



---

**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 third session,  
held at Bonn from 14 to 18 May 2007**

CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
I. OPENING OF THE SESSION (Agenda item 1).....	1–3	3
II. ORGANIZATIONAL MATTERS (Agenda item 2).....	4–11	3
A. Adoption of the agenda .....	4–8	3
B. Organization of the work of the session.....	9–11	4
III. ANALYSIS OF MITIGATION POTENTIALS AND RANGES OF EMISSION REDUCTION OBJECTIVES OF ANNEX I PARTIES (Agenda item 3)		
REVIEW OF WORK PROGRAMME, METHODS OF WORK AND SCHEDULE OF FURTHER SESSIONS (Agenda item 4).....	12–25	4
IV. OTHER MATTERS (Agenda item 5).....	26	7
V. REPORT ON THE SESSION (Agenda item 6).....	27	7
VI. CLOSURE OF THE SESSION .....	28–29	7

	<i>Page</i>
<u>Annexes</u>	
I. Summary report by the co-chairs of the round table.....	8
II. Documents before the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at its third session.....	12

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

(Agenda item 1)

1. The third session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) was held at the Maritim Hotel, Bonn, Germany, from 14 to 18 May 2007.
2. The Chair of the AWG, Mr. Leon Charles (Grenada), opened the session and welcomed all Parties and observers. He also welcomed Ms. Outi Berghäll (Finland) as Vice-Chair of the AWG and Mr. Ephraim Mwepya Shitma (Zambia) as Rapporteur.
3. The Executive Secretary of the UNFCCC, Mr. Yvo de Boer, also welcomed participants and congratulated the Chair and the Vice-Chair of the AWG on their new roles. He encouraged the group to remain focused on the consideration of further commitments for Annex I Parties for the period beyond 2012 and referred to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) in this context.

## **II. Organizational matters**

(Agenda item 2)

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

(Agenda item 2 (a))

4. At its 1<sup>st</sup> meeting, on 14 May, the AWG considered a note by the Executive Secretary containing the provisional agenda and annotations (FCCC/KP/AWG/2007/1).
5. 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.
  3. Analysis of mitigation potentials and ranges of emission reduction objectives of Annex I Parties.
  4. Review of work programme, methods of work and schedule of further sessions.
  5. Other matters.
  6. Report on the session.
6. At the 1<sup>st</sup> meeting, statements were made by representatives of four Parties, including one speaking on behalf of the Group of 77 and China, one on behalf of the Umbrella Group, one on behalf of the European Community and its member States,<sup>1</sup> and one on behalf of the Environmental Integrity Group.

---

<sup>1</sup> The position reflected in this statement was supported by Croatia, Serbia and The former Yugoslav Republic of Macedonia.

7. At the 2<sup>nd</sup> meeting, on 15 May, statements were made by representatives of 16 Parties, including one on behalf of the Alliance of Small Island Developing States, one on behalf of the least developed countries, and one on behalf of the European Community and its member States.<sup>2</sup>

8. At the same meeting, the Chair invited representatives of the International Emissions Trading Association, the Business Councils for Sustainable Energy from Australia, Europe, the United Kingdom of Great Britain and Northern Ireland and the United States of America, Climate Action Network and the International and European Trade Union Confederations, to make statements.

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

(Agenda item 2 (b))

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

10. At the same meeting, the Chair informed delegates about arrangements made for the round table, to be co-chaired by the Chair and Vice-Chair of the AWG on 14 May.

11. The Chair also informed the AWG that Pakistan, on behalf of the Group of 77 and China, requested to place on record its disappointment as regards to the simultaneous scheduling of meetings of the AWG and of the dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention (the Dialogue).

### **III. Analysis of mitigation potentials and ranges of emission reduction objectives of Annex I Parties**

(Agenda item 3)

#### **Review of work programme, methods of work and schedule of further sessions**

(Agenda item 4)

##### **1. Proceedings**

12. The AWG considered items 3 and 4 together at its 2<sup>nd</sup> and 3<sup>rd</sup> meetings, on 15 and 18 May, respectively. It had before it documents FCCC/KP/AWG/2007/MISC.1 and Add.1 and FCCC/KP/AWG/2007/MISC.2 and Add.1. No further statements were made by Parties.

