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**AD HOC WORKING GROUP ON FURTHER COMMITMENTS  
FOR ANNEX I PARTIES UNDER THE KYOTO PROTOCOL**

**Report of the Ad Hoc Working Group on Further Commitments  
for Annex I Parties under the Kyoto Protocol on its second session,  
held at Nairobi from 6 to 14 November 2006**

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## **I. Opening of the session**

(Agenda item 1)

1. The second session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) was held at the United Nations Office at Nairobi, Kenya, from 6 to 14 November 2006.
2. The Chair of the AWG, Mr. Michael Zammit Cutajar (Malta), opened the session and welcomed all Parties and observers. He also welcomed Mr. Luiz Figueiredo Machado (Brazil), the Vice-Chair of the AWG.

## **II. Organizational matters**

(Agenda item 2)

### **A. Adoption of the agenda**

(Agenda item 2 (a))

3. At its 1<sup>st</sup> meeting, on 6 November, the AWG considered a note by the Executive Secretary containing the provisional agenda and annotations (FCCC/KP/AWG/2006/3).
4. At the same meeting, the agenda was adopted as follows:
  1. Opening of the session.
  2. Organizational matters:
    - (a) Adoption of the agenda;
    - (b) Organization of the work of the session;
    - (c) Election of officers.
  3. Further commitments for Annex I Parties and the duration thereof.
  4. Work plan and schedule of future sessions.
  5. Other matters.
  6. Report on the session.
5. At the 2<sup>nd</sup> meeting, on 7 November, statements were made by representatives of 21 Parties including one speaking on behalf of the African Group, one on behalf of the Group of 77 and China, one on behalf of the European Community and its member States<sup>1</sup> and one on behalf of the least developed countries. A statement was also made by one observer State.
6. At the same meeting, the Chair invited representatives of Greenpeace International (on behalf of Climate Action Network); the Business Council for Sustainable Energy (on behalf of the United States of America Business Council for Sustainable Energy, the European Business Council for a Sustainable Energy Future, the United Kingdom of Great Britain and Northern Ireland Business Council for Sustainable Energy and the Australian Business Council for Sustainable Energy); and the International Alliance of Indigenous Peoples and Tribal Peoples of the Tropical Forests (on behalf of indigenous peoples organizations) to make statements.

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<sup>1</sup> This statement was made in association with Bulgaria, Romania, Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia, and Serbia.

## **B. Organization of the work of the session**

(Agenda item 2 (b))

7. The AWG considered this sub-item at its 1<sup>st</sup> meeting, on 6 November, at which the Chair drew attention to the proposed programme of work posted on the UNFCCC website. On a proposal by the Chair, the AWG agreed to proceed on the basis of that programme of work.

8. At the same meeting, the Vice-Chair informed delegates about arrangements made for the in-session workshop to be chaired by him on 7 November.

## **C. Election of officers**

(Agenda item 2 (c))

9. The AWG considered this sub-item at its 1<sup>st</sup> and 3<sup>rd</sup> meetings, on 6 and 14 November, respectively.

10. At its 3<sup>rd</sup> meeting, as nominations for the post of Chair and Vice-Chair had not been received, the AWG requested the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP/MOP), as an exception to rule 27, paragraph 5, of the draft rules of procedure being applied, to elect the officers of the AWG Bureau at its closing plenary on 17 November.<sup>2</sup>

## **III. Further commitments for Annex I Parties and the duration thereof**

(Agenda item 3)

### **Work plan and schedule of future sessions**

(Agenda item 4)

#### 1. Proceedings

11. The AWG considered items 3 and 4 together at its 2<sup>nd</sup> and 3<sup>rd</sup> meetings, on 8 and 14 November, respectively. It had before it documents FCCC/KP/AWG/2006/MISC.2 and Add.1, and FCCC/KP/AWG/2006/2. Statements were made by representatives of eight Parties, including one speaking on behalf of the European Community and its member States,<sup>3</sup> one on behalf of the Group of 77 and China, and one on behalf of the African Group.

12. At the 2<sup>nd</sup> meeting, the Vice-Chair reported on the in-session workshop he chaired on 7 November 2006.

13. At the same meeting, the AWG agreed to consider items 3 and 4 together in a contact group. At the 3<sup>rd</sup> meeting, the Chair reported on the contact group's consultations.

14. At its 3<sup>rd</sup> meeting, the AWG considered and adopted conclusions<sup>4</sup> proposed by the Chair. After their adoption, one Party qualified its understanding of these conclusions.

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<sup>2</sup> The COP/MOP, at the closing plenary of its second session, elected Mr. Leon Charles (Grenada) as Chair of the AWG, Ms. Outi Berghäll (Finland) as Vice-Chair and Mr. Ephraim Mwepya Shitma (Zambia) as Rapporteur. The officers will serve for the third and fourth sessions of the AWG.

