologies. On resource implications of new conclusions, he noted 60 new requests for Secretariat activities, including 20 activities before COP 13 and COP/MOP 3. He stressed the importance of a budget with flexibility to adapt to a highly-dynamic process, and added that the Secretariat will be “challenged” by cuts to the original budget proposal for 2008-2009, but will make every effort to ensure that it does not impact developing countries or core work.

Nigeria, for the African Group, expressed hope that the SB 26 outcomes would form a good basis for discussions in Bali, and urged progress on the Adaptation Fund, and capacity building, noting that Africa is the most vulnerable continent to climate change.

Pakistan, for the G-77/China, believed that a constructive foundation had been laid in Bonn for Bali. He noted that 2007 is a significant year for addressing climate change, stressing the Convention and Protocol as the only multilateral structures for addressing this issue. He noted that while voluntary measures are appreciated, it is imperative to focus on post-2012 targets for Annex I parties. He expressed disappointment at marginal progress on adaptation and at lack of progress on response measures and a lack of urgency in addressing LDCs’ issues. He also expressed disappointment at the reduction to the original budget proposal, in spite of the increasing workload for the Secretariat.

Parties then adopted the report of the session (FCCC/SBI/2007/L.1). In his closing remarks, SBI Chair Asadi said he was “comfortably pleased” with SBI 26, suggesting that it was more than had been expected, and highlighted the generally positive atmosphere. He described these meetings as a “familiar

roller coaster with its attendant moments of despair,” but always with a “silver lining” as negotiators find compromise language that “gives something to everybody but not everything to somebody.” He hoped to see a set of solid decisions and outcomes from Bali, including progress on the Adaptation Fund, technology transfer, capacity building, deforestation and the post-2012 regime. He suggested that delegates have created some “building blocks for Bali,” thanked everyone involved, and declared the session closed at 12:03 pm.

#### **SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE**

SBSTA Chair Kishan Kumarsingh (Trinidad and Tobago) opened SBSTA 26 on Monday morning, 7 May, welcoming participants. UNFCCC Executive Secretary Yvo de Boer urged progress on technology transfer and emphasized the magnitude of emissions from deforestation. SBSTA Chair Kumarsingh presented the provisional agenda (FCCC/SBSTA/2007/1), which was adopted without amendment. Delegates also agreed to the organization of work.

#### **NAIROBI WORK PROGRAMME ON ADAPTATION**

Having agreed on the implementation of the Nairobi Work Programme on Impacts, Vulnerability and Adaptation at SBSTA 25, parties were invited to take note of an oral report from the Secretariat on progress in its implementation. The Secretariat highlighted two upcoming workshops: one on climate related risks and extreme events in Cairo; and another on adaptation planning and practice in Rome (FCCC/SBSTA/2007/MISC.4 and Add.1; FCCC/SBSTA/2007/MISC.5). The IPCC reported on work by its Task Group on Scenarios for Climate and Impact Assessment. Cook Islands and Tuvalu advocated for an IPCC report on SIDS’ adaptation.

SBSTA Chair Kumarsingh prepared draft conclusions, and SBSTA adopted them without amendment on Friday, 18 May.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.6), SBSTA takes note of the progress report by the Secretariat on steps taken towards the implementation of the Nairobi work programme, including organizing workshops and involving relevant organizations and disseminating information. The SBSTA further welcomes the response provided by the Convention on Biological Diversity, UNEP, the World Meteorological Organization, World Bank, IPCC and Global Change System for Analysis, Research and Training, and urges other organizations to undertake their own activities to support the activities under the work programme and share the outcome of these activities.

#### **TECHNOLOGY TRANSFER**

The agenda item on technology transfer was first addressed by SBSTA 26 on Monday, 7 May. SBSTA Chair Kumarsingh drew attention to recent intersessional meetings in Tokyo and Beijing where parties tried to reach a common understanding on the issue, and the Secretariat presented a summary of the senior level round-table discussion on international technology cooperation (FCCC/SBSTA/2007/2) and a report on the pilot project between TT:CLEAR and national technology information centers (FCCC/SBSTA/2007/INF.1). The issue was then referred to a contact

group co-chaired by Clifford Mahlung (Jamaica) and Kunihiko Shimada (Japan), in which parties consulted on SBSTA draft conclusions and a draft COP decision package forwarded from COP 12, with two annexes containing a set of actions and the terms of reference for a constituted body to follow the EGTT.

The discussions followed on from previous negotiations at SBSTA 25, where agreement could not be reached. The main point of contention, which resurfaced at SBSTA 26, was whether to strengthen and continue the mandate of the EGTT, as suggested by some developed countries, or whether to establish a new body as advocated by developing countries. Due to the lack of agreement at SBSTA 25, the EGTT's mandate was extended for one year to allow for further negotiation.

In considering the decision package forwarded from COP 12, the contact group made progress on the preambular paragraphs and a few operative paragraphs. However, most of the text remained bracketed at the conclusion of SBSTA 26. Divisions remained regarding the form of the new or reconstituted body, although this issue was largely put aside with the hope of agreeing on all other matters and leaving this more controversial issue for Bali.

Another contentious issue related to the constituted body's status. Ghana, for the G-77/China, wanted the body to be under the authority of the COP and to submit reports both to SBSTA and SBI. This was opposed by the US, Japan and Canada, which preferred it to report to the SBSTA, with certain relevant items being forwarded to the SBI.

In the closing SBSTA plenary on Friday, 18 May, the SBSTA conclusions and bracketed draft decision and annexes were approved for forwarding to COP 13. Germany, for the EU, expressed disappointment that these discussions could not be concluded but highlighted the progress made in "recognizing the importance of an effective institutional arrangement, access to financing and suitable indicators for monitoring and evaluating effectiveness to the development, deployment, diffusion and transfer of environmentally sound technologies to developing countries." Australia, for the Umbrella Group, said the proposed multilateral fund on technology transfer, which has been advocated by developing countries, is preventing consensus on this issue. He urged that the focus should be on relaunching the EGTT with a strengthened mandate.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.9), the SBSTA notes the work plan of the EGTT to disseminate the UNFCCC publication, *A Guidebook on Preparing Technology Transfer Projects for Financing*. The SBSTA also recognizes that the implementation of Technology Needs Assessments (TNAs) could be enhanced through technical assistance to improve project proposals and improved access to financial resources, and requests the Secretariat prepare a paper on good practices in conducting TNAs and a report on the outcomes of an upcoming workshop in Bangkok.