13. At the 2<sup>nd</sup> meeting, the Chair reported on the round-table discussion on the analysis of the mitigation potential of policies, measures and technologies at the disposal of Annex I Parties. He informed Parties that the summary was posted on the UNFCCC website and proposed to add this summary as an annex to the report of the third session of the AWG (see annex I).

14. At the same meeting, the AWG agreed to consider items 3 and 4 together in a contact group.

15. At the 3<sup>rd</sup> meeting, the Chair reported on the contact group's consultations. The AWG considered and adopted conclusions<sup>3</sup> proposed by the Chair.

---

<sup>2</sup> The position reflected in this statement was supported by Croatia, Serbia and The former Yugoslav Republic of Macedonia.

<sup>3</sup> Adopted as FCCC/KP/AWG/2007/L.2.

## 2. Conclusions

16. The AWG took note of the information provided by Parties in their submissions on the mitigation potential of policies, measures and technologies (FCCC/KP/AWG/2007/MISC.1 and Add.1) and on external bodies and forums that could provide expert input to the work of the AWG (FCCC/KP/AWG/2007/MISC.2 and Add.1), and of statements delivered by Parties, observer organizations and civil society during the third session of the AWG.
17. The AWG held a round table, on 14 May 2007 in Bonn, on the mitigation potential, effectiveness, efficiency, costs and benefits of current and future policies, measures and technologies at the disposal of Annex I Parties. The Chair and Vice-Chair of the AWG co-chaired the round table and reported to the AWG on the proceedings and the main points.
18. The AWG welcomed the information presented at the round table, and the summary report by the co-chairs (see annex I). It expressed its appreciation to its Chair and Vice-Chair, presenters and the secretariat.
19. The AWG reaffirmed that, in pursuance of its mandate under decision 1/CMP.1, in accordance with Article 3, paragraph 9, of the Kyoto Protocol, its discussions would focus on the consideration of further commitments by Annex I Parties, to be established in amendments to Annex B to the Kyoto Protocol. It recalled 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 co-chairs' report, the AWG considered that information received at its round table 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 IPCC reports, global emissions of greenhouse gases (GHGs) have to be reduced to very low levels, well below half of levels in 2000 by the middle of the twenty-first century, in order to stabilize their concentrations in the atmosphere at the lowest levels assessed by the IPCC to date in its scenarios.
20. The AWG noted the usefulness of the information relating to the mitigation potential of Annex I Parties contained in the contributions of the working groups of the IPCC to the Fourth Assessment Report, in particular the contribution of Working Group III on the mitigation of climate change. It acknowledged that important information on the mitigation potential of policies, measures and technologies at the disposal of Annex I Parties was also shared by Parties and organizations during the workshops on mitigation requested by the Subsidiary Body for Scientific and Technological Advice at its twenty-third session.<sup>4</sup>
21. The AWG has initiated the implementation of the work programme agreed at its second session.<sup>5</sup> It noted that the information referred to in paragraphs 16, 18 and 20 above provides a solid foundation for the AWG to proceed with its work programme, including the 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

---

<sup>4</sup> FCCC/SBSTA/2005/10, paragraph 26.

<sup>5</sup> FCCC/KP/AWG/2006/4, paragraph 17.

context in which they are deployed. In this context, the inputs made by some Parties, presenters and observers during the session highlighted, inter alia:

