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**AD HOC WORKING GROUP ON LONG-TERM COOPERATIVE ACTION
UNDER THE CONVENTION**

Fourth session

Poznan, 1–10 December 2008

Item 3 (a–e) of the provisional agenda

Enabling the full, effective and sustained implementation of the Convention through long-term cooperative action now, up to and beyond 2012, by addressing, inter alia:

A shared vision for long-term cooperative action

Enhanced national/international action on mitigation of climate change

Enhanced action on adaptation

Enhanced action on technology development and transfer to support action on mitigation and adaptation

Enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation

**Summary of views expressed during the third session of the Ad Hoc Working
Group on Long-term Cooperative Action under the Convention**

Note by the Chair^{*}

Summary

The third session of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) was held in Accra, Ghana, from 21 to 27 August 2008. At that session, Parties considered all the elements of decision 1/CP.13 (the Bali Action Plan): a shared vision for long-term cooperative action; enhanced national/international action on mitigation of climate change; enhanced action on adaptation; enhanced action on technology development and transfer to support action on mitigation and adaptation; and enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation. The AWG-LCA invited the Chair to prepare a summary of the views expressed in that session.

^{*} This document was submitted after the due date because there was insufficient time to finalize it.

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I. Introduction

A. Mandate

1. The third session of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) was held in Accra, Ghana, from 21 to 27 August 2008. During that session, Parties exchanged views, seeking progress on all the elements assigned to the AWG-LCA by decision 1/CP.13 (the Bali Action Plan).¹
2. The AWG-LCA, at its first session, invited its Chair to prepare a summary of the views expressed at each session. It also requested the Chair to include in that summary the views expressed at the workshops held as part of its work programme.²

B. Scope of the note

3. The third session of the AWG-LCA covered the five elements contained in paragraph 1 of the Bali Action Plan.³ Considering the interlinkages between these elements, the need to examine issues relating to mitigation and adaptation in conjunction with needs relating to technology development and transfer and to financing and investment support, and the need to consider practical aspects of enhanced cooperation on technology and financing, the AWG-LCA established three contact groups on the following subjects:
 - (a) Enhanced action on adaptation and its associated means of implementation;
 - (b) Enhanced action on mitigation and its associated means of implementation;
 - (c) Delivering on technology and financing, including consideration of institutional arrangements.
4. This summary is organized in relation to the themes addressed by the three contact groups in order to best reflect the context of the exchange of views.
5. As with the preceding summary, this summary builds on the exchange of views at previous sessions of the AWG-LCA⁴ but focuses on progress made in the third session. To the extent possible, it also highlights ideas and proposals presented by Parties and discussed during the session.⁵

II. Chair's summary

A. Enhanced action on adaptation and its associated means of implementation

6. The exchange of views on enhanced action on adaptation and its associated means of implementation followed the four **areas of focus** identified at the second session of the AWG-LCA:⁶
 - (a) National planning for adaptation;
 - (b) Streamlining and scaling up financial and technological support;

¹ FCCC/AWGLCA/2008/12.

² FCCC/AWGLCA/2008/3, paragraph 26.

³ Parties also considered a work programme for 2009 (FCCC/AWGLCA/2008/12, paras. 28–37).

⁴ FCCC/AWGLCA/2008/6 and FCCC/AWGLCA/2008/11.

⁵ FCCC/AWGLCA/2008/MISC.2 and Add.1.

⁶ FCCC/AWGLCA/2008/11, paragraph 29.

- (c) Enhancing knowledge sharing;
- (d) Institutional frameworks for adaptation.

7. The discussions reflected some convergence of ideas on a number of concepts. They once again underlined the importance of adaptation for all Parties, as well as its intrinsic relationship with poverty. Parties recognized that capacities to cope with the challenges of climate change vary according to national circumstance and that, in many cases, considerable external support is required for the most vulnerable countries, including support for capacity-building, in order for appropriate adaptive responses to be put in place.

8. Many felt that the need to scale up and streamline financial and technological support would be best addressed by creating an overarching **framework for action**, which would address both what action is necessary in the area of adaptation and what arrangements should be put in place in order to generate the needed scaled-up and streamlined resources.

9. In line with the provisions of the Bali Action Plan, these arrangements should take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, especially the least developed countries (LDCs) and small island developing States (SIDS), as well as the needs of countries in Africa affected by drought, desertification and floods.

10. Central to such a framework is to put in place arrangements at various levels. At the **international level** arrangements should, according to many Parties, facilitate links between international, regional and national entities and stakeholders, and should channel support towards enhanced adaptation planning and implementation at the regional and national levels.