**Draft COP Decision:** As an annex to the SBSTA conclusion is a bracketed draft COP decision, including further annexes containing the constituted body's terms of reference and a set of actions (from previously-agreed text). The operative paragraphs

of the decision text and the functions described in the terms of reference include options proposed by different parties. The draft COP decision will be further discussed at SBSTA 27 in Bali.

### **REDUCING EMISSIONS FROM DEFORESTATION IN DEVELOPING COUNTRIES**

This agenda item was first taken up in SBSTA plenary on Monday, 7 May, and addressed in three contact groups and numerous informal meetings (FCCC/SBSTA/2007/MISCs.2 and 3, and (FCCC/SBSTA/2007/3). Contact groups were co-chaired by Audun Rosland (Norway) and Hernán Carlino (Argentina), with Greg Picker (Australia), Thelma Krug (Brazil), and Peter Graham (Canada) facilitating various drafting group discussions. In spite of an intensive schedule, parties were unable to reach consensus on the many issues involved and a bracketed draft COP decision was added as an annex to the SBSTA conclusions.

Delegates first worked on the basis of a draft COP decision prepared by SBSTA Chair Kumarsingh, and then on a Co-Chairs' revised draft, undertaking a line-by-line discussion of the text.

The EU, supported by many others, called for a more ambitious COP 13 decision less focused on technical and methodological issues, stressing co-benefits, voluntary participation and a pilot phase. The US and Japan emphasized ongoing actions. Japan and others expressed concern with specifying Annex II parties in a paragraph inviting parties to mobilize resources. However, many developing countries underscored the need for stable and predictable resources and proposed reference to UNFCCC Article 4.3, 4.4, and 4.7 on financial commitments from developed countries. Many African countries called for including forest degradation, and Papua New Guinea, India and others, opposed by Brazil and others, stressed stabilization and conservation.

Progress was made on several paragraphs and compromise was reached, for example by referring to "efforts" instead of to "activities" (which some felt was more narrow or prescriptive) and to the need to address forest degradation. However, parties could not agree on national reference emissions levels, or reference to pilot activities to address drivers of deforestation relevant to national circumstances. Important differences also remain on the inclusion of forest stabilization and conservation. By Thursday evening, most of the draft COP decision was bracketed, with consensus only on the need to continue consideration at SBSTA 27.

Turning to SBSTA conclusions, a paragraph was proposed inviting parties to submit their views "on the issues under the Convention related to reducing emissions from deforestation in developing countries: approaches to stimulate action." India opposed reference to the Convention. However, the paragraph was agreed as presented with the addition of text clarifying that submissions should address "further steps" in this process.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.10), SBSTA: takes note of two workshops held in Cairns and Rome; agrees to continue its work at SBSTA 27 on the basis of an annexed draft text; and invites parties' submissions by 15 August 2007 on issues related to further steps under the

Convention related to reducing emissions from deforestation in developing countries, and to consider these submissions at SBSTA 27.

**Draft COP Decision:** In the draft COP decision annexed to the conclusions, most paragraphs remained bracketed. In those that were agreed, the COP, *inter alia*: expresses concern with emissions from deforestation; acknowledges the need to also address forest degradation; and recognizes efforts already being taken, the need to increase their effectiveness and recognizes that doing so can promote co-benefits and complement the aims and objectives of other international conventions and agreements. The COP therefore invites parties to strengthen ongoing efforts, and support capacity building and technical assistance, and encourages the use of the most recent reporting guidelines as a basis for reporting.

Among the paragraphs that remain bracketed, there is text referring to undertaking pilot project activities, mobilizing resources, undertaking further methodological work, inviting relevant organizations and stakeholders to participate in and/or support these efforts, and deciding to address the range of policy approaches and positive incentives at a future session, among others.

#### **RESEARCH AND SYSTEMATIC OBSERVATION**

The agenda item on research and systematic observation was first taken up on Monday, 7 May, during the opening SBSTA plenary (FCCC/SBSTA/2007/MISCs. 6, 7, 8 and 15). Parties agreed to refer the issue to a contact group co-chaired by Sergio Castellari (Italy) and Ermira Fida (Albania). The contact group and informal consultations on the issue resulted in agreement on draft conclusions focused on how the SBSTA might facilitate a more effective dialogue between parties and regional and international climate change programmes in the context of Decision 9/CP.11 (research needs relating to the Convention). Some areas of divergence arose during the discussions, for instance on text relating to the dialogue's role in identifying gaps in research.

On Friday, 18 May, Co-Chair Fida reported back to the SBSTA plenary on the group's agreement to continue the dialogue among parties and climate change research programmes, and parties adopted the conclusions as presented.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.4), the SBSTA agrees to develop and maintain the dialogue between parties and regional and international climate change research programmes and organizations. It agrees that the SBSTA's role should be facilitative and not prescriptive. It notes the importance of the dialogue to identify research gaps and research capacity constraints in developing countries and to consider possible opportunities to address these gaps. It invites relevant research programmes to regularly inform SBSTA of developments in various relevant research activities, and asks the Secretariat to invite these groups to consider these issues in an informal discussion at SBSTA 28.

#### **METHODOLOGICAL ISSUES UNDER THE CONVENTION IPCC 2006 GUIDELINES FOR NATIONAL**

**GREENHOUSE GAS INVENTORIES:** In the opening SBSTA plenary on Monday, 7 May, Chair Kumarsingh noted that this issue had been forwarded from SBSTA 24 due to the significant amount of information in the 2006 Guidelines that required further consideration by parties. The EU supported voluntary adoption of the 2006 Guidelines and the Republic of Korea supported this, noting the need for capacity building for non-Annex I parties. The IPCC reported on its progress in developing inventory software.

These issues were then taken up in a contact group and informal consultations co-chaired by Riitta Pipatti (Finland) and Nagmeldin Goutbi Elhassan (Sudan). Issues related to harvested wood products were dealt with in a single informal session in which parties unanimously decided to consider reporting of harvested wood products under this agenda item and that other concerns should be considered in broader land use, land use change and forestry (LULUCF) discussions.