<sup>3</sup> This statement was made in association with Bulgaria, Romania, Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia, and Serbia.

<sup>4</sup> Adopted as FCCC/KP/AWG/2006/L.4.

## 2. Conclusions

15. The AWG held a workshop on 7 November 2006 to allow Parties to share and discuss information on the scientific basis for determining further commitments of Annex I Parties and on their emission trends and mitigation potential. Mr. Luiz Figueiredo Machado, the Vice-Chair of the AWG, chaired the workshop and reported to the AWG on the proceedings and the main points raised at the workshop (see annex I). The AWG noted with satisfaction the wealth of material presented and the rich discussion at the workshop and expressed its appreciation to its Vice-Chair, to the presenters and to the secretariat. The AWG agreed that the workshop provided useful contextual input to its further work.

16. The AWG agreed that its work on further commitments by Annex I Parties should be guided by a shared vision of the challenge set by the ultimate objective of the Convention, based on the principles and other relevant provisions of the Convention and its Kyoto Protocol. Noting the Vice-Chair's report, the AWG considered that information received at its workshop provides useful parameters for the overall level of ambition of further emission reductions by Annex I Parties, in particular the information that, according to the scenarios of the Intergovernmental Panel on Climate Change (IPCC) Third Assessment Report, global emissions of carbon dioxide have to be reduced to very low levels, well below half of levels in 2000, in order to stabilize their concentrations in the atmosphere.

17. Recalling the conclusions adopted at its first session on the planning of its future work (FCCC/KP/AWG/2006/2, paras. 18–27), the AWG decided that its work programme for the completion of its mandate will include the tasks set out below:

- (a) **Analysis of mitigation potentials and ranges of emission reduction objectives of Annex I Parties:**
  - (i) Analysis of the mitigation potential, effectiveness, efficiency, costs and benefits of current and future policies, measures and technologies at the disposal of Annex I Parties, appropriate in different national circumstances, taking into account their environmental, economic and social consequences, their sectoral dimensions, and the international context in which they are deployed;
  - (ii) Identification of possible ranges of emission reductions by Annex I Parties, through their domestic and international efforts, and analysis of their contribution to the ultimate objective of the Convention, ensuring due attention to the issues mentioned in the second sentence of Article 2 of the Convention;
- (b) **Analysis of possible means to achieve mitigation objectives:**
  - (i) Analysis of means that may be available to Annex I Parties to reach their emission reduction targets, including: emissions trading and the project-based mechanisms under the Kyoto Protocol; the rules to guide the treatment of land use, land-use change and forestry (LULUCF); the greenhouse gases (GHGs), sectors and source categories to be covered, and possible approaches targeting sectoral emissions; and identification of ways to enhance the effectiveness of these means and their contribution to sustainable development;
  - (ii) Consideration of relevant methodological issues, including the methodologies to be applied for estimating anthropogenic emissions and the global warming potentials of GHGs;

(c) **Consideration of further commitments by Annex I Parties:**

Consideration of the scale of emission reductions to be achieved by Annex I Parties in aggregate and of the allocation of the corresponding mitigation effort, and agreement on their further commitments, including new quantitative emission limitation or reduction commitments, and on the duration of the commitment period(s), taking into account the analyses described in paragraph 17 (a) and (b) above.

18. The AWG also decided to address legal matters arising from its mandate pursuant to Article 3, paragraph 9, of the Kyoto Protocol in due course.
19. The AWG reaffirmed that the completion of its work programme will be advanced primarily through the work of Parties, and that it will draw upon relevant results achieved and work under way in other bodies and processes under the Convention and its Kyoto Protocol.
20. The AWG considered it useful to seek input from external bodies and forums that have expertise relevant to its work and can contribute a broad diversity of experiences and perspectives. It therefore requested the secretariat, with guidance from the Chair, in preparing for future sessions, to draw upon analysis and information from the IPCC, in particular its Fourth Assessment Report, and from intergovernmental organizations, and, as appropriate, from non-governmental organizations and national research institutions and programmes. The AWG invited Parties to submit to the secretariat, by 23 February 2007, information about external bodies and forums that could provide expert input to the work of the AWG.
21. The AWG observed that the consideration and discussion of such input could be enhanced by in-session events such as workshops and round table discussions that would enable Parties to interact with experts. Such events should be well prepared by the secretariat with guidance from the Chair, focused on well-defined questions and supported by the advance submission of key material.
22. The work of the AWG in 2007 will focus on the topics contained in paragraph 17 (a) above and will start at its third session (May 2007). The AWG noted that presentation of the reports of the IPCC Working Groups on their contributions to the Fourth Assessment Report has been scheduled for that sessional period in 2007. The AWG invited Parties to submit to the secretariat, by 23 February 2007, information and views on the mitigation potential, effectiveness, efficiency, costs and benefits of current and future policies, measures and technologies at the disposal of Annex I Parties, appropriate in different national circumstances, taking into account their environmental, economic and social consequences, their sectoral dimensions, and the international context in which they are deployed, i.e. the task set out in paragraph 17 (a) (i) above. It requested the secretariat to organize, with guidance from the Chair, a round table discussion on this topic during its third session, ensuring adequate interaction with experts involved in the IPCC's Fourth Assessment Report.
23. The AWG decided that, should the fourth workshop of the Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention be held in September or October 2007, its fourth session would be held in conjunction with that workshop and be resumed and concluded during the second sessional period in December 2007.
24. The AWG will keep its work programme and methods of work under review. Further sessions will be scheduled with a view to completing the work of the AWG as early as possible and in time to ensure that there is no gap between the first and the second commitment periods under the Kyoto Protocol.
25. The AWG shares the concerns voiced at the workshop over the adverse impacts of climate change, including the threat of serious and irreversible damage, that would affect all humanity but most