11. At the **national level**, arrangements should be put in place for preparing and implementing national adaptation plans, which would be supported by rigorous vulnerability and adaptation assessments. Related issues that will need further discussion in subsequent sessions include what characteristics these national adaptation plans would have, and ways and means to enhance the integration of adaptation into national and sectoral policies, taking into consideration the additional burdens posed by climate change on development. Arrangements for channelling the streamlined and scaled-up financial and technological support towards the preparation and implementation of these plans is another area for further discussion.

12. In the context of implementation of adaptation and enhancement of related knowledge sharing, great interest was expressed in establishing or strengthening regional adaptation centres and networks in order to promote the exchange of lessons learned and best practices in adaptation among all Parties. Bangladesh made a proposal for an international adaptation centre that would promote interregional synergy in adaptation.

13. Parties also emphasized the need to take stock of, and build upon, ongoing efforts in adaptation, including those relating to knowledge sharing, both under the Convention (as part of the preparation and implementation of national adaptation programmes of action in least developed countries, the implementation of the Nairobi work programme on impacts, vulnerability and adaptation to climate change, and progress in the implementation of decision 1/CP.10) and outside the Convention process. How additional action might be catalysed by external entities requires further discussion in future sessions.

B. Enhanced action on mitigation and its associated means of implementation

14. The exchange of views on enhanced action on mitigation and its associated means of implementation covered the following issues:

- (a) Nationally appropriate mitigation commitments and/or actions by developed country Parties;
- (b) Comparability of efforts by developed country Parties and national circumstances;
- (c) Nationally appropriate mitigation actions by developing country Parties;
- (d) Measuring, reporting and verification of mitigation actions and financial and technological support;
- (e) Policy approaches and positive incentives for mitigation in the forest sector in developing countries;
- (f) Cooperative sectoral approaches and sector-specific actions;
- (g) Approaches to enhance cost-effectiveness of mitigation action;
- (h) Economic and social consequences of response measures;
- (i) The catalytic role of the Convention;
- (j) Enhanced action on technology development and transfer to support action on mitigation;
- (k) Enhanced action on the provision of financial resources and investment to support action on mitigation and technology cooperation.

15. Parties reiterated the general agreement at previous sessions of the AWG-LCA that mitigation actions need to be enhanced globally and that developed countries are to take the lead, including by committing to new quantified emission limitation and reduction targets. Some Parties reiterated the importance of ensuring **comparability of efforts among developed countries** taking into account their capacities and national circumstances. In this regard, it was proposed that all developed country Parties should reduce their greenhouse gas (GHG) emissions by 30 per cent below 1990 levels by 2020.

16. With respect to responsibilities and the distribution of efforts there was a diversity of views. On one side, some Parties maintained that the concept of common but differentiated responsibilities implies differentiating, in terms of responsibility for undertaking mitigation actions, not only between Parties included in Annex I to the Convention (Annex I Parties) and Parties not included in Annex I to the Convention (non-Annex I Parties) but also within these groups. They noted that the nature of actions in, and support to, developing country Parties should be differentiated in accordance with those countries' national circumstances and capacity. Some Parties proposed that certain developing countries should undertake enhanced mitigation actions. It was argued in this regard that a wide array of policies and measures could be adopted to encourage a broadening of participation by all developing countries in an enhanced mitigation effort. According to this view, the LDCs and SIDS should not be tied by any commitments, and the focus should be on support to assist these countries in sustainable and environmentally friendly development. Some Parties proposed that the differentiation among developing country Parties could be made on the basis of certain criteria, including per capita gross domestic product (GDP), contribution to GHG emissions, emissions per capita, membership of the Organisation for Economic Co-operation and Development, and economic development. Some Parties argued that per capita GDP is not a good indicator of capabilities, especially for small island nations.

17. On the other side, several Parties maintained that based on the obligations under the UNFCCC, the text of the Bali Action Plan and historical responsibility, the differentiation of responsibility for undertaking mitigation actions should remain between developed and developing country Parties only. Any differentiation within these two groups would amount to an amendment to the Convention, which is not within the authority of the AWG-LCA. It was also stressed that developing country actions should be linked to the support provided to such actions and pointed to Article 4, paragraph 7, of the Convention. In this context, some Parties called for discussion under the AWG-LCA to focus on commitments and compliance by developed countries, including their commitment to support technology transfer and capacity-building in all developing countries. The need to recognize the voluntary effort by developing countries to reduce emissions was also highlighted by several Parties.

18. Regarding **nationally appropriate mitigation actions**, the debates showed that it will be important to discuss further issues such as the type of actions that can be undertaken by developed and developing countries, how the actions by developing countries could be supported, and how to measure, verify and report on actions and support, in order to take this debate forward.