- (a) The urgency with which reductions in GHG emissions are needed, as mitigation efforts during the next few decades will determine, to a large extent, the increase in global mean temperature over the long term (until the end of the twenty-first century) and the corresponding climate change impacts that can be avoided. In order to limit this temperature increase, GHG emissions need to peak in the next 10 to 15 years. This calls for GHG emission reduction commitments by Annex I Parties of between 25 and 40 per cent below 1990 levels for the period beyond 2012;
- (b) There is considerable economic<sup>6</sup> potential at the disposal of Annex I Parties for the mitigation of GHG emissions over the coming decades and, among other factors, this potential determines the contribution that these Parties are able to make to efforts to stabilize GHG concentrations in the atmosphere;
- (c) There exists a portfolio of mitigation policies, as well as a portfolio of technologies, that are commercially available today and others that are expected to be commercialized in coming decades, including many mitigation opportunities with negative costs. Accelerated deployment of low-carbon technologies yields economic benefits in terms of new investment and through the creation of new and sustainable employment;
- (d) The economic potential of policies, measures and technologies at the disposal of Annex I Parties is constrained by social, economic, political, technical and other barriers, and the applicability of these policies, measures and technologies depends on national circumstances. In this context there is a recognition of special circumstances of some Annex I Parties, in particular those with economies in transition. Incentives consistent with other relevant international obligations of Annex I Parties are known and could address some of these barriers;
- (e) The role of carbon-price signals is important in changing the behaviour of a wide range of actors and to realize the mitigation potential in all sectors;
- (f) Co-benefits of actions to reduce GHG emissions can be substantial and may offset a substantial portion of mitigation costs;
- (g) Any adverse social, environmental and economic consequences, including spillover effects, from the implementation of mitigation policies, measures and technologies at the disposal of Annex I Parties could be minimized through appropriate choices;
- (h) The mitigation potential of policies, measures and technologies at the disposal of Annex I Parties can be further expanded through the use of flexibility mechanisms and sinks.

22. The AWG took note of the arrangements for the first part of its fourth session, to be held from 27 to 31 August 2007 in Vienna, Austria, in conjunction with the last workshop under the Dialogue. It agreed to continue, at that session, which will be resumed in December 2007, the analysis of the mitigation potential of policies, measures and technologies at the disposal of Annex I Parties, and to address the identification of possible ranges of emission reductions by Annex I Parties and analysis of

---

<sup>6</sup> Economic potential, according to the IPCC, is the mitigation potential which takes into account social costs and benefits, and social discount rates, assuming that market efficiency is improved by policies and measures and that barriers are removed.

their contribution to the ultimate objective of the Convention, as specified in document FCCC/KP/AWG/2006/4, paragraph 17 (a) (ii). The AWG agreed to proceed to the analysis of possible means to achieve mitigation objectives, as specified in document FCCC/KP/AWG/2006/4, paragraph 17 (b), at its fifth session.

23. In order to facilitate discussions at its fourth and subsequent sessions, the AWG invited Annex I Parties, in a position to do so, to submit to the secretariat, by 22 June 2007, information and data on the mitigation potential of policies, measures and technologies at their disposal, with a view to providing a basis for indicative ranges of emission reduction objectives by Annex I Parties. It requested the secretariat to prepare, under the guidance of the Chair of the AWG and subject to the availability of resources, a technical paper that synthesizes these submissions and available information, inter alia, considering factors and criteria, relevant to the determination of the mitigation potential and to the identification of possible ranges of emission reduction objectives of Annex I Parties.

24. The AWG invited Parties and accredited observer organizations to submit to the secretariat, by 15 February 2008, information and views on the means to achieve mitigation objectives of Annex I Parties referred to in document FCCC/KP/AWG/2006/4, paragraph 17 (b). It requested the secretariat to compile these submissions for consideration by the AWG at its fifth session.

25. The AWG agreed to continue with its work programme as agreed at its second session. It also agreed to consider, at its resumed fourth session, this work programme and to develop a timetable to guide the completion of its work in order to avoid a gap between the first and second commitment periods.

#### **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, the AWG considered and adopted the report on its third session (FCCC/KP/AWG/2007/L.1). At the same meeting, on a proposal by the Chair, the AWG authorized the Rapporteur to complete the report on the session, with the assistance of the secretariat and under the guidance of the Chair.

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

28. At the 3<sup>rd</sup> meeting, the Chair thanked the delegates for their contributions as well as the secretariat for its support. He also thanked the Government of Austria for its offer to host the fourth session of the AWG and the last workshop under the Dialogue.

29. The representative of Pakistan, speaking on behalf of the Group of 77 and China, requested that the following statement be recorded in the report of the AWG: "We have agreed that the 1<sup>st</sup> and 2<sup>nd</sup> parts of the 4<sup>th</sup> session of the AWG in Vienna and Bali will continue the analysis of mitigation potential as well as addressing the identification of possible ranges of Annex I Party emission reductions. This work will be supported by submissions from Parties and a synthesis paper from the secretariat. Furthermore, the G77 is also pleased that we have agreed that the AWG will analyse the means to achieve these mitigation objectives in May 2008 at our 5<sup>th</sup> session."