With regard to issues relating to the 2006 Guidelines, paragraphs concerning specific methodological issues that need to be addressed were not included in the final document. This included Brazil's suggestion on the possible implications of the use of the "managed land concept" as a proxy for estimating anthropogenic emissions, whereby natural sinks might skew total emissions. A paragraph noting a planned expert group meeting was also deleted.

The draft conclusions were adopted by SBSTA on 18 May.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.5), SBSTA notes the importance of the continuous improvement of greenhouse gas inventories, and the need for continued consideration of the 2006 IPCC Guidelines in the context of revising UNFCCC reporting guidelines for Annex I parties. SBSTA invites parties to gain experience with the 2006 Guidelines and submit information on these experiences. SBSTA also recognizes that there are reporting issues that should be discussed in consideration of revising the existing UNFCCC reporting guidelines and notes the need for capacity building to facilitate the use of the guidelines.

With regard to harvested wood products, the SBSTA recalls the invitation for parties to voluntarily report on this matter, and states that it will discuss reporting under this agenda item, while other issues related to harvested wood products should be taken up in broader LULUCF discussions.

**GREENHOUSE GAS DATA INTERFACE:** On Monday, 7 May, the Secretariat presented a report reflecting parties' views on possible improvements to the greenhouse gas emissions data interface (FCCC/SBSTA/2007/MISC.9 and Add.1). The EU urged implementation of the interface so as to allow for additional sources to be added subsequently. The US opposed the addition of new data sources until the existing database had been assessed. Chair Kumarsingh consulted informally and prepared draft conclusions, which were adopted on 18 May as presented.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.3), SBSTA reiterates its request to the Secretariat to continue to improve access to and update the greenhouse gas inventory

information on the UNFCCC website, to provide access to activity data and to provide interface functions to access such data.

**BUNKER FUELS:** The issue of emissions from fuel used for international aviation and maritime transport, an issue that has been the source of dispute for a number of years, was introduced during the SBSTA plenary on Monday, 7 May, when several parties objected to the formation of a contact group. SBSTA Chair Kumarsingh undertook informal consultations, which did not result in any agreement. No conclusions were adopted on this item.

#### **METHODOLOGICAL ISSUES UNDER THE PROTOCOL**

**HFC-23:** This issue was first taken up in plenary on Monday, 7 May, and addressed in informal consultations by SBSTA Chair Kumarsingh (FCCC/SBSTA/2007/MISC.1). It responds to a request by COP 10 to develop recommendations for the CDM Executive Board concerning the implications of crediting emissions reductions for the destruction of hydrofluorocarbon 23 (HFC-23) under the CDM and, in so doing, provide a perverse incentive to build new hydrochlorofluorocarbon 22 (HCFC-22) facilities and increase the production of HCFC-22, an ozone-depleting substance regulated under the Montreal Protocol on Substances that Deplete the Ozone Layer.

Although COP/MOP 1 decided that the CDM should not lead to increased production of these gases and agreed on definitions that should apply to new HCFC-22 facilities, parties hold widely divergent views on how to address the problem. While some, including Brazil and Argentina, would prefer not crediting the destruction of HFC-23 in new facilities under the CDM, China and others support doing so, but have so far been unable to agree on practical solutions to address perverse incentives.

In light of this, parties at SBSTA 26 decided to request further submissions, and discussed the timetable and scope for such submissions. Some parties preferred addressing the matter at a future session after COP/MOP 3 in Bali, taking into account the work done by the Technology and Economic Assessment Panel of the Montreal Protocol. Others, notably China, supported addressing it at SBSTA 27. In the end, parties compromised by agreeing to forward the issue to SBSTA 27, and to make reference to other conventions and international organizations including, but not limited to, the Montreal Protocol. On the scope, parties agreed to ask that the submission suggest possible approaches and elaborate both on whether the suggested approaches addresses the problem and the feasibility.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.8), SBSTA notes Decision 8/CMP.1 whereby the COP/MOP recognized that issuing CERs for the destruction of HFC-23 at new HCFC-22 facilities could lead to higher global production of HCFC-22 and/or HFC-23 than would otherwise occur, and that the CDM should not lead to such increases. SBSTA also states that it would welcome information, analyses or outcomes of assessment panels, conventions and international organizations, such as, but not limited to, the assessment being undertaken by the Technology and Economic Assessment Panel of the Montreal Protocol. SBSTA invites parties, admitted observers and intergovernmental organizations to submit their

views by 21 September 2007 on possible approaches, such as those considered at previous sessions, elaborating on, *inter alia*: whether the approach addresses avoidance of CDM leading to increases in the production of these gases; and the feasibility of implementing the approach. SBSTA further agrees to consider the matter at SBSTA 27 and, if possible, prepare a draft COP/MOP 3 decision.

#### **SMALL-SCALE AFFORESTATION AND DEFORESTATION UNDER THE CDM:**

The implications of possible changes to the limit for small-scale afforestation/reforestation (A/R) CDM project activities was first taken up in plenary on Monday, 7 May (FCCC/SBSTA/2007/MISC.1), and subsequently in two contact groups and informal meetings, co-chaired by Thelma Krug (Brazil) and Satoshi Akahori (Japan). Submissions were requested from parties and organizations on this issue by COP/MOP 2, revealing a wide range of views. Brazil maintained that it was premature to start a discussion of a change in limit since the decision on small-scale A/R was only taken at COP 10, and with Australia, the EU and others, noted market-related problems unrelated to the CDM. Bolivia, Chile and Malaysia agreed that the size of projects was probably not the only problem, but believed there was enough experience on difficulties with developing projects to merit a revision of the limit. Bolivia added that the window of opportunity for inclusion of projects in the first commitment period was closing, and Canada recalled that discussions at COP 9 did not include a calculation of the implications of the tonnage limit and suggested the CDM Executive Board undertake a revision. However, China and India stated their opposition to an increase in the limit. While Japan also supported addressing the simplification of modalities, Tuvalu (on behalf of AOSIS), Brazil, and the EU stressed that the decision on small-scale A/R project activities was part of a balanced package agreed at COP 9 and opposed opening the discussion.