19. Parties referred to the issue of **measuring, reporting and verification of mitigation actions and financial and technological support**, although they differed in their interpretation of this concept. Several Parties reiterated the view, expressed at the previous sessions of the AWG-LCA, that requirements for measuring, reporting and verification of mitigation actions and financial and technological support should depend on whether they are applied in a developed country or a developing country. Some Parties considered measuring, reporting and verifying to be a means to address the issue of comparability of efforts and responsibilities. Others expressed the need for a better system for measuring, reporting and verifying, which would help in establishing more accurate emission baselines and monitoring of actions and, in turn, enable more adequate financial flows to support mitigation action. The exchange of views showed that an in-depth discussion is needed on the meaning and application of the “measurable, reportable and verifiable” concept.

20. Parties also discussed some practical aspects of mitigation, in particular on cooperative sectoral approaches and sector-specific actions, and on policy approaches and positive incentives relating to reducing emissions from deforestation and forest degradation in developing countries. These discussions mainly took place within the two in-session workshops held in Accra.⁷

21. On the issue of **cooperative sectoral approaches and sector-specific actions**, presentations made by Parties at the workshop on this subject, held in Accra, Ghana, on 22 August 2008, helped to clarify and deepen understanding of what these terms means, as well as the role of such approaches and actions in enhancing action on mitigation and in promoting the effectiveness of mechanisms and tools for technology cooperation in specific sectors.⁸ Concrete ideas and proposals presented by some Parties included establishing support mechanisms, such as funds and research and development programmes for technology cooperation in specific sectors, and using market-based mechanisms, including those that involve crediting for emission reductions, to provide incentives for enhanced action on mitigation.

22. In the exchange of views both at the workshop and during the session, Parties stressed that the context for cooperative sectoral approaches and sector-specific actions should be Article 4, paragraph 1(c), of the Convention. They also discussed the nature and scope of these approaches and actions, and referred to principles for their implementation. Some Parties cited complexities, challenges and benefits associated with their development and implementation.

⁷ http://unfccc.int/meetings/ad_hoc_working_groups/lca/items/4488.php.

⁸ The report of the workshop is contained in annex I to this document.

23. Parties felt that cooperative sectoral approaches and sector-specific actions constitute one of several options to enhance national action on mitigation and noted that their application would be different for developed and developing country Parties.
24. Possible **areas of focus** that emerged during the discussions, include:
- (a) The nature and type of cooperative sectoral approaches and sector-specific actions;
 - (b) Effective support mechanisms, including for technology cooperation, involving technology, finance and capacity-building to enhance implementation of Article 4, paragraph 1(c), of the Convention;
 - (c) Possible contribution of sector-specific actions to nationally appropriate mitigation actions in a measurable, reportable and verifiable manner;
 - (d) Opportunities to engage the private sector and intergovernmental organizations in activities to enhance mitigation in specific sectors.
25. At the second workshop,⁹ held in Accra, Ghana, on 22 August 2008, the consideration of **policy approaches and positive incentives relating to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries** helped to deepen understanding of different aspects of subparagraph 1 (b) (iii) of the Bali Action Plan, as well as of the differences in the scope and the complementarity of work between the AWG-LCA and the Subsidiary Body for Scientific and Technological Advice on this issue.
26. Parties also presented several specific proposals to undertake mitigation actions relating to deforestation and forest degradation in developing countries, conservation, sustainable management of forests and enhancement of forest carbon stocks for developing countries. These proposals also provided options for financing such actions.
27. Possible **areas of focus** identified by Parties include:
- (a) Further discussions on how issues relating to reducing emissions from deforestation and forest degradation, conservation and enhancement of forest carbon stocks should be addressed when designing policy approaches and positive incentives for developing countries to take mitigation actions in the forest sector;
 - (b) Exploring the use of non-market financial resources and market-based mechanisms as policy approaches and positive incentives, including the assessment of the implications of the different options proposed;
 - (c) Assessing implications of different options to address issues relating to permanence, additionality and displacement of emissions.
28. Parties exchanged views on other practical aspects of mitigation, including issues relating to enhanced action on the provision of financial resources and investment to support action on mitigation and technology cooperation, the consequences of response measures, including the need for a review of current policies and measures and ways to access compliance with the minimization of the possible negative consequences, and approaches to enhance cost-effectiveness of nationally appropriate mitigation

⁹ The report of the workshop is contained in annex II.

actions, including the role of markets, sustainable development policies and measures, national low-carbon development plans, and incorporating sector-based energy efficiency.

C. Delivering on technology and financing, including consideration of institutional arrangements

29. The exchange of views on delivering on technology and financing, including consideration of institutional arrangements, focused on the question of how to enhance delivery of technology and finance for both mitigation and adaptation, including consideration of issues relating to generating resources and technologies to meet these needs, and the arrangements for the delivery of such means. Deliberations were structured around the various components of paragraph 1 (d) and (e) of the Bali Action Plan, with Parties elaborating on the proposals presented during the second session of the AWG-LCA¹⁰ and in the course of this third session.

30. In line with the discussions at the previous sessions of the AWG-LCA, Parties underlined that technology, finance and capacity-building are all critical means of implementation and that a coherent architecture should address them all.

