

2 April 2009

ENGLISH ONLY

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

Fifth session

Bonn, 29 March to 8 April 2009

Agenda item 3 (a–e)

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

Workshop on economic and social consequences of response measures

Report by the chair of the workshop

I. Introduction

1. At its third session, the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) requested the secretariat, under the guidance of the Chair in consultation with Parties, to organize a workshop at its fifth session, on economic and social consequences of response measures.¹
2. The approach and objectives of the workshop were outlined in the scenario note for the fifth session of the AWG-LCA.²
3. This workshop was held in Bonn, Germany, on 31 March 2009, during the fifth session of the AWG-LCA, and was chaired by Mr. Kishan Kumarsingh.
4. In the scenario note referred to in paragraph 2 above, the Chair of the AWG-LCA invited interested Parties to bring their ideas and proposals to the workshop. The following Parties or groups of Parties made presentations: the Philippines on behalf of the Group of 77 and China, Australia, Saudi Arabia and Qatar. The International Labour Organization also made a presentation. A written statement from the United Nations World Tourism Organization was made available during the workshop.
5. An exchange of views took place after the presentations. Statements and comments were made by Argentina, Australia, Benin, Bhutan, Bolivia, Brazil, Canada, Chile, Colombia, the Czech Republic on behalf of the European Community and its member States, Gambia, Indonesia, the Islamic Republic of Iran, Japan, Mexico, New Zealand, Nigeria, Saudi Arabia, Togo, Turkey, Uruguay and the Bolivarian Republic of Venezuela. After this exchange of views, the chair invited observer organizations to make statements. Two short interventions were made by observer organizations, one by the International Trade Union Confederation on behalf of the trade union non-governmental organizations and another by

¹ FCCC/AWGLCA/2008/12, paragraph 35.

² FCCC/AWGLCA/2009/2, paragraphs 8–10.

Friends of the Earth International on behalf of the constituency of environmental non-governmental organizations.

II. Summary of discussions

6. Discussions centred on deepening the understanding of the economic and social consequences of response measures and on possible cooperative actions to address them.

7. Some Parties noted that there is a **lack of information on and common understanding of the impact of response measures**. In this regard, some Parties stressed the need to improve the exchange of information on the subject. Some Parties stated that national communications could be a useful channel for reporting on economic and social consequences of response measures. Some suggested that there is a need to discuss this issue at national as well as international levels.

8. During the workshop, it was recognized that there are negative as well as positive consequences of response measures. Some Parties argued that both types of consequences should be taken into account when considering response measures. Some Parties described the complexity of this issue owing to the wide range of economic and social factors involved. Parties also noted that there is a need for a better understanding of the magnitude and scope of these consequences.

9. As examples of **negative consequences**, Parties referred to: possible trade distortion; implications of subsidies on fossil fuel; cost implications of labelling (such as eco-labelling); effects on exports due to higher taxes on carbon-intensive products; market barriers due to cap-and-trade policies; and a fall in employment levels in certain sectors owing to the effects of technological innovation on the competitiveness of some enterprises. Some Parties presented information on negative consequences affecting fossil-fuel exporting countries, the agricultural sector, and small and medium-sized enterprises.

10. One Party informed the workshop that the 2008 World Energy Outlook of the International Energy Agency reports great uncertainty regarding future energy demands, which is a consequence of scenarios with considerable differences due to the impact of different climate policies. The Party mentioned, as an example, that policies that impact agriculture will have the highest impact on agriculture-dependent developing countries, and policies that target oil and oil products will have the highest impact on oil exporters.

11. On **positive consequences**, it was mentioned that mitigation actions such as technology innovation could have co-benefits in terms of job creation and improved health of workers from better air quality. One Party suggested that energy security could be a positive consequence of development and transfer of low greenhouse gas emitting technology.

12. Some Parties stressed the need to **assess the consequences of response measures, with a view to finding ways to help countries address them**. Some Parties suggested that the Intergovernmental Panel on Climate Change could prepare a special report on social and economic consequences of response measures, including national and regional assessment of policies, methods and tools to address climate change. A suggestion was made to evaluate various policy choices based on their possible impacts on particular countries and particular sectors, in line with scientific and technical information. Some Parties suggested that principles and guidelines could be developed to assist in the systematic assessment of the impacts. There was also a suggestion to undertake social dialogues as part of the process of assessing policies and measures.

13. Some Parties noted that tools and models to assess the impact of different policies are available and are already being implemented by many developed country Parties at the national level in order to evaluate the domestic impact of different policy options. It was suggested that these assessments could be expanded to cover the impacts on various developing countries that are particularly vulnerable, and the impacts on different sectors.

14. Several Parties expressed the need to assess how effects of response measures are distributed across economic and social sectors, in terms of employment (job creation and job loss) and households. There was a suggestion to develop labour market assessment tools and design active labour market policies and capacity-building programmes in order to avoid unintended negative consequences on employment.

15. Parties expressed the need to **enhance the economic and social resilience of countries**, in particular the most vulnerable poor countries that have the fewest resources and least capacity to deal with the impact of response measures. Measures to enhance resilience of these countries could include: economic diversification, capacity-building, financial assistance, technology development, technology transfer, and insurance and risk management strategies. One Party suggested that the financial support for nationally appropriate mitigation actions being proposed under the AWG-LCA could offer a means to deal with some aspects of response measures.

16. Some Parties mentioned the need to **establish a forum to assist affected countries in analysing and addressing the impact of response measures**. Apart from ensuring exchange of information on the consequences, the forum could engage relevant organizations, the private sector, experts and other stakeholders in this undertaking. The forum could also evaluate impacts of policies using modelling techniques. It could also consider appropriate tools (such as economic diversification, insurance, technology development and transfer) for dealing with negative consequences as well as identifying possible sources of funding. There was a suggestion to establish this forum under the Subsidiary Body for Implementation (SBI). There was also a suggestion that the Nairobi work programme on impacts, vulnerability and adaptation to climate change could be used as a model for advancing the exchange of information on how to address the impact of response measures.

17. Parties expressed the need to **ensure coherence in discussions of consequences of response measures within the UNFCCC process**, namely across the AWG-LCA, the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol, the SBI and the Subsidiary Body for Scientific and Technological Advice. Some Parties indicated that it would be convenient to streamline the agendas on similar matters in different bodies.