The Co-Chairs proposed to proceed by requesting focused submissions from parties on the implications of changing the limit. Parties welcomed the proposal, but differences remained on whether to address the issue at COP/MOP 3 or 4, and whether submissions should also be requested from organizations. After informal and drafting consultations, compromise was reached by agreeing to invite submissions from accredited intergovernmental organizations and consider the issue at SBSTA 27, without reference to concluding at a certain COP.

**SBSTA Conclusions:** In its conclusions (FCCC/SBSTA/2007/L.2/Rev.1), SBSTA:

- takes note of the submissions from parties and accredited intergovernmental organizations on the implications of possible changes to the limit for small-scale A/R project activities;
- agrees to undertake further analytical assessment, based on, *inter alia*; national experiences, taking into account social, economic and environmental effects, including estimation of leakage; and
- invites parties, intergovernmental and nongovernmental organizations to submit their views on the latter by 21 September 2007 for consideration at SBSTA 27.

## MITIGATION

During SBSTA 26, three in-session workshops were held on the scientific, technical and socioeconomic aspects of mitigation. These workshops were part of a series of workshops on mitigation that SBSTA 23 requested the Secretariat to arrange by SBSTA 27. The workshops held during SBSTA 26 focused on three areas: urban planning and development, energy efficiency, and power generation. Each workshop lasted half a day, and each involved invited presenters and feedback and discussions from parties. Reports on these workshops can be accessed at: <http://www.iisd.ca/vol12/enb12327e.html> and <http://www.iisd.ca/vol12/enb12330e.html>.

During the closing SBSTA 26 plenary on Friday, 18 May, Chair Kumarsingh reflected on the three workshops, highlighting various presentations underscoring that mitigation can contribute to sustainable development and outlining possible mitigation options under different national circumstances. Noting that half of the world's population now lives in urban areas, he drew attention to the mitigation potential in urban planning and development, in particular in the urban transport and building sectors. He also highlighted the role of local governments and the private sector, and emphasized the critical role of energy efficiency measures. Chair Kumarsingh also stressed the importance of international collaboration, said new and cost-effective technologies need to be developed further, and strategies identified to overcome non-market barriers. No conclusions were adopted on this matter.

## PROTOCOL ARTICLE 2.3

The agenda item on Protocol Article 2.3 (adverse effects of policies and measures) had been carried over unresolved from SBSTA 25, where disagreements arose concerning overlaps that some parties identified with the SBI agenda item on Article 3.14 of the Protocol (adverse effects and response and response measures). At SBSTA 26, parties took up the issue in plenary on Tuesday, 8 May, when the G-77/China requested formal negotiations. Japan and the EU asked for the agenda item to be deleted since it was addressed elsewhere in the SB's agenda. Saudi Arabia opposed this and outlined differences between Articles 2.3 and 3.14, cautioning against "blocking" this issue, which could result in issues of importance to certain other parties being blocked, too. The item was the subject of informal consultations conducted by Chair Kumarsingh. However, he reported on 18 May that the issue had not been resolved. No conclusions were adopted on this item, which in accordance to the rules of procedure will be included on the agenda for the next SBSTA session.

## COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS

In the opening SBSTA plenary on Monday, 7 May, UNFCCC Executive Secretary Yvo de Boer reported on the successful collaboration between the UNFCCC and IPCC, sister conventions and other UN agencies, with some of these outlining their relevant activities linked to the UNFCCC.

The issue was then taken up in two settings: a plenary session briefing by the IPCC, and informal consultations on broader issues of cooperation. The in-depth IPCC briefing on the

contributions of the three Working Groups' contributions to AR4 was held on Saturday, 12 May. A report on this briefing can be found at <http://www.iisd.ca/vol12/enb12328e.html>.

The informal consultations were facilitated by Marcela Main (Chile) and Greg Picker (Australia), who prepared draft SBSTA conclusions that were adopted during the closing plenary on Friday, 18 May. During that plenary, Halldor Thorgeirsson, UNFCCC Secretariat, reported back on the outcomes of the fifteenth session of the UN Commission on Sustainable Development, and informed delegates that UN Secretary-General Ban Ki-moon had stated that "climate change is at the top of my agenda" and that the three special envoys for climate change that he appointed would be looking for support for a multilateral solution to facilitate a "breakthrough" in Bali.

**SBSTA Conclusions:** In its draft conclusions (FCCC/SBSTA/2007/L.7), SBSTA expresses appreciation for the statements from FAO, World Bank, UNDP, Convention on Biological Diversity, UN Convention to Combat Desertification and UNEP at SBSTA 26 and thanks the IPCC for its in-depth briefing. It further encourages parties to make use of the information contained in the three IPCC Working Group Reports and notes the planned Synthesis Report.

## CLOSING PLENARY

On Friday morning, 18 May, the SBSTA 26 closing plenary was convened. Parties adopted the report of the session (FCCC/SBSTA/2007/L.1) without amendment.

SBSTA Chair Kishan Kumarsingh thanked all participants for a constructive session. Pakistan, for the G-77/China, expressed his satisfaction that parties had finalized a number of recommendations and laid down foundations for COP 13 and COP/MOP 3. He stressed the importance of the UNFCCC and the Protocol as the only multilateral structure to address climate change, said Annex I parties must commit to the emissions targets beyond 2012, and stressed the importance of common but differentiated responsibilities.

Chair Kumarsingh thanked all involved and noted that, while the outcomes may not have been those that everyone wanted, progress had been made in the process towards Bali in December 2007. He declared the meeting closed at 11:16 am.

## AD HOC WORKING GROUP

The third session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) opened on Monday morning, 14 May. AWG Chair Leon Charles (Grenada) identified the need to bridge traditional divides and work in an atmosphere of trust and confidence. He called for a clear signal that the AWG was on track to complete its work in a timely manner.

Parties made general statements in plenary sessions on 14 and 15 May. South Africa, speaking for the G-77/China, called for "deep and ambitious" commitments from Annex I parties. Representatives of AOSIS, the LDCs, India and Indonesia also reiterated calls for such commitments. Saudi Arabia said any future arrangement should take into account the adverse impacts of Annex I parties' targets on developing countries.