31. Many Parties noted that **enhancing action on technology development and transfer** under the Convention remains a challenge. Market as well as institutional arrangements and constraints were identified as some of the problems.

32. The current intellectual property rights regime was mentioned by some Parties as a barrier to technology diffusion and transfer. Many felt that jointly planned research and development with patent sharing may help solve this particular issue. Some explored possibilities for compulsory licensing, similar to that in the pharmaceutical area.

33. While recognizing the role of the private sector, Parties noted that the public sector should provide an enabling regulatory framework to encourage the private sector to invest in the technologies needed or share them with developing countries.

34. The Philippines on behalf of the Group of 77 and China outlined a comprehensive proposal for a technology mechanism under the Convention that would address all aspects of cooperation on research, development, diffusion and transfer of technology, in accordance with Article 4, paragraphs 1(c), 3 and 5, and other relevant provisions of the Convention. The proposal calls for the establishment of an executive board on technology, as a subsidiary body of the Convention, to be supported by a strategic planning committee, technical panels, a verification group and the secretariat. The proposal also includes a multilateral climate technology fund to be operated under the guidance of the Conference of the Parties (COP). The executive board would be mandated to develop a technology action plan that supports all stages of the technology cycle. The proposal also identifies an indicative list of eligible activities that could be modified by the COP.

35. Ghana proposed the creation of an international framework agreement for technology development and transfer, including establishing a technology development and transfer board and a multilateral technology fund to be operated under the guidance of the COP. The proposal also includes a medium- and long-term vision for the entire technology cycle and capacity-building needs, and an incentive packages for added value and crediting.

36. France on behalf of the European Community and its member States proposed an enhanced technology cooperation framework with four components: institutional arrangements to support technology needs assessments, information sharing and public awareness, capacity-building, and measuring and monitoring actions by all Parties; enabling environments; technology agreements to guide

¹⁰ FCCC/AWGLCA/2008/11.

technology cooperation, including country deployment schemes, research and development and energy-efficient programmes; and financial mechanisms and tools that have markets and the private sector as main drivers.

37. Some Parties maintained that developing countries could adopt sustainable development policies and measures to contribute towards mitigation and adaptation and that incentives for this would need to be properly provided through international cooperation in technology and financing. Parties also stated that support for capacity-building is required to create enabling environments for absorbing technologies. Support for the full incremental cost for the commercialization of new and emerging technologies, joint technology development and the acquisition of low-emissions technology was also identified as being needed.

38. As part of their considerations on technology support, Parties also noted the relevance of the work by the Expert Group on Technology Transfer, which may provide an important contribution to the deliberations of the AWG-LCA.

39. On the other hand, the considerations on delivering financing addressed various elements of a financial framework, such as:

- (a) Sources of new and additional funding;
- (b) The criteria for raising financial resources;
- (c) Principles for governance and delivery mechanism;
- (d) Disbursement of funds.

40. The debate on **sources of new and additional funding** drew mainly on proposals submitted by the Philippines on behalf of the Group of 77 and China, the Republic of Korea, Mexico, Norway and Switzerland.

41. Parties emphasized that common principles governing the generation of resources – in particular, that resources must be adequate, predictable and sustainable – should be adhered to. Some Parties raised the issue of verifiable actions as precursors for enhanced financial support.

42. In their considerations, some Parties maintained that the main source of funding should be the public sector. A mandatory contribution by developed countries was identified as the main source; some discussed the level of such contribution as to be a certain percentage of the gross national product of Annex I Parties.

43. Some Parties proposed a levy on high-carbon-emitting activities and others a levy on carbon markets, as sources of funds. Others proposed auctioning a share of assigned amounts units. A levy of emission reductions credits linked to mitigation actions for generating financial resources for adaptation was also proposed.

44. Some Parties were of the view that non-State actors should be considered for contributing financial resources. Regarding the role of private sources of funding, some Parties were of the view that the financing available from public sources is not sufficient and that private resources will need to be a major source, especially for mitigation. Markets, including an expanded carbon market, are expected by many Parties to play a role in delivering financial resources for mitigation. Some Parties highlighted that international public finance support is required for countries where markets are not delivering the required resources. Some Parties noted that although markets are a powerful instrument, they must be balanced with the imperatives of sustainable development.

45. Some Parties also raised questions on how different proposals on the table would accommodate options, tools and mechanisms from both public and private sector to generate additional financial resources.

46. Regarding the **criteria for raising financial resources**, some Parties stressed that resources should be raised based on the principle of common but differentiated responsibilities and respective capabilities, and the “polluter pays” principle. Some Parties stated that the “polluter pays” principle should take into account full consideration of the specific responsibilities of countries under the Convention, as well as historical responsibility for GHG emissions. Additional criteria discussed for contribution were national capabilities and circumstances, emissions per capita, contribution to GHG emissions, population, and GDP.