## Annex I

### **Summary report by the co-chairs of the round table**

#### **I. Introduction**

1. At its second session, the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) requested the secretariat to organize, with guidance from its Chair, a round-table discussion on the 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 (FCCC/KP/AWG/2006/4, para. 22).
2. The round table was held in Bonn, Germany, on Monday, 14 May 2007. It was co-chaired by Mr. Leon Charles, Chair, and Ms. Outi Berghäll, Vice-Chair, of the AWG.
3. The round table was open to all Parties and observers and was well attended. It was divided into two segments as follows:
  - (a) In the first segment, participants discussed general and cross-cutting issues relating to the analysis of the mitigation potential of policies, measures and technologies;
  - (b) In the second segment, participants addressed the mitigation potential in three thematic areas:
    - (i) Energy efficiency and low-carbon energy;
    - (ii) Non-carbon dioxide greenhouse gas (GHG) emissions and sinks;
    - (iii) Consolidation of efforts in different sectors.
4. Speakers at the first segment of the round table included experts from the Intergovernmental Panel on Climate Change (IPCC), the European Commission, Vattenfall AB, Norway, Saudi Arabia and the International Institute for Applied Systems Analysis. Speakers at the second segment included experts from the International Energy Agency, Japan, Iceland, the World Agroforestry Centre, New Zealand, the IPCC, the European Union and Switzerland. Presentations and supporting documentation are available on the UNFCCC website at <[http://unfccc.int/kyoto\\_protocol/items/3951.php](http://unfccc.int/kyoto_protocol/items/3951.php)>.

#### **II. Summary of discussions**

##### **A. Overview and cross-cutting issues**

5. Discussions during the round table emphasized that, in order to stabilize GHG concentrations in the atmosphere, GHG emissions need to peak and be subsequently reduced; the lower the stabilization level to be achieved, the earlier that GHG emissions would need to peak. It was also noted that in order to reach concentration levels between 450 and 550 ppm of carbon dioxide equivalent (CO<sub>2</sub> eq.), GHG emissions need to peak in the next 10 to 25 years, and that no studies are available for stabilization levels below 450 ppm of CO<sub>2</sub> eq. Furthermore, it was clarified that lower stabilization levels implied lower environmental risks.
6. Speakers indicated that, until 2030, there is considerable global potential for the mitigation of GHG emissions, sufficient to offset growth in global emissions or to reduce emissions below current levels. The extent to which Annex I Parties utilize this mitigation potential is determined by the targeted



global GHG stabilization levels and the social cost of carbon. Based on information from the IPCC, the assessed economic mitigation potential of Annex I Parties has been estimated to be in the range of 6–11 Gt of CO<sub>2</sub> eq. in 2030 with a marginal abatement cost of up to USD 100 per tonne of CO<sub>2</sub> eq. This mitigation potential is spread across economic sectors.

7. Participants in the discussions stressed that the economic dimension plays an important role in determining the levels of mitigation to be achieved by Annex I Parties. It was emphasized that there are many mitigation opportunities with negative costs, estimated to be able to reduce GHG emissions by around 6 Gt CO<sub>2</sub> eq. in 2030. It was also pointed out that the co-benefits of mitigation could provide for synergy with other sustainable development objectives and, hence, reduce net mitigation costs significantly. Among these co-benefits, reduced mortality and morbidity from reduced air pollution, increased employment opportunities, reduction in the acidification of soils, contributions to sustainable agriculture and forestry, and the protection of biodiversity were highlighted.

8. Several speakers referred to initiatives by their countries or group of countries setting mitigation targets, including GHG emission reduction goals for 2020 and up to 2050. Among these was the announcement of the undertaking by Norway to reduce global emissions equivalent to 100 per cent of its domestic emissions by 2050.

9. It was stressed that a mixture of policies, measures and technologies was necessary to achieve emission reduction targets and that no single measure, policy or technology can provide the mitigation potential required. Speakers emphasized that cost-effectiveness can be achieved only if a portfolio of policies, measures and technologies is applied to all gases and to a broad range of sectors of the economy.