The EU drew attention to low-cost mitigation potentials identified by IPCC Working Group III and stressed that “costs of action are small compared to costs of inaction.” Switzerland, speaking for the Environmental Integrity Group, called for mitigation efforts that take into account national circumstances. Japan stressed the need for a common understanding of factors and criteria to evaluate mitigation potential on a sectoral basis. Iceland noted many parties’ declarations of long-term targets and praised these national voluntary actions as building blocks for a future regime. The US, UK, European and Australian Business Councils for Sustainable Energy supported a legally-binding multilateral regime after 2012, urging agreement in Bali on a new negotiating round that would reach agreement on a framework in 2009.

During the opening plenary, AWG Chair Charles presented the provisional agenda (FCCC/KP/AWG/2007/1)<sub>2</sub> which was adopted without amendment. Delegates also agreed to the organization of work.

### **ANALYSIS OF MITIGATION POTENTIALS AND PROGRAMME OF WORK**

During AWG 3, delegates focused on two main agenda items: the analysis of mitigation potentials and ranges of emission reduction objectives of Annex I parties; and the review of the AWG’s work programme, methods of work and schedule of further sessions.

The issue of mitigation potentials was taken up in several settings, including a round-table discussion, as well as in a contact group and informal consultations. The first setting was an AWG round-table discussion, which took place in plenary during the morning and afternoon of Monday, 14 May. This discussion addressed the mitigation potentials of policies, measures and technologies. The morning session focused on providing an overview and on cross-cutting issues, while the afternoon session was divided into three parts, focused on energy efficiency, non-carbon dioxide greenhouse gas emissions and sinks, and consolidation of sectoral approaches. A detailed report on these discussions can be accessed at: <http://www.iisd.ca/vol12/enb12329e.html>

Both these agenda items were then considered on Wednesday and Thursday, 16 and 17 May, in a contact group and informal consultations, facilitated by AWG Chair Charles. These discussions focused on two elements: analysis of mitigation potentials and the programme of work agreed at AWG 2 in Nairobi.

On the analysis of mitigation potentials, several Annex I parties, including Norway, Canada and Japan, stressed the importance of placing Annex I mitigation efforts in a global context. Opposed by Saudi Arabia, they also emphasized the importance of a “shared vision.” China appreciated the voluntary targets by the EU and Norway and urged other Annex I parties to come up with similar figures. Tuvalu proposed addressing commitments for adaptation, while the EU noted that funding for adaptation should be considered under the Protocol Article 9 review.

In the contact group and informal consultations, several bullet points were negotiated reflecting the key inputs to the analysis of mitigation potentials from AWG 3. Invoking time constraints, China, supported by Saudi Arabia, argued that issues covered during the AWG round-table should not be negotiated by the AWG. Opposed by the EU and Norway, China proposed deleting a bullet point indicating, *inter alia*, that mitigation efforts during the next few decades will to a large extent determine the long-term temperature increase and climate change impacts. South Africa, for the G-77/China, proposed adding language on “25-40% greenhouse gas emissions reductions below 1990 levels” for Annex I parties.

On continuing the analysis, New Zealand, supported by Japan, suggested seeking expert input on developing common criteria for assessing countries’ mitigation potentials. Canada highlighted regional and sectoral differences and the Russian Federation emphasized the need to consider national circumstances. Tuvalu proposed including the costs of inaction in the analytical work on mitigation potentials. New Zealand and Canada indicated that the EU’s experiences in defining targets could be useful and the EU offered to host a workshop on this.

Regarding the programme of work, South Africa, for the G-77/China, stressed the urgency of the AWG’s work and called for a focus on “what needs to be done.” China called for a timetable to guide the AWG’s work. Delegates also discussed which elements of the work programme to consider during the next AWG sessions and the timing for two submissions. During informal consultations, parties agreed on issues to be considered at AWG 4 and AWG 5 and also decided to negotiate a timetable in Bali for completing the AWG’s work.

With the draft conclusions agreed during informal consultations late on Thursday, 17 May, the AWG adopted the final text during its closing plenary the following day.

**AWG Conclusions:** In its conclusions (FCCC/KP/WG/2007/L.2), the AWG:

- reaffirms its focus on further Annex I commitments to be established in amendments to Annex B of the Protocol;
- recalls that its work should be guided by a shared vision of the challenge set by the ultimate objective of the UNFCCC;
- considers that the information received provided useful parameters for the overall level of ambition of further Annex I emissions reductions;
- notes the usefulness of information in the IPCC AR4, in particular in the contribution of Working Group III;
- indicates that it has initiated the implementation of its work programme;
- lists the key inputs from parties, presenters and observers during AWG 3 in eight bullet points, which address emission ranges, economic potential, mitigation policies and technologies, barriers, carbon price signals, co-benefits, spillover effects, and flexibility mechanisms and sinks;
- agrees to continue the analysis of mitigation potential at AWG 4 and also address the possible ranges of emissions reductions;
- agrees to analyze possible means to achieve mitigation objectives at AWG 5;

- invites submissions from parties “in position to do so” by 22 June 2007, with information and data on mitigation potentials of policies, measures and technologies at their disposal;
- requests the Secretariat to prepare a technical paper synthesizing these submissions and available information;
- invites parties and accredited observer organizations to submit by 15 February 2008 information and views on means to achieve Annex I mitigation objectives;
- agrees to continue with its work programme; and
- agrees to consider the work programme at the resumed AWG 4 in Bali and also develop a timetable to guide its work in order to avoid a gap between the first and second commitment period.

### **CLOSING PLENARY**

On Friday afternoon, 18 May, the AWG 3 closing plenary took place. Parties adopted the report of the session (FCCC/KP/AWG/2007/L.1) without amendment.

Pakistan, speaking for the G-77/China, emphasized the AWG’s focus in setting further Annex I commitments and indicating that these need to be based on sound science, highlighting the IPCC reports and the need for urgent and ambitious targets. He suggested that negotiations should be completed in 2008, or at the latest in 2009. Stating that the work programme for the AWG agreed in Nairobi at AWG 2 had not been sufficiently clear, he expressed hope that the agreement reached at AWG 3 had clarified various elements, including that: AWG 4 will continue analysis of mitigation potentials and address identification of possible ranges for Annex I reductions, based on the Secretariat’s synthesis paper and submissions; and AWG 5 will analyze means for achieving commitments. He also noted lack of clarity on the end date for the AWG.