47. On **principles** for the financial framework referred to in paragraph 39 above, Parties identified, inter alia, the principle of equity and common but differentiated responsibilities, direct access to funding by recipient countries, involvement of recipient Parties in all stages of identification, definition and implementation of actions, rendering it country-driven, and minimization of “fragmentation” of funds.

48. Some Parties suggested that the Paris Declaration on Aid Effectiveness and the Monterrey Consensus on Financing for Development provide a satisfactory set of principles to guide financing, whereas other Parties were of the view that they were not applicable in the context of the Convention.

49. Parties also discussed principles for the governance structure, such as the need for it to operate under the authority and guidance of, and be fully accountable to, the COP; to have an equitable and geographically balanced representation of all Parties within a transparent and efficient system of governance; a policy-making authority; the trustee; technical bodies; the secretariat; and windows for funds to address diverse objectives.

50. Some Parties indicated the need of a mechanism to coordinate financial resources for mitigation, adaptation and technology cooperation.

51. Consideration was given to links with other existing institutions and mechanisms that deliver finance, within and outside the Convention. Some Parties discussed the role of bilateral, regional and other multilateral channels to provide financial resources for the implementation of the Convention and argued that Article 11, paragraph 5, of the Convention provides a framework for implementation through those channels and that such provision of financial resources should be counted towards commitments. Others emphasized that actions by developing countries can only be measured, reported and verified if the support provided is under the guidance of the COP. Some Parties were of the view that voluntary contributions by non-Annex I Parties could also be a source.

52. Parties also discussed the criteria for **disbursement of funds**. Some Parties indicated activities for which the full incremental cost should be funded on grant basis, such as capacity-building, patents, adaptation, and preparation of national plans.

53. In the case of adaptation, some Parties stated that disbursement of adaptation funding should be based on criteria of vulnerability and associated risk, and technology and financial capacity to adaptation to climate change, with priority being given to the most vulnerable countries.

54. Some Parties stated that funds should be disbursed so that national and private sector funding is effectively utilized.

55. Others noted that mobilizing funds and promoting technologies are not the end goals of the Convention, but means to an end, which is the achievement of the ultimate objective of the Convention. They questioned how the various proposals would help to achieve this objective, how effective they would be in mobilizing investments from the private sector, and how new efforts under the Convention would relate to the substantial and growing level of activity outside the Convention.

Annex I

[ENGLISH ONLY]

**Report on the workshop on cooperative sectoral approaches and
sector-specific actions, in order to enhance implementation of
Article 4, paragraph 1 (c), of the Convention¹**

Summary by the chair of the workshop

I. Introduction

1. The Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) agreed its work programme for 2008² at its first session. The AWG-LCA also agreed that its work should be facilitated by workshops and other activities to clarify and deepen understanding of the elements contained in decision 1/CP.13 (the Bali Action Plan). The AWG-LCA, at the same session, requested the secretariat, under the guidance of the Chair in consultation with Parties, to organize a workshop at its third session on “Cooperative sectoral approaches and sector-specific actions, in order to enhance implementation of Article 4, paragraph 1(c), of the Convention”.³

2. This note by the Chair of the AWG-LCA, Mr. Luiz Alberto Figueiredo Machado, summarizes the presentations, exchange of views and discussions by Parties at the workshop. Background to the discussions in the workshop was provided by Parties’ submissions specific to this workshop and to the sessions of the AWG-LCA, and by the Chair’s summaries of views expressed at the first and second sessions.⁴

3. The workshop was chaired by the Chair of the AWG-LCA.

4. Presentations were delivered by the following eight Parties: Philippines on behalf of the Group of 77 and China; the European Community; India; Japan; Bangladesh speaking on behalf of the least developed countries; China; Indonesia; and the Republic of Korea. After the presentations, interventions were made by representatives of Australia, Qatar, Colombia, Saudi Arabia, the United States of America, Iceland, Switzerland, the Republic of Korea, the European Community, Norway, Japan, Philippines, China, New Zealand, Grenada on behalf of the Alliance of Small Island States, India, Brazil, Mexico, Argentina, Timor-Leste and Chile.

II. Summary of discussions

5. In their presentations and throughout the exchange of views, many Parties stressed that Article 4, paragraph 1(c), of the Convention provided the context for any discussions on cooperative sectoral approaches and sector-specific actions. Many Parties highlighted that such discussions should be aimed at enhancing the implementation of Article 4, paragraph 1(c), through technology cooperation focusing on the specific needs of specific sectors.

6. The importance of principles underlying the discussion and implementation of cooperative sectoral approaches and sector-specific actions was raised by some Parties. Such principles included: ensuring that these approaches contribute to the ultimate objective of the Convention and deliver real

¹ FCCC/AWGLCA/2008/CRP.4.

