



## Framework Convention on Climate Change

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### Subsidiary Body for Scientific and Technological Advice

Thirty-fifth session

Durban, 28 November to 3 December 2011

Item 7 of the provisional agenda

### Subsidiary Body for Implementation

Thirty-fifth session

Durban, 28 November to 3 December 2011

Item 10 of the provisional agenda

**Forum on the impact of the implementation of response measures at the thirty-fourth and thirty-fifth sessions of the subsidiary bodies, with the objective of developing a work programme under the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to address these impacts, with a view to adopting, at the seventeenth session of the Conference of the Parties, modalities for the operationalization of the work programme and a possible forum on response measures<sup>1</sup>**

## **Report on the special event held in the context of the forum on the impact of the implementation of response measures at the thirty-fourth sessions of the subsidiary bodies**

**Note by the secretariat**

### *Summary*

This document provides a summary of the special event in the context of the forum on the impact of the implementation of response measures convened by the Chairs of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation at the thirty-fourth sessions of the subsidiary bodies. The event was held on 13 June 2011 in Bonn, Germany. The report outlines the objective of the event, the proceedings and the main issues raised. At the event, participants shared their views on various aspects of the impact of the implementation of response measures, and on possible elements for a work programme and a possible forum on response measures. This was followed by a discussion among Parties, observer organizations and experts.

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<sup>1</sup> Decision 1/CP.16, paragraph 93.

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## **I. Introduction**

### **A. Mandate**

1. By its decision 1/CP.16, the Conference of the Parties (COP) decided that Parties should cooperate fully to enhance understanding of the economic and social consequences of response measures, taking into account the need for information from those affected, and evidence of actual impacts and of both positive and negative effects. The COP further decided to consider how existing channels, such as national communications, including the possible submission of supplementary information, as considered by the Subsidiary Body for Implementation (SBI), could be improved and built upon.

2. The COP also decided to provide a forum on the impact of the implementation of response measures, and to that end requested the Chairs of the SBI and the Subsidiary Body for Scientific and Technological Advice (SBSTA) to convene such a forum at the thirty-fourth and thirty-fifth sessions of these bodies, with the objective of developing a work programme under the subsidiary bodies to address this impact, with a view to adopting, at the seventeenth session of the COP, modalities for the operationalization of the work programme and a possible forum on response measures.

3. The SBSTA and the SBI, at their thirty-fourth sessions, welcomed the special event in the context of the forum on the impact of the implementation of response measures held during these sessions, which was organized by the Chairs of the SBSTA and the SBI. The SBSTA and the SBI requested the secretariat,<sup>2</sup> under the guidance of the Chairs of the SBSTA and the SBI, to prepare a report on this special event and make it available at the thirty-fifth sessions of the SBSTA and the SBI.

### **B. Scope of the note**

4. This report outlines the objective of the special event in the context of the joint SBI/SBSTA forum, the proceedings and the main issues raised.

5. The objective of the special event was to provide an opportunity for Parties to listen to, consider and discuss presentations made by Parties, observer organizations and experts, in order to deepen the understanding of issues relating to the economic and social consequences of response measures among Parties.

6. This report summarizes the main lines of discussion, without intending to be exhaustive regarding issues raised and without any attempt to attribute or interpret any statements made. Issues have been clustered in such a manner as to facilitate the comprehension of the text, without, however, intending to pre-empt any ensuing and related discussions and/or decisions.

## **II. Proceedings of the special event**

7. The special event was held on 13 June 2011 at the Maritim Hotel, Bonn, Germany.

8. The event was jointly chaired by Mr. Robert Owen-Jones (Chair of the SBI) and Mr. Mama Konaté (Chair of the SBSTA), and co-facilitated by Ms. Anastasia Theodorou (Hungary) and Mr. Eduardo Calvo Buendia (Peru), and was attended by some 120

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<sup>2</sup> FCCC/SBSTA/2011/2, paragraph 61, and FCCC/SBI/2011/7, paragraph 129.

representatives from some 50 Parties and 12 observer organizations. Annex I contains the agenda for the event.