Germany, for the EU, said the work done during AWG 3 and input from the IPCC have provided a solid foundation on which to proceed. He stated that the AWG’s work is essential for a comprehensive post-2012 agreement on global reductions, and also noted the Convention Dialogue’s contribution and the need to put the ideas identified during the Dialogue into action.

Maldives, speaking for AOSIS and the LDCs, said urgent emissions reductions are needed, hoped that lower stabilization scenarios below 550 ppm would be analyzed, and looked forward to developing a timetable for completing the AWG’s work in Bali.

Chair Charles thanked all of those involved in AWG 3, and looked forward to seeing everyone in Vienna at AWG 4. He declared the session closed at 3:47 pm.

### **CONVENTION DIALOGUE**

The third workshop under the “Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention” took place on Wednesday and Thursday, 16 and 17 May 2007. The Dialogue was the result of negotiations during COP 11 and COP/MOP 1 on a long-term framework for addressing climate change after the Kyoto Protocol’s first commitment period ends in 2012. In Decision 1/CP.11, COP 11 resolved to engage in a dialogue, “without prejudice to any future negotiations, commitments, process,

framework or mandate under the Convention, to exchange experiences and analyze strategic approaches for long-term cooperative action to address climate change.” The Dialogue is widely referred to as the “Convention track” for discussions on long-term issues, as opposed to the “Protocol track,” under the AWG.

The Dialogue at SB 26 was co-facilitated by Sandea de Wet (South Africa) and Howard Bamsey (Australia). Participants focused on two main areas: realizing the full potential of technology, and addressing action on adaptation. These discussions involved detailed presentations from invited experts and feedback and interventions from parties and observers.

The workshop concluded with a short discussion on substantive and organizational matters relating to the fourth workshop, which is scheduled to take place in Vienna in late August 2007. During this discussion, Co-Facilitator Bamsey explained that the fourth workshop was the last one mandated by the COP, and that the Co-Facilitators would prepare a report on the Dialogue for consideration by COP 13 in Bali. Several parties commented on the process. Brazil reflected on the positive exchange of ideas while adding that discussions disconnected from effective negotiations “cannot prosper,” and South Africa identified a variety of possible options for “moving forward” during COP 13, including a new agenda item leading to policy level discussions and negotiations. He also mentioned the option of continuing the Dialogue, creating a platform and reorganizing and consolidating the COP agenda. Detailed reports on this workshop and these discussions can be found at: <http://www.iisd.ca/vol12/enb12331e.html> and <http://www.iisd.ca/vol12/enb12332e.html>.

### **OTHER UNFCCC EVENTS**

#### **WORKSHOP ON THE RUSSIAN PROPOSAL**

A proposal by the Russian Federation on voluntary commitments was first made during COP/MOP 1 in Montreal in December 2005, during the discussions on the Article 3.9 of the Kyoto Protocol, which concerns future commitments for Annex I parties. The discussions on Article 3.9 in Montreal resulted in the establishment of the AWG, and the Russian Federation proposed that the AWG should be mandated to develop appropriate procedures for the approval of voluntary commitments. At COP/MOP 1, parties requested the COP/MOP President to hold consultations on how to address this issue and report back at COP/MOP 2. After a lengthy agenda dispute at COP/MOP 2, where the substance of the Russian proposal was not discussed, parties requested the President to hold an informal workshop during SB 26 to “clarify and explore the scope and implications of the proposal by the Russian Federation and to prepare a report, on his own responsibility, on the proceedings and main points raised at this workshop” (FCCC/KP/CMP/2006/10, paragraphs 98-102).

This workshop was held on Friday, 11 May, and was facilitated by Michael Zammit Cutajar (Malta) on behalf of COP/MOP 2 President Kivutha Kibwana, who was unable to attend. The workshop involved a detailed elaboration by the Russian Federation on its proposal, which consists of a two-track

approach characterized as “Kyoto” and “Convention” tracks, with the Kyoto track relating to simplified procedures to allow parties to join Annex I and Annex B, while the Convention track would support national voluntary commitments by developing countries that could be recognized under the Convention. Many parties participated in this discussion, with many expressing positive views on the “Kyoto track.” A number of developing countries expressed opposition or concerns to the Convention track proposals, while developed countries for the most part welcomed the opportunity to discuss the proposal. A more detailed report on this workshop can be accessed at: <http://www.iisd.ca/vol12/enb123127.html>

### A BRIEF ANALYSIS OF SB 26

The song “My Favorite Waste of Time” was proposed as the most apt description of SB 26 during a contest organized by environmental NGOs at the meeting. Indeed, at a time when the IPCC, the media and the public are sending remarkably clear messages on the need for urgent action against climate change, it seems only reasonable to wonder why delegates chose to spend two weeks fixated on things such as the ways of monetizing the share of CDM proceeds to be channeled to the Adaptation Fund (which is not even operational), or the terms of reference for a constituted body for technology transfer (that does not exist). And why, some were asking, hold numerous workshops rather than spend the time in negotiations that are clearly needed to respond to climate change and achieve an effective post-2012 agreement?

In fact, seasoned negotiators did discern a “method behind the madness” in Bonn. As this analysis shows, SB 26 contributed to the process first by clearing many of the routine issues from the table, and secondly by providing “space” and clarifying the focus of the post-2012 discussions in preparation for the critical meetings of COP 13 and COP/MOP 3 to be held in Bali in December. This analysis examines the role of the Bonn meeting in the overall UNFCCC negotiation process, assesses the contribution of SB 26 to the post-2012 discussions, and concludes by looking ahead to Bali.

### SB 26 IN THE UNFCCC PROCESS

Pressure is clearly mounting to make significant advances in international climate policy, especially concerning the post-2012 period after the first commitment period under the Kyoto Protocol expires. According to many, the recent reports by the three IPCC Working Groups have ended once and for all the debate on anthropogenic climate change, provided a daunting preview of its impacts and, importantly for policymakers, pointed to the availability of low-cost mitigation opportunities and the necessary technologies. With such a clear picture, a serious political response to the IPCC findings would seem to be needed, including launching more ambitious negotiations on the post-2012 regime in earnest.