10. Speakers highlighted policies, measures and technologies which offer a high mitigation potential while minimizing spillover effects, including social impacts, in developing countries. These policies, measures and technologies include the dismantling of distorting subsidies, technologies such as carbon dioxide capture and storage, and investments in research and development of such technologies.

11. Speakers recognized the importance of the involvement of the private sector in realizing the full mitigation potential of policies, measures and technologies. In order to act, however, market players need price signals which are credible. Such signals should provide a long-term perspective in order to stimulate the right investment decisions, which often have long pay-back periods.

12. The clean development mechanism (CDM) was referred to during the round table as a means to substantially extend the mitigation potential of Annex I Parties.

13. Several studies on the global mitigation potential of policies, measures and technologies, which provide a basis to quantify the aggregated mitigation potential of Annex I Parties, were referred to by speakers. In determining the mitigation potential, the following factors were highlighted as important: (1) environmental effectiveness; (2) cost-effectiveness; (3) distributional impacts, including impacts outside the country in question; and (4) institutional feasibility. It also was noted that further work on criteria and factors at the national level is needed to establish mitigation potentials for individual Annex I Parties.

## **B. Mitigation potential, effectiveness, efficiency, costs and benefits of promising current and future policies, measures and technologies**

### **1. Energy efficiency**

14. Discussions at the round table highlighted the considerable mitigation potential through enhanced energy efficiency. Energy demand today would have been 56 per cent higher in the absence of improvements in energy efficiency implemented in response to the oil price shocks of the 1970s.

Between one half to two thirds of the mitigation potential estimated to be for the period up to 2050 can be achieved through improvements in energy efficiency.

15. Speakers referred to a wide range of energy efficiency measures and technologies at the disposal of Annex I Parties. The most important include improved energy supply and distribution, more efficient vehicles, efficient lighting, insulation and electrical appliances, and increased efficiency in the use of equipment by the industry. As an example, the best available lighting technologies could provide cumulative savings to consumers of approximately USD 2.6 trillion between 2008 and 2030 and avoid a total of 16 billion tonnes of CO<sub>2</sub> at a negative cost of USD 156 per tonne of CO<sub>2</sub>.

16. Discussions also highlighted that the mitigation potential of energy efficiency in Annex I Parties is not fully realized despite the fact that some measures can be implemented at negative cost. In this regard, speakers referred to, inter alia, barriers such as lack of awareness, missing or partial information, split incentives and lack of common metrics. They stated that policies to overcome these barriers include the use of standards, labels and information systems.

## 2. Low-carbon energy

17. The mitigation potential of Annex I Parties was also illustrated by examples of low-carbon energy. Speakers referred to a wide range of policies, measures and technologies at the disposal of Annex I Parties with a significant mitigation potential at the sectoral level, including fuel switching, the use of renewable sources of energy (hydropower and solar-, wind-, thermal- and bioenergy), hybrid vehicles, and material recycling and substitution.

18. The mitigation potential of renewable and zero GHG-emitting energy sources was illustrated by national examples from two countries. The contribution of the energy sector in Iceland to GHG emissions is limited to 4 per cent as most energy generation in that country relies on renewable sources of energy, in particular geo-thermal ones. There are no GHG emissions from energy generation in Switzerland today owing to the use of a combination of renewable and nuclear sources for energy generation.

19. Some speakers indicated that emissions from the transport sector have increased significantly and required special attention. Emissions from this sector can be reduced through a range of policies, measures and technologies at the disposal of Annex I Parties, including transport planning, the use of biofuels, hybrid and fuel cell automobiles and fuel saving plans for transportation and fishing fleets. Some of these measures and technologies could be implemented at negative costs as they lead to fuel savings. Others can provide co-benefits including the reduction of traffic congestion and air pollution.

20. The role of industry in mitigation was also highlighted at the round table. In particular, speakers referred to cement, clinker and steel production, which offer a relatively important mitigation potential to Annex I Parties through measures on energy efficiency or through the implementation of specific technologies to reduce GHG emissions.

## 3. Non-carbon dioxide greenhouse gas emissions and sinks

21. Speakers indicated that agriculture is important in terms of its mitigation potential for some Annex I Parties. Most emissions in this sector come from enteric fermentation and soils, and are expected to increase by 60 per cent by 2030. Mitigation costs are estimated to be moderate, with most of the global mitigation potential in the agriculture sector achievable at marginal abatement costs below USD 45 per tonne of CO<sub>2</sub> eq. Mitigation potential needs to be evaluated for individual agricultural systems and settings, as in some cases this potential is limited by lack of technical solutions.