² FCCC/AWGLCA/2008/3.

³ FCCC/AWGLCA/2008/3, paragraph 26.

⁴ FCCC/AWGLCA/2008/6 and FCCC/AWGLCA/2008/11.

climate benefits; observing the principle of common but differentiated responsibilities; considering these approaches within the development context; taking into account national circumstances; ensuring compatibility with the global carbon market and existing or emerging regional emission trading schemes; and avoiding the application of international standards across countries.

7. Parties had an opportunity to clarify the nature and scope of potential cooperative sectoral approaches and sector-specific actions. Some Parties saw these approaches and actions as one of several options to enhance national action on mitigation. A distinction was drawn during the discussions between sectoral agreements and sectoral efforts, and between actions and approaches based on cooperation on the one hand and those that use market approaches on the other.

8. Some Parties noted that cooperative sectoral approaches and sector-specific actions would involve cooperation and action at the sector level, as opposed to action that is defined for the national level. It was generally agreed that these approaches and actions should not replace emission reduction targets of developed countries nor form the basis of proposals for sectoral mitigation commitments or international technology benchmarks. Some Parties noted that these approaches and actions should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Some Parties shared the view that these approaches and actions could be an important means to engage the private sector in enhanced action on mitigation.

9. Discussions on various aspects of the application of cooperative sectoral approaches and sector-specific actions helped Parties to better understand these approaches and actions. It was suggested that these approaches and actions could be used as offset mechanisms or be applied to enhance action on mitigation. In this context, some Parties noted that the application of sectoral approaches and the implementation of sector-specific actions would differ between developed and developing countries. As regards developed countries, Parties largely agreed that these approaches and actions could complement national emission reduction targets. Some Parties suggested that they could be used to ensure comparability of efforts between developed countries if information at the sector level was used to determine mitigation potentials.

10. As regards developing countries, several Parties noted that these approaches and actions should focus strictly on technology cooperation, addressing all stages of the technology cycle and all technologies that control, reduce or prevent greenhouse gas emissions. Other Parties noted the importance of these approaches and actions in providing opportunities for nationally appropriate mitigation actions by developing countries. In this context, many Parties indicated that the process of identifying and implementing sector-specific actions should be voluntary and country-driven. Further, for developing countries this process of identifying and implementing sector-specific actions should be flexible and determined by their national capabilities and development goals.

11. Ideas for cooperative sectoral approaches and sector-specific actions were provided by some Parties. These included: programmes for research and development of sector-specific technologies; funds and other mechanisms to support compulsory licensing, the payment of royalties, the setting of sector-specific norms or non-binding energy efficiency programmes, and the development of policy instruments, strategies, guidance and programmes for specific sectors; and cooperation in the sharing of best available technologies and practices. Many Parties emphasized that implementation of cooperative sectoral approaches and sector-specific actions in developing countries depends on the availability of financial resources, technology and capacities.

12. Another aspect of applying these approaches and actions that was raised by some Parties was the identification of specific sectors, in particular those that are an important source of greenhouse gas emissions, such as the energy and transport sectors and the cement, iron and steel, and aluminium industries. Similar discussions focused on the level at which these approaches and actions would apply.

Several Parties suggested focusing on approaches and actions that are defined and applied domestically. A few Parties suggested that these approaches and actions could apply at the global level for those sectors whose emissions are difficult to attribute to a specific country; the example of emissions from international aviation and marine bunker fuels was given in this regard. It was also noted that mechanisms established at the international level may limit the flexibility of Parties in focusing action at the national level on the most relevant sectors.

13. Several Parties referred to challenges and complexities associated with the implementation of sectoral approaches and sector-specific actions. Most of these challenges relate to national economic, social and political circumstances. Some of the challenges cited by these Parties included the costs and social implications of sectoral restructuring and diffusion of advanced environmentally sound technologies; a lack of qualified human resources; weak infrastructure for policy enforcement; the diversity of sectors and industries as well as of factors that determine emissions (or reduce them); a lack of homogeneity of technologies, processes and other factors preventing the setting of norms; and inhibited technological innovation resulting from closely held intellectual property rights.

14. Specific proposals for cooperative sectoral approaches and sector-specific actions presented at the workshop included crediting mechanisms involving sectoral crediting and no-lose targets; the identification of sector-specific actions based on the analysis of emission reduction potentials and indicators; and the setting of a target for emissions from international shipping. Suggestions to use indicators such as energy and carbon intensity and activity levels were also presented at the workshop.