9. Three regional groups and five Parties,<sup>3</sup> the Organization of the Petroleum Exporting Countries and six observer organizations<sup>4</sup> made presentations.<sup>5</sup> A question and answer session followed. But, owing to time constraints, the planned question and answer session following the presentations of observer organizations did not take place. A statement was made by one group, the contents of which are reflected in the summary of discussions.

10. All Parties had the opportunity to participate from the floor during the special event. Participants, in particular those making presentations or specific interventions, were invited to consider suggested questions contained in the information note by the Chairs of the SBSTA and the SBI (see annex II).

### **III. Summary of key issues raised**

11. This section provides a summary of the main points of the discussions during the special event, namely on areas of concern raised and projected and experienced impacts; on information, assessment and support needs; on methodologies and tools; and on possible elements for a work programme to address the impact of the implementation of response measures and a possible forum on response measures.

#### **A. Issues contained in Parties' presentations and raised during discussions**

12. In their introductory remarks, some Parties stressed, inter alia, that:

(a) Addressing the impact of the implementation of response measures (hereinafter referred to as response measures) is important for all Parties not included in Annex I to the Convention (non-Annex I Parties), full consideration should be given to what action is necessary to meet the specific needs and concerns of these Parties and related provisions and principles should be respected;

(b) Adverse effects have been recognized in technical reports (e.g. in the Third Assessment Report of the Intergovernmental Panel on Climate Change) and have been addressed from different perspectives in the past, including by Articles of the Convention (e.g. Article 3, paragraph 2, and Article 4, paragraphs 8–10) and of the Kyoto Protocol (e.g. Article 2, paragraph 3, and Article 3, paragraph 14);

(c) There is a lack of progress in the implementation of decision 3/CP.3 (1997), decision 5/CP.7 (2001) and decision 1/CP.10 (2004).

(d) Related commitments are being implemented and corresponding legislation addresses response measures for policy initiatives (e.g. through assessments, stakeholder consultations and the objective to maximize positive and minimize negative effects);

(e) Response measures need to be addressed at the root, including by considering a broad range of sectors and by taking both positive and negative effects into account;

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<sup>3</sup> The Alliance of Small Island States, the European Union and its member States, the Group of 77 and China, India, Kuwait, Qatar, Saudi Arabia and the Bolivarian Republic of Venezuela.

<sup>4</sup> Cambridge Econometrics, the International Maritime Organization, the South Centre, the International Labour Organization, the World Health Organization and the International Centre for Trade and Sustainable Development.

<sup>5</sup> Available at <<http://unfccc.int/6009.php>>.

(f) The predictability of impacts needs to be improved, for example with the help of increased visibility of mitigation objectives, more information on the impacts experienced by non-Annex I Parties and an enhanced understanding of response measures.

13. Areas of concern and impacts raised by some Parties are summarized in paragraphs 14–17 below.

*Specific contexts of Parties*

14. Some Parties made reference to the remoteness and/or limited size of their countries, making transportation essential to their livelihoods and economies. Other Parties highlighted vulnerabilities relating to the dependence on single commodity, fossil fuel related activities and/or energy-intensive products and services. These Parties also mentioned domestic challenges such as poverty, unemployment and inflation as well as the need to consider options appropriate to nationally defined development priorities. Some Parties also mentioned constraints on and/or limited options for economic diversification, for example the difficulty of switching to alternative energy sources.