seriously poor and vulnerable people. The AWG underscores the need for the energetic and timely pursuit of its work programme so as to send a clear message that Annex I Parties to the Kyoto Protocol are taking the lead in the mitigation effort by taking action to maintain their overall emissions on a declining trend beyond 2012 through their domestic and international efforts, including possible use of market mechanisms and of the mechanisms of the Kyoto Protocol. This will also give a clear signal to economic actors about the continuity of the international carbon market.

#### **IV. Other matters**

(Agenda item 5)

26. No other matters were raised or considered.

#### **V. Report on the session**

(Agenda item 6)

27. At its 3<sup>rd</sup> meeting, on 14 November, the AWG considered and adopted the draft report on its second session (FCCC/KP/AWG/2006/L.3). At the same meeting, on a proposal by the Chair, the AWG authorized the Chair to complete the report on the session, with the assistance of the secretariat.

#### **VI. Closure of the session**

28. At the 3<sup>rd</sup> meeting, on 14 November, the Chair thanked delegates for their contributions. He also thanked the secretariat for its support.

Annex I

**First in-session workshop of the Ad Hoc Working Group on  
Further Commitments for Annex I Parties under the Kyoto Protocol**

**Report by the Vice-Chair**

**I. Introduction**

1. At its first session, the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) agreed to hold an in-session workshop during its second session. This workshop was held in Nairobi, Kenya, on Tuesday, 7 November 2006. Mr. Luiz Figueiredo Machado, Vice-Chair of the AWG, chaired the workshop.
2. The workshop aimed to facilitate the presentation of information relevant to the work of the AWG and to enable an open exchange of views to clarify this information and, as appropriate, identify information gaps.
3. The workshop was open to all Parties and to observers and was well attended. It was structured around the following two clusters of topics:
  - (a) Work on the scientific basis for determining further commitments for Annex I Parties, including on scenarios for the stabilization of atmospheric concentrations of greenhouse gases (GHGs) and on the implications of these scenarios;
  - (b) Emission trends for Annex I Parties, the mitigation potential of policies and technologies in different national circumstances, including experience gained so far, and the costs and benefits of emission reductions.
4. Presentations were made by Brazil, the European Community, Japan, New Zealand, Norway, South Africa, the Intergovernmental Panel on Climate Change (IPCC) and the UNFCCC secretariat. The presentations and any supporting documentation are available on the UNFCCC website at: [http://unfccc.int/meetings/cop\\_12/in-session\\_workshops/items/3884.php](http://unfccc.int/meetings/cop_12/in-session_workshops/items/3884.php).

**II. Summary of key issues raised in the presentations and discussions**

5. The presentations addressed a broad range of issues of relevance to the work of the AWG. Many speakers stressed the urgency of making progress, referring to the adverse impacts of climate change, including the threat of serious and irreversible damage, that would affect all, but most seriously the poor.
6. In his report the Chair highlighted the following points from the rich presentations and discussions (see paras. 7–21 below).
7. During the workshop, it was mentioned that the tasks of the AWG are closely related to the ultimate objective of the Convention, as set out in Article 2. While the Kyoto Protocol is important in achieving progress to that end, its first commitment period is viewed as inadequate to achieve the objective. A second commitment period must then deliver more in order to advance rapidly towards the objective.
8. Several presentations referred to the usefulness of a long-term aspirational goal to guide the efforts of the AWG. Different metrics for such a goal are possible, including defining the goal in terms of sea level rise, temperature increase, radiative forcing, GHG concentrations in the atmosphere, or



global emission levels. Parties stressed the importance of basing future commitments on sound science and reliable economics.