III. Possible areas of focus

15. The workshop provided a good opportunity for Parties to present and discuss ideas relating to cooperative sectoral approaches and sector-specific actions in order to enhance implementation of Article 4, paragraph 1(c), of the Convention, as well as ideas on the effectiveness of mechanisms and tools for technology cooperation in specific sectors. Several areas of interest and convergence emerged during the discussions, which could be further considered by Parties. They include:

- (a) The nature and type of cooperative sectoral approaches and sector-specific actions;
- (b) Effective support mechanisms, including for technology cooperation, involving technology, finance and capacity-building to enhance implementation of Article 4, paragraph 1(c), of the Convention;
- (c) Possible contribution of sector-specific actions to nationally appropriate mitigation actions in a measurable, reportable and verifiable manner;
- (d) Opportunities to engage the private sector and intergovernmental organizations in activities to enhance mitigation in specific sectors.

Annex II

[ENGLISH ONLY]

Report of the workshop on policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries¹

Summary by the chair of the workshop

I. Introduction

1. The Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) agreed its work programme for 2008 at its first session. The AWG-LCA also agreed that its work should be facilitated by workshops and other activities to clarify and deepen understanding of the elements contained in decision 1/CP.13 (the Bali Action Plan). The AWG-LCA, at the same session, requested the secretariat, under the guidance of the Chair in consultation with Parties, to organize a workshop at its third session on “Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”.²
2. This note by the Chair of the AWG-LCA, Mr. Luiz Alberto Figueiredo Machado, summarizes the presentations, exchange of views and discussions by Parties at the workshop. Background to the discussions in the workshop was provided by submissions from Parties and observers specific to this workshop.
3. The workshop was held in Accra, Ghana, on 22 August 2008, during the third session of the AWG-LCA, and was chaired by the Chair of the AWG-LCA.
4. After the opening statement by the Chair of the AWG-LCA, the Chair of the Subsidiary Body for Scientific and Technological Advice reported on progress made in related ongoing work under the Convention on outstanding methodological issues.
5. Presentations were delivered by the following 12 Parties: China, Brazil, the European Community, Ghana, India, Indonesia, Mexico, New Zealand, Norway, Papua New Guinea, Tuvalu and the Bolivarian Republic of Venezuela. After the presentations, interventions were made by representatives of Australia, Malaysia and the United States of America. The workshop was open to all Parties and observers. At the end of the workshop, the following two observers were invited to provide their statements: Climate Action Network International and the Indigenous Peoples Forum on Climate Change of the International Alliance of Indigenous-Tribal Peoples of the Tropical Forests.
6. The presentations were followed by a general exchange of views in which Parties had the opportunity to clarify the ideas presented.

¹ FCCC/AWGLCA/2008/CRP.5.

² FCCC/AWGLCA/2008/3, paragraph 26.

II. Summary of discussions

7. There was a common understanding that the current knowledge of methodological issues was sufficient to initiate discussions on policy approaches and positive incentives. Robust methodologies are important to ensure that emission reductions are real, measurable, reportable and verifiable.

1. Mitigation activities and policy approaches

8. All Parties agreed that, when planning mitigation actions in the forest sector in developing countries, it is important to address reducing emissions from deforestation and forest degradation, conservation, sustainable management of forests and enhancement of forest carbon stocks, as reflected in paragraph 1 (b) (iii) of the Bali Action Plan. Although some Parties stressed the need to focus on issues related to reducing emissions from deforestation and forest degradation in the short term, others emphasized that all aspects should be considered of equal importance. Some Parties expressed the need to link this work with the guidance on measurable, reportable and verifiable actions provided in paragraph 1 (b) of the Bali Action Plan.

9. Parties stated the importance of adopting fair and cost-effective means to reduce emissions from deforestation and forest degradation in developing countries, while ensuring environmental integrity. The view was broadly held that in order for mitigation actions to be effective, participation of stakeholders, local communities and indigenous peoples should be secured.

10. Parties highlighted the importance of mitigation actions from the forest sector in stabilizing global greenhouse gas concentrations. However, some Parties opposed the use of forestry mitigation activities in developing countries to meet emission reduction commitments of industrialized countries. In this context, some Parties considered that the mitigation efforts by developing countries in the forest sector should be additional to the overall mitigation efforts by developed countries, in order to attain the stabilization of greenhouse gas concentrations in the atmosphere.

11. Most Parties mentioned the need for flexible, practical, balanced and comprehensive policy approaches. In addition, to ensure the effectiveness of approaches, participation in any future mechanism should be voluntary and encourage wide participation, taking into account national circumstances and existing policies and initiatives.

12. A specific proposal was presented by one Party for three categories of activities that would comprise a “readiness” phase to allow Parties to prepare for any future mechanism activities; a “scaling up” phase to allow Parties to begin and expand implementation of activities; and a “future regime” phase that would integrate the actions taken as fully fungible measurable, reportable and verifiable market activities. The proposal indicated that policy approaches should take into account national circumstances and include actions on conservation, sustainable management of forests and enhancement of carbon stocks.

13. One Party suggested that multiple benefits such as payment for environmental services be integrated into policies. It was suggested that this could be possible if implementation were integrated into comprehensive strategies of national sustainable development in developing countries.

2. Positive incentives and/or financing options

14. Parties expressed the view that regardless of the type of positive incentive, any financial mechanism should be effective, sustainable and predictable. They stated that incentives in the form of

resource provision and resource mobilization are necessary elements of positive incentives to stimulate action.

15. Views were expressed by Parties on the nature of positive incentives. Some Parties stated that positive incentives should be performance-based, and be supported by diversified funding sources including approaches linked to the carbon market. In this regard, a view was also expressed that the focus should be on monetizing the external global benefits of forest retention to the climate system, when the socially optimal area of forest retention is significantly increased.

16. It was noted that there could be several potential means to finance the mitigation activities discussed. They can be broadly grouped into two main categories: non-market-based financial resources and market-based mechanisms. Many Parties recognized the need for a combination of the two approaches to ensure sustainability of the actions to be undertaken; other Parties suggested that only non-market-based approaches should be used. Some Parties noted that the market-based approach had the potential benefit of involving the private sector in forestry mitigation activities. Regardless of the approach, funding would be required for capacity-building, technology transfer, strengthening governance and enforcement, relevant economic development programmes and demonstration activities.

17. With regard to financing options, a few Parties provided proposals. One Party proposed an international fund based on non-offset market arrangements. The proposed fund could be financed through a levy on international aviation and maritime transport, auctioning allowances under a self-contained cap and trade regime for international transport, a pledged percentage of auctioned national emissions trading allowances or a percentage of assigned amount units auctioned on the international market. Other examples of levies were also highlighted (e.g. a levy on logging and the timber production industry).

18. Another Party proposed a comprehensive approach that would incentivize equally reductions in emissions from deforestation and forest degradation, conservation, and enhancement of carbon stocks equally. It also proposed the following two approaches: a market-based approach for actions leading to change in carbon stocks with provisions to avoid the possibility of flooding the carbon market; and a non-market-based approach for maintenance of baseline stocks that could be funded through a levy on reducing emissions from deforestation and the forest degradation market.

19. In addition, one Party expressed the view that market approaches for reducing emissions could be more appropriately discussed in the context of the second review of the Kyoto Protocol pursuant to its Article 9.

3. Reference emission levels

20. It was mentioned by many Parties that incentives should be based on national reference emission levels, which should be revised periodically and take into account national circumstances. It was proposed by a Party that reference emission levels should be based not only on historical data but also take into account emission trends.

21. Another aspect mentioned by a Party was that perverse incentives should be avoided, particularly in the determination of baselines to estimate deforestation rates. The Party proposed that a development adjustment factor be applied to countries with low deforestation rates.

4. National and subnational approaches

22. Parties expressed the view that national approaches should be aimed for, whereas some recognized that subnational approaches could be a step towards these national approaches in order to

address specific national conditions. One Party suggested that although the focus should be on national approaches, transitional solutions that address issues of leakage and risk of non-permanence could be allowed.

5. Capacity-building and other means of support

23. There was a general understanding of the need for immediate support for capacity-building at the individual, institutional and systemic level in developing countries. This includes the need for promotion of both North–South and South–South technology transfer and technical cooperation.

24. Several Parties indicated the need for relevant international organizations, donors and recipient countries to combine efforts, avoid duplication in their work, ensure consistency and enhance cooperation among themselves in order to support efforts by developing countries.

6. Early actions and demonstration activities

25. Parties also expressed views on the significance of early actions and demonstration activities. Some Parties highlighted the need for policy discussions to take into account experiences and lessons learned from ongoing activities, earlier efforts and demonstration activities. Some Parties presented examples of ongoing activities in their countries related to reducing emissions from deforestation from which some lessons could be learned. Some Parties stated that early actions undertaken by developing countries in this area should be recognized and rewarded in any future financial mechanism.

26. Some Parties stressed the need for better understanding of the implications of approaches and actions, referred to in chapter II, in the context of economic development in developing countries, impacts on other productive sectors and climate change benefits.

III. Possible areas of focus

27. According to many participants, the workshop provided a good opportunity for Parties to present and discuss ideas relating to policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. Presentations and interventions by Parties reflected areas of convergence as well as differences in views.

28. Several areas of interest emerged in the discussions. These could be further considered by Parties to advance the work and, when necessary, to identify and clearly define possible options for policy approaches and positive incentives. They include:

- (a) Further discussions on how issues related to reducing emissions from deforestation and forest degradation, conservation and enhancement of forest carbon stocks should be addressed when designing policy approaches and positive incentives for developing countries to take mitigation actions in the forest sector;
- (b) Exploring the use of non-market financial resources and market-based mechanisms as policy approaches and positive incentives, including the assessment of the implications of the different options proposed;
- (c) Assessing implications of different options to address issues related to permanence, additionality and displacement of emissions.