As supporters of the UNFCCC process point out, though, the Bonn gathering was never designed to achieve a breakthrough in such negotiations. Rather, its role was to prepare the ground for high-level meetings where political decisions can actually be made. According to some veteran negotiators, Bonn did this

job rather well. The IPCC briefing on the Fourth Assessment Report helped delegates to digest and better understand the latest science. The numerous workshops held in Bonn also opened spaces for dialogue and served as an important testing ground for ideas that many hope may eventually crystallize into a “shared vision” of the post-2012 regime. Several presentations, both from parties and industry, proved that there is now serious thought being given to the future. Some of the most interesting ones included presentations by South Africa and India on adaptation, by the EU on its new climate policies and emission reduction targets for 2020, and by the International Energy Agency, Japan and China on energy.

Some of the results from Bonn could also play a role in the post-2012 negotiations, either as components of a possible new agreement or as bargaining chips. While progress was made towards operationalizing the Adaptation Fund, questions concerning institutional arrangements were deliberately left to Bali, where they may possibly be used to block or advance other discussions. Reducing emissions from deforestation is already expected to play an important role in Bali, since it directly engages developing countries in efforts to address an important share of global emissions. The same may apply to technology transfer issues that were referred from Bonn to Bali, which some think could play a role in the negotiations.

### PREPARING FOR THE POST-2012 REGIME

Post-2012 issues occupied a large space on the Bonn agenda. In addition to the AWG and the Convention Dialogue, delegates discussed for the first time the substance of the Russian proposal on voluntary commitments. The workshop on this topic proved interesting by clarifying what lay behind the proposal and bringing some controversial issues out in the open, including developing country commitments or, as Michael Zammit Cutajar put it, the “unspoken C-word.” Taking the skeletons out of the closet did not, however, have a significant impact on the formal post-2012 discussions under either the AWG or the Dialogue, which proceeded in a largely constructive and predictable manner. Though seemingly uneventful, some experts pointed out that these talks continued the confidence-building exercise successfully initiated in Nairobi – a necessity if the post-2012 negotiations are to be brought to a successful conclusion.

Interestingly, many participants started detecting some common themes and messages emerging from the exchange of views in Bonn on post-2012 issues. The importance of carbon markets under the future regime is an area where views have converged for some time, whether the speaker is from any of the major country groupings, business and industry, or even the mainstream NGO community. The Convention Dialogue workshop also indicated some other areas of possible convergence, notably sectoral approaches, with some participants predicting that key developing countries such as China and Brazil might be willing to consider “no-lose” targets for some sectors of their economies. Another feature of the Dialogue was that many delegates appeared to recognize the need “to start talking about the elephant in the room” – that is, to take a far more serious approach to adaptation.

Positive signs of future engagement by developing countries were also detected in the Dialogue and elsewhere. The message from Brazil and South Africa that they would be open to continuing the Dialogue in some strengthened format after Bali clearly ranks as one of the most noteworthy outcomes from Bonn. Significantly, many business and industry groups also seem to have joined the EU and civil society chorus in calling for a new negotiating mandate from Bali to seal a more comprehensive post-2012 agreement by 2009. The US, UK, European and Australian Business Council for Sustainable Energy, for example, made a notably progressive intervention.

Nobody is expecting this to be easy, though. According to many, the biggest question mark remains the US. While important shifts in public opinion are taking place and legislation is proliferating at the national and state level, the federal government's position towards the UNFCCC regime seems unchanged. Finding a compromise acceptable for the US is therefore one of the key challenges. According to many, this might ultimately require postponing key decisions until after the 2008 elections.

#### **WHAT ARE THE PROSPECTS FOR BALI?**

At SB 26, any conversation about the meeting's success, or lack thereof, invariably turned to Bali. Clearly, COP 13 and COP/MOP 3 mark a defining moment for this process. There are two main reasons for this: firstly, the Convention Dialogue – the only post-2012 track that is broad both in terms of substance and participation – will expire at COP 13. Without explicit agreement in Bali, this track will not continue. Secondly, many supporters of a post-2012 deal argue that the momentum generated by the media frenzy over the IPCC Fourth Assessment Report has to be seized while ministers and negotiators are still facing considerable pressure to take action against climate change. If not, the current public attention to climate change could diminish, and the opportunity for a strong political response could be lost.

The question of what is at stake if Bali fails to come up with a political response to the IPCC report and agree on a follow-up to the Convention Dialogue should be carefully gauged by every party. Many fear that this could decrease the relevance of the UNFCCC process, and move the emphasis to initiatives such as the Asia-Pacific Partnership and plans to link the EU Emissions Trading Scheme with other such schemes in California and elsewhere. But this approach would obviously be more fragmented than any multilateral deal. Also, important issues, especially for developing countries, such as mechanisms, adaptation, capacity building or technology transfer would clearly be harder to address outside the UNFCCC process

For this reason, the road to Bali is already filled with events which many hope will pave the way to a successful outcome. In June, Sweden will host the Midnight Sun ministerial dialogue in preparation for Bali and climate change is also on the agenda of the G8 meeting in Germany. In August, delegates will gather in Vienna for the AWG and Convention Dialogue, while UN Secretary-General Ban Ki-moon is planning a high-level meeting

on climate change in September on the fringes of the General Assembly, and in October, ministers will head to Indonesia for the pre-Bali ministerial meeting.

With such an abundance of pre-Bali events, SB 26 in Bonn is unlikely to stand out in the years ahead. Nevertheless, it can be said to have achieved the task at hand: it maintained some momentum, provided space for questions and ideas, focused on what lies ahead, and cleared some of the routine and technical issues necessary to make time for more important issues in Bali. In contrast to the song "My Favorite Waste of Time," what delegates heard as they left the closing SBSTA plenary on 18 May was Bob Marley's "Don't worry, about a thing... every little thing, is gonna be alright." It probably won't. But Bonn was certainly not a waste of time.