*Economic aspects*

15. Some Parties referred to an additional burden relating to response measures, for example increased costs and risks relating to loss of revenue, exports and shifting production. Other Parties highlighted impacts on economic sectors such as agriculture, with its related subsidies, taxation and ecolabelling, for example in the area of flower exports. Other sectors mentioned included the fossil fuel industry, where new standards for vehicles are reported to result in the disposal of old vehicles in non-Annex I Parties, increasing emissions and negatively affecting local manufacturers. Further examples included higher fuel prices having an impact on transportation to outer island communities, access to fishing, agricultural products, exports and imports. The tourism sector was also referred to, for example in relation to the European Union directive on aviation, reported to result in increased airfares, affecting growth opportunities for national carriers and tourism, air passenger duty and cruise ship travel. Some Parties raised aspects relating to unilateral trade measures, such as the compatibility of provisions and rules, restriction of market access, disruption to production, supply and export chains, and the distortive effect on international trade. Risks of ‘tit for tat’ trade restrictions, and World Trade Organization (WTO) legal retaliation, including matters referred to the WTO dispute settlement mechanism, were also stressed.

*Social aspects*

16. Some Parties mentioned adverse impacts on social development and poverty eradication, referring to social vulnerabilities and spillover costs, such as those relating to migration, disease, loss of livelihoods and food security for import-dependant States, and higher food prices linked to biofuels. Other Parties referred to issues relating to demographics, such as the rapid growth of a young population. Some Parties also mentioned the role of trade in wealth creation and human well-being.

*Environmental aspects*

17. Some Parties highlighted sustainable development challenges, such as in the context of the United Nations Millennium Development Goals, and the vulnerability of ecosystems. Other Parties stressed unilateral trade measures, for example those relating to eco-trade barriers.

18. Information, assessment and support needs expressed by some Parties included:

(a) Information on the magnitude of the problem, for planning purposes and for deciding what actions are required to minimize potential impacts, by exchanging

experiences and best practices, in order to increase the understanding of actual and potential impacts on both the qualitative and the quantitative level;

(b) Assessment of vulnerabilities and impacts, both positive and negative, for implemented and planned projects on health, income, employment, gender, migration, affected economic sectors, trade, and methodologies and tools, including 'cleaner' fossil fuel technologies;

(c) Support related to access to reliable data, technology transfer and capacity-building in areas such as institutional and modelling capabilities, technology development, economic resilience, capacity-building financing and political will.

19. Parties, when discussing methodologies and tools, suggested, for example, examining the greater use and promotion of alternative sources of energy and considering energy efficiency measures and energy tax restructuring. Some Parties suggested integrating the issue of economic diversification into sustainable development strategies and promoting direct foreign investment in this regard. Other Parties suggested employing technologies with the least negative spillover effects on their economies, such as carbon dioxide capture and storage. Some Parties suggested pilot schemes for the promotion of alternative lifestyles and values, novel cooperation schemes, the development of corresponding policies at the national and international levels, and related education on a large scale. Other Parties suggested enhancing methodologies for reporting, building on national communications and enhancing existing channels. Some Parties suggested examining the role of trade in environmental improvement, including environmentally sound technologies, taking related issues into account when designing policies and measures. Some Parties suggested promoting public-private partnerships and taking advantage of stakeholder involvement by encouraging them, for example, to provide updates on their work and to carry out studies and produce technical papers. Discussions also touched on areas such as impact assessments, modelling, insurance, financial risk management and capacity-building.

20. Concerning possible elements of a work programme, some Parties suggested that the work programme be guided by UNFCCC provisions and principles relating to response measures and that it should operationalize, for example, provisions as contained in Article 4, paragraphs 8–10, of the Convention. Some Parties suggested that it be guided by paragraph 92 of decision 1/CP.16, making reference to existing channels. These Parties went on to suggest that the work programme should consider how existing channels could be improved and built upon and how it could bring these together in one central place to avoid duplication of existing work. Some Parties suggested that financial assistance should be leveraged from existing institutions. With regard to a possible focus, some Parties suggested that the focus should be on small island developing States and the least developed countries, while other Parties suggested that it should be on the poorest and most vulnerable countries. Parties also suggested that observers, such as the International Maritime Organization and the International Civil Aviation Organization, should actively participate, for example by providing updates on their work.

21. Further issues raised and activities for the work programme suggested by Parties are summarized in paragraphs 22–24 below.

#### *Information*

22. Some Parties suggested sharing experiences and opportunities in relation to the development and dissemination of measures, methodologies and tools aimed at increasing economic resilience. Other Parties suggested generating information on the magnitude of the problem for planning purposes and for deciding what actions are required to minimize impacts. Some Parties suggested enhancing information and tools relating to reporting, such as on common matrices and updated guidelines and requirements.

#### *Assessment*

23. Some Parties suggested assessing policies, for example regarding selection criteria, choices and assumptions made, tools used and costs encountered. These Parties further suggested assessing the impacts of implemented and planned response measures on economies, across sectors and at the economic, social and developmental levels, examining revenue loss, costs of imports, living costs and standards, unemployment and related vulnerabilities. These Parties went on to suggest assessing options for reducing these impacts, for example by identifying economic areas at risk, such as tourism, air travel, cruise shipping, water, infrastructure, agriculture and fisheries, and by assessing technologies and efficiency measures to strengthen resilience and/or foster economic diversification. Other Parties suggested exploring potential positive impacts with a view to maximizing them for sustainable development and economic diversification. Discussions also touched on qualitative and quantitative analysis, economic modelling, reporting, review and compliance, unilateral trade measures and capacity-building.

#### *Capacity-building*

24. Some Parties highlighted the need to enhance capacity to improve the understanding of adverse effects, to address related concerns and to identify and implement activities to minimize related impacts. These Parties suggested considering areas relating to the exchange of experiences and best practices, human and institutional development, reporting, modelling, risk management, insurance, transfer of technology, resilience-building, economic diversification and funding. They went on to suggest that capacity could be built, for example, with the help of workshops, expert meetings, studies and technical papers, taking into account regional and subregional perspectives, and by providing training on related issues. Some Parties suggested building resilience to adverse effects through cooperation and bilateral and/or multilateral dialogue in the above-mentioned areas.

25. Concerning elements of a possible forum, Parties presented various perspectives. Some Parties suggested that the need for a forum remains to be discussed. Some Parties suggested that a forum would add value as a central and unique space for related discussion, bringing together existing discussions and work streams, and by enhancing substantive discussions. Other Parties suggested that the forum should be permanent, because of the importance and diversity of adverse effects on their countries and in order to provide an ongoing process for dialogue to discuss current and emerging issues. Parties went on to say that it could be a platform for direct exchange of views to promote understanding of the nature and magnitude of response measures and to identify solutions to address impacts and agree on how to implement these solutions. Other Parties suggested establishing a dedicated forum and dialogue on trade issues, making climate change and trade issues mutually supportive.

26. Parties further suggested that the forum be tasked to carry out the work programme, review progress on its implementation, follow up and provide updates. Parties also suggested that it should be open to Parties, observers and experts, with observers actively participating by contributing their expertise. Parties went on to suggest that the forum would meet two to four times a year, in conjunction with the subsidiary bodies, receiving updates from observers, with related sessional and intersessional activities such as workshops, and reporting to the COP on activities and progress, and providing recommendations on future work.

27. Some of the functions for the possible forum suggested by some Parties are summarized in paragraphs 28–30 below.

*Information, discussion and recommendations*

28. Some Parties suggested that the forum could provide a platform for sharing information on related issues, including information contained in national communications, and facilitate discussions on current and emerging issues and their consequences. Some Parties suggested that the forum may identify ways and means to minimize negative consequences and provide information on activities and progress and recommendations on future work to the COP.

*Assistance to non-Annex I Parties*

29. Some Parties suggested that the forum could assist non-Annex I Parties by making technical information and expertise accessible, by identifying and addressing related issues and by facilitating technical collaboration among Parties and experts. These Parties went on to suggest that the forum could assist in providing support to build the capacity and resilience of societies and economies, and to develop tools such as risk sharing and management mechanisms. Other Parties suggested that further assistance may be provided, including in relation to investment in and the scaling up of promising technology-driven solutions.

*Assessments*

30. Some Parties suggested that the forum could undertake assessments on relevant issues, including on, but not restricted to, social, environmental and economic security, employment, income, health, gender and migration.

