

## Quick Overview of the General State of Play of UNFCCC Negotiations after Poznan

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### Adoption of the 2009 work programme<sup>1</sup>

Very few concrete results were expected to come out of Poznan, given the intermediary nature of this Conference (a year after Bali, and a year before the final deal in Copenhagen), and given the political context in the United States (the current Bush administration was still at the negotiating table, but with no mandate to negotiate). The cornerstone of Poznan was to find an agreement on the 2009 work programme, especially on two issues: the mandate given to the incoming AWG-LCA Chair, Mr. Michael Zammit Cutajar (Malta), to write his two first negotiating texts, and the possibility to organise an additional session. Agreement on these two issues was found quite easily during informal consultations. In fact, one might even argue that agreement on these issues was found too quickly, leaving Ministers with nothing to negotiate, except for two very tricky issues: the share of proceeds and the Adaptation Fund (see point 3). Nevertheless this agreement, especially on the two first negotiating texts