### **UPCOMING MEETINGS**

**SWEDISH "MIDNIGHT SUN" DIALOGUE ON CLIMATE CHANGE:** This ministerial meeting, hosted by Sweden, is scheduled for 11-14 June 2007 in Riksgränsen, Sweden. For more information, contact: Swedish Ministry for the Environment; tel: +46-8-405-1000; fax: +46-8-723-1160; e-mail: caroline.dickson@environment.ministry.se; internet: <http://www.sweden.gov.se/sb/d/2066>

**WORKSHOP ON CLIMATE RELATED RISKS AND EXTREME EVENTS UNDER THE NAIROBI WORK PROGRAMME:** This workshop, organized by the UNFCCC Secretariat, will take place from 18-20 June 2007, in Cairo, Egypt. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); internet: <http://www.unfccc.int>

**IPCC-TGICA REGIONAL MEETING:** This meeting, sponsored by the IPCC's Task Group on Data and Scenario Support for Impact and Climate Analysis (TGICA), the Global Change System for Analysis, Research and Training, and the Pacific Centre for Environment and Sustainable Development at the University of South Pacific, will take place from 20-22 June 2007, in Nadi, Fiji. It will explore innovative research approaches for addressing the challenges associated with climate change impacts, adaptation, vulnerability and mitigation. For more information, contact: IPCC Secretariat; tel: +41-22-730-8208; fax: +41-22-730-8025; e-mail: [ipcc-wg1@al.noaa.gov](mailto:ipcc-wg1@al.noaa.gov); internet: <http://ipcc-wg1.ucar.edu/meeting/TGICA-Regional/>

**WORKSHOP ON BEST PRACTICES ON CONDUCTING TECHNOLOGY NEEDS ASSESSMENTS:** This workshop, organized by the UNFCCC Secretariat, will take place from 27-29 June 2007, in Bangkok, Thailand. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); internet: <http://www.unfccc.int>

**UNFCCC DIALOGUE AND KYOTO PROTOCOL AWG 4:** The fourth workshop under the "Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention" and the fourth session of the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol will take place from 27-31 August 2007, in Vienna, Austria. For more information, contact:

UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; email: secretariat@unfccc.int; internet: http://www.unfccc.int

**NINETEENTH MEETING OF THE PARTIES TO THE MONTREAL PROTOCOL:** MOP-19 will take place from 17-21 September 2007, in Montreal, Canada, marking the Protocol's 20th anniversary. It will be preceded by the 39th meeting of the Implementation Committee from 12-14 September 2007. For more information, contact: Ozone Secretariat; tel: +254-20-762-3850/51; fax: +254-20-762-4691/92/93; e-mail: ozoneinfo@unep.org; internet: http://ozone.unep.org/

**UNITED NATIONS HIGH LEVEL MINISTERIAL MEETING ON CLIMATE CHANGE:** A high-level ministerial meeting is planned to take place during the UN General Assembly sessions in September. The event is tentatively scheduled for 24 September 2007, at UN headquarters in New York. For more information, contact: Office of the President of the UN General Assembly; tel: +1-212-963-7555, fax: +1-212-963-3301; internet: http://www.un.org/ga/61/

**UNFCCC REGIONAL WORKSHOP ON THE NEEDS OF SIDS:** This regional workshop, organized by the UNFCCC Secretariat, will address issues relating to the needs of small island developing states. The meeting will take place in Saint Lucia, at a date to be confirmed. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; internet: http://www.unfccc.int

**UNFCCC WORKSHOP ON CAPACITY BUILDING UNDER THE CONVENTION:** SBI 26 requested the UNFCCC Secretariat to organize a workshop on capacity building under the Convention, with a focus on monitoring, evaluation, and best practices and lessons learned. The dates and location have not yet been set, but it is expected to take place prior to SBI 27 in December 2007. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; internet: http://www.unfccc.int

**TECHNICAL WORKSHOP MEETING ON EMISSIONS FROM AVIATION AND MARITIME TRANSPORT:** This workshop, organized by Norway with the assistance of the European Environment Agency (EEA), will take place in Oslo, Norway, from 4-5 October 2007. For more information, contact: the European Environment Agency; tel: +45-33-36-7100; fax: +45-33-36-7199; e-mail: Bitten.Eriksen@eea.europa.eu; internet: http://www.eionet.europa.eu/training/bunkerfuelemissions

**WORKSHOP ON FUTURE CLIMATE CHANGE RESEARCH AND OBSERVATIONS:** This workshop, organized by the Global Climate Observing System and the World Climate Research Programme, will be held in Sydney, Australia, from 4-6 October 2007. For more information, contact: World Climate Research Programme; tel: +41-22-730-8111; fax: +41-22-730-8036; e-mail: wcrp@wmo.int; internet: http://wcrp.wmo.int/Meeting\_WCRP\_upcoming.html

**27TH SESSION OF THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE:** IPCC-27 will take place from 12-16 November 2007, in Valencia, Spain, and will focus on the adoption of the IPCC's Fourth Assessment Report. For

more information, contact: Rudie Bourgeois, IPCC Secretariat; tel: +41-22-730-8208; fax: +41-22-730-8025; e-mail: IPCC-Sec@wmo.int; internet: http://www.ipcc.ch/

**THIRTEENTH CONFERENCE OF THE PARTIES TO THE UNFCCC AND THIRD MEETING OF THE PARTIES TO THE KYOTO PROTOCOL:** The thirteenth Conference of the Parties to the UNFCCC and third Meeting of the Parties to the Kyoto Protocol will take place in Bali, Indonesia, from 3-14 December 2007. These meetings will coincide with the 27th meetings of the UNFCCC's Subsidiary Bodies and the *Ad Hoc* Working Group on Further Commitments from Annex I Parties under the Kyoto Protocol. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; internet: http://www.unfccc.int

## GLOSSARY

AOSIS	Alliance of Small Island Developing States
A/R	Afforestation and Reforestation
AR4	IPCC Fourth Assessment Report
AWG	<i>Ad Hoc</i> Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol
CDM	Clean Development Mechanism
CER	Certified Emission Reductions
CGE	Consultative Group of Experts on Non-Annex I National Communications
COP	Conference of the Parties
COP/MOP	Conference of the Parties serving as the Meeting of the Parties
EGTT	Expert Group on Technology Transfer
GEF	Global Environment Facility
HCFC-22	Hydrochlorofluorocarbon-22
HFC-23	Hydrofluorocarbon-23
IPCC	Intergovernmental Panel on Climate Change
ITL	International Transaction Log
LDC	Least Developed Countries
LULUCF	Land use, land-use change and forestry
NAPA	National Adaptation Programme of Action
SB	UNFCCC Subsidiary Body
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change