## **B. Issues contained in presentations made by observer organizations**

31. Observer organizations provided information on and expertise in areas such as modelling, shipping, economic diversification, the just transition of the workforce, the creation of decent work and quality jobs, and health- and trade-related issues, as summarized in paragraphs 32–37 below. Some presenters emphasized the need to take bold mitigation action and some highlighted important co-benefits of response measures. All presenters offered possible methodologies and tools for responding to concerns and impacts.

*Modelling*

32. The presenter reported on the web portal on modelling,<sup>6</sup> containing a database of models that can be used to assess response measures in four broad areas: technological options, taxes and subsidies, energy efficiency and economic diversification, including a directory of models and modelling organizations. The information provided allows non-technical users to compare models and modelling approaches and to find the model best

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<sup>6</sup> <[www.unfccc.int/5112.php](http://www.unfccc.int/5112.php)>.



suited for the required analysis. The web portal also provides links to other resources, such as the impact assessment tools database, set up by the European Commission's Joint Research Centre and the Energy Modeling Forum run through Stanford University.

#### *Economic diversification*

33. As possible means of dealing with concerns and impacts in the area of economic diversification, the presenter referred to: measures to reduce dependency on fossil fuels, for example by decreasing subsidies and the use of fossil fuels; a subsidies regime for climate-sound products and technologies, for example by assisting non-Annex I Parties in developing such subsidies; standards and labelling, for example by assisting non-Annex I Parties in upgrading standards; and diversification measures, including financing schemes, diversification strategies, regulation of commodity markets and price stabilization schemes. Further suggested means included linking up with financing schemes within and outside of the UNFCCC process, such as aid for trade or finance for development. It was further suggested that international regimes such as those relating to trade, finance and technology could be reviewed in order to make them supportive of efforts to assist developing countries to diversify and meet challenges.

#### *Shipping*

34. The presenter projected a minor average global increase in freight costs and impacts on consumers and on non-Annex I Parties, and suggested that, when assessing impacts, these should not be treated as a collective bloc, as differences would need to be taken into consideration regarding, for example, the distance to trading partners and the number of small exporters. He reported on the work of an expert group which developed a methodology to assess impacts on end-consumers and industry, and is undertaking a study on the impacts of market-based measures. Reference was also made to a modelling and scientific database on the abatement potential and costs of emission reductions across various scenarios. Capacity-building for technical and operational measures, for example on updating, implementing and enforcing regulations, new technologies and energy-efficient ship operations, was also mentioned.

#### *Just transitions*

35. The presenter highlighted that badly managed transitions might lead to prolonged unemployment, continuous wage cuts and income inequality, with 38 per cent of all workers employed in carbon-intensive sectors being on average relatively low skilled, and 1.5 billion people working in vulnerable jobs (over 200 million people are currently unemployed in the world). He suggested reducing inequalities and promoting job creation with the help of a well-designed labour market and social policies, skill adaptation and upgrading of policies with early identification of required skills. Further information was provided on case studies, including on a social dialogue in Bangladesh, national stakeholder meetings in Nepal, the Multistakeholder Taskforce on Green Jobs and Climate Change in India, and a social dialogue on the Kyoto Protocol in Spain. Further suggested measures included job-friendly green taxes and green subsidies, and the presenter gave, as an example of how to create green jobs while tackling climate change, the actions taken by the Green Jobs Programme of the International Labour Organization, a worldwide programme to consolidate sustainability with the world of work. Reference was also made to research on and analysis of policies that work, impact modelling and economic diversification programmes.

*Health*

36. The presenter stressed that poorly designed climate mitigation policies can potentially pose significant risks to socio-economic development, health and welfare, for example via food prices and food security, and that the management of health risks and achievement of health co-benefits are currently not considered in the implementation mechanisms for international support for mitigation. He suggested well-designed mitigation measures bringing large, often immediate, health co-benefits, repaying much of the cost of mitigation actions. Suggested means also included the management of health risks and achievement of health co-benefits, which could be assessed and quantified in a results-based approach in the context of commitments referred to in Article 4, paragraph 1(f), of the Convention. Further information was provided on opportunities to reduce existing health burdens through well-planned mitigation measures across sectors, and technical and capacity-building support.

*Trade*

37. The presenter explained that response measures may pose risks to economies and contribute to increased trade disputes, including impacts on social and economic development, for example in the form of border carbon-adjustment measures, free allowances in emissions trading schemes, standards and labelling, subsidies for energy and agriculture, and taxes on maritime and aviation transport. She further highlighted that distortions to or restrictions on trade may hamper the contribution of trade to sustainable development. She suggested a solutions-based discussion and dialogue between Parties and stakeholders, cooperation on tailored financial and technological support, and a database or clearing house to enable a process for compiling, structuring and making available current research and information on current impacts. She further suggested a pool of expertise made up of institutional databases, and an expert advisory group on trade and climate change.

#### **IV. Outcome of the special event**

38. The special event was widely acknowledged and appreciated in that, for the first time, it brought together Parties, organizations and experts to discuss response measures and enabled participants to discuss these in an open and interactive manner. The main outcome of the event was the recognition of the need to further discuss related issues in order to enhance understanding and improve capacity to make informed decisions on the matter.

## Annex I

### **Joint Subsidiary Body for Implementation/Subsidiary Body for Scientific and Technological Advice forum on the impact of the implementation of response measures**

#### **Agenda for the special event<sup>1</sup>**

**Monday, 13 June 2011, Maritim Hotel, Bonn, 11:30–14:00,<sup>2</sup> Salon Schumann**

**11.30–11.40 Welcoming remarks and introduction by the Chairs of the Subsidiary Bodies**

**11.40–12.30 Presentations from Groups/Parties (each 5 minutes):**

- **AOSIS**
- **EU**
- **G-77 & China**
- **OPEC**
- **India**
- **Kuwait**
- **Qatar**
- **Saudi Arabia**
- **Venezuela**

**12.30–12.45 Q&A**

**12.45–13.15 Technical presentations from IGOs/NGOs (each 5 minutes):**

*Modeling, analytical and methodological tools*

- **Energy Modeling Cambridge Econometrics**
- **International Maritime Organization**

*Economic diversification*

- **The South Centre**

*Just transition of the workforce and economies*

- **International Labour Organization**

*Health- and trade related issue*

- **World Health Organization**
- **International Centre for Trade and Sustainable Development**

**13.15–13.45 Q&A**

**13.45–14.00 Summary and final remarks by the Chairs of the Subsidiary Bodies**

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<sup>1</sup> In the context of the joint Subsidiary Body for Implementation/Subsidiary Body for Scientific and Technological Advice forum on the impact of the implementation of response measures.

<sup>2</sup> In response to requests from Parties, an additional time slot was agreed upon (16.30–18.00).

## Annex II

### **Joint Subsidiary Body for Implementation/Subsidiary Body for Scientific and Technological Advice forum on the impact of the implementation of response measures to be held at the thirty-fourth sessions of the subsidiary bodies**

#### **Information note by the Chairs of the subsidiary bodies (extract)**

#### **Suggested questions for discussion**

12. With respect to the content of and modalities for the work programme to address the impact of the implementation of response measures:

- (a) What should the objective and scope of the work programme be?
- (b) How should the work programme be structured? What activities and milestones should it generate?
- (c) How should the work programme be managed (i.e. including how stakeholder engagement should be addressed)?
- (d) When should the work programme be reviewed? When should possible further activities be discussed?
- (e) What links to the existing processes (e.g. national communications, a possible forum) should be established and examined?

13. With respect to the content of and modalities for a possible forum on response measures:

- (a) What could the role, form, scope and functions of a possible forum be? How should it relate to the work programme?
  - (b) How should a possible forum be organized, including its duration and participation?
  - (c) What relationship should exist with the COP and/or the subsidiary bodies, including reporting?
  - (d) How should a possible forum build on existing channels or institutions, and link to relevant existing expert groups?
-