22. Some speakers suggested that there is a significant mitigation potential in the restoration of degraded lands and wetlands, agroforestry and the management of grazinglands, croplands and lands for the cultivation of rice. Additional measures and technologies at the disposal of Annex I Parties for

reducing non-CO<sub>2</sub> gases include changes in the use of fertilizers, crop substitutions, changes in diet, and livestock and manure management. They also provide important sustainable development and adaptation co-benefits, ranging from more sustainable agricultural production and food security to biodiversity conservation.

23. Several barriers to achieving the mitigation potential in this sector were noted, including high costs of measures and technologies, lack of incentives for producers, impracticality of some measures, complexity in the compilation of GHG inventories, technical failures and consumer acceptability. Speakers suggested several options for overcoming these barriers, for example, investments in research, voluntary reporting schemes, technology transfer and government pricing mechanisms.

24. It was noted that forestry-related activities also provide mitigation potentials to Annex I Parties by enhancing the function of forests as CO<sub>2</sub> sinks. These activities include forest management, afforestation, reforestation, agroforestry and the management of harvested wood products. Measures to realize the mitigation potential of sinks include financial incentives to maintain and manage forests, and land-use regulation and enforcement.

#### 4. Consolidation of efforts in different sectors

25. It was noted that the effectiveness of mitigation policies, measures and technologies at the disposal of Annex I Parties can be enhanced by consolidating efforts at the sectoral level through an appropriate mix of policies and measures. Examples of such policies and measures include integrating climate policies into broader development policies, the use of regulation and standards, tradable permits, financial incentives, voluntary agreements, information instruments, and research and development. The European Union's emissions trading scheme was mentioned as an example of a mechanism to consolidate efforts at the sectoral level because it sends a carbon price signal to a wide range of stakeholders so that they can choose the least-cost mitigation option.

26. Some key differences in the circumstances of different sectors were highlighted, including the following: power generation and industry face high mitigation costs and deal with a small number of large emitters and with competitiveness issues; the transport and building sectors face low or negative costs and deal with a large number of small emitters; the waste, agriculture and forestry sectors face medium to high costs and are faced with social implications and challenges regarding monitoring and verification.

27. Some speakers noted that the role of carbon-price signals is important in changing the behaviour of a wide range of actors and to realize the mitigation potential in all sectors. Policies that provide a real or implicit price of carbon could create incentives for producers and consumers to invest in low-GHG emitting products, technologies and processes. It was pointed out that for stabilization at around 550 ppm CO<sub>2</sub> eq. carbon prices should reach USD 20–80 per tonne of CO<sub>2</sub> eq. by 2030.

28. Speakers emphasized that technology development, innovation and deployment are essential for increasing the mitigation potential across sectors in the medium to long term. Governments have a clear role in realizing the mitigation potential of technologies given that public benefits are higher than those that can be captured by the private sector. Public policies and measures at the disposal of Annex I Parties include financial contributions to research and development activities, tax credits, standard setting and market creation.

29. The two-way relationship between climate change and sustainable development was noted several times during the round table. It was mentioned that non-climate related policies can influence GHG emissions as much as specific climate policies. Climate change concerns needed to be mainstreamed into decision making in a broad range of areas including, for example, macroeconomic planning, forestry, electricity and insurance.

Annex II

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

**Documents prepared for the session**

FCCC/KP/AWG/2007/1	Provisional agenda and annotations. Note by the Executive Secretary
FCCC/KP/AWG/2007/MISC.1 and Add.1	Information and views on the mitigation potential at the disposal of Annex I Parties. Submissions from Parties
FCCC/KP/AWG/2007/MISC.2 and Add.1	Information on external bodies and forums that could provide expert input to the work of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol. Submissions from Parties
FCCC/KP/AWG/2007/L.1	Draft report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its third session
FCCC/KP/AWG/2007/L.2	Analysis of mitigation potential and programme of work. Draft conclusions proposed by the Chair

**Other documents before the session**

FCCC/KP/AWG/2006/4	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
--------------------	--

-----