9. In its third assessment report, the IPCC reviewed emission scenarios leading to the stabilization of carbon dioxide concentrations in the atmosphere at different levels between 450 and 1000 ppm. These scenarios are linked with very different expected impacts, some of which clearly entail serious threats to ecosystems and human health and welfare. Adaptation to the impacts will be part of any strategy, but the adaptation challenge will increase the longer emissions remain at high levels.

10. According to the scenarios, GHG emissions have to be reduced to very low levels in order to stabilize their concentrations in the atmosphere. To balance emissions and the earth's absorptive capacity, global GHG emissions must be reduced to well below half of current levels.

11. After bringing emissions down, there will be a time delay before the stabilization of atmospheric concentrations, and even longer delays before average temperature and sea levels stop rising.

12. Different levels of ambition are associated with different climate change impacts, different efforts to reduce emissions and different costs. In determining the ambition level, it is important to balance the risk of insufficient and excessive action. In doing so, it is critical to avoid locking economies or sectors into the wrong technologies that in some cases have a long economic lifetime. It was pointed out that, in line with the precautionary approach, any lack of full certainty should not be used as a reason to postpone action.

13. The point was made that emissions of Annex I Parties that are Parties to the Kyoto Protocol constitute a relatively small share (estimated at roughly 30 per cent) of global GHG emissions. This picture changes, however, if cumulative emissions (rather than annual emissions) are considered. It was stated that the willingness of Annex I Parties that are Parties to the Kyoto Protocol to make ambitious commitments would be influenced by encouraging action by other Parties to the Convention.

14. Equity, fairness and efficiency are key aspects that must guide the determination of future commitments. Reviewing historic responsibility and present as well as future capabilities can assist in allocating the required overall emission reductions to individual Parties. The polluter-pays principle is also relevant in determining the burden sharing.

15. According to data submitted to the UNFCCC secretariat, it has been possible to decouple emission growth from economic growth. Greenhouse gas emissions from all Annex I Parties taken together decreased by 3.3 per cent from 1990 to 2004. This decrease in emissions accompanied a growth in gross domestic product of more than 30 per cent. For the Annex I Parties that are Parties to the Kyoto Protocol, GHG emissions decreased by about 15 per cent from 1990 to 2004. The countries with economies in transition (EIT) among those reduced emissions by 37 per cent, while emissions in non-EIT Parties to the Kyoto Protocol increased by 3.7 per cent.

16. Several Parties referred to studies on the cost of emission reductions. A broad portfolio of mitigation options to substantially cut emissions is available at reasonable cost. New technologies are close to being marketable. An extensive set of policies and measures have been successfully applied. Active public policy is essential to combat climate change and there is growing evidence that such policies are compatible with or are even an essential part of sustainable development and economic growth strategies.

17. Several presentations emphasized that the carbon market has experienced dynamic expansion providing incentives for the private sector to find opportunities for emission reductions. Emissions trading at the national and regional level has proven to be a powerful instrument to ensure cost-effective emission reductions. The clean development mechanism has initiated valuable sustainable development projects in developing countries and assisted Annex I Parties to advance to meeting their commitments under the Kyoto Protocol. Also joint implementation has got off to a good start.

18. The carbon market still has tremendous potential, but the Kyoto mechanisms require continuity after the first commitment period to continue their expansion. And the demand for credits generated through the mechanisms is expected to increase in future commitment periods to sustain the market value of carbon.

19. Effective mitigation strategies should encompass all relevant sectors and make use of all cost-effective technologies at hand. The private sector has a key role to play in technology development and in the transfer of technologies to developing countries. For successful technology development and transfer, governments need to ensure close involvement of the private sector.

20. Agricultural emissions constitute a sizeable share of global GHG emissions (estimated at about 14 per cent). Agriculture is crucial to secure global food security and hence important for sustainable development. There is a limited range of options to reduce emissions of methane and nitrous oxides from agriculture, and a need for further research.

21. Climate change action in the energy sector can enhance access to energy services, increase energy security and reduce local and regional air pollution. Several presentations emphasized the considerable potential to reduce emissions through enhanced energy efficiency.

22. Concluding, the Vice-Chair thanked the presenters for their valuable contributions, the delegates for their useful questions, comments and discussion, and the secretariat for its support in organizing the workshop.

Annex II

**Documents before the  
Ad Hoc Working Group on Further Commitments for Annex I Parties  
under the Kyoto Protocol at its second session**

**Documents prepared for the session**

FCCC/KP/AWG/2006/3	Provisional agenda and annotations. Note by the Executive Secretary
FCCC/KP/AWG/2006/MISC.2 and Add.1	Topics for the in-session workshop. Submissions from Parties
FCCC/KP/AWG/2006/L.3	Draft report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its second session
FCCC/KP/AWG/2006/L.4	Further commitments for Annex I Parties and Programme of work. Draft conclusions

**Other documents before the session**

FCCC/KP/AWG/2006/2	Report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its first session, held at Bonn from 17 to 25 May 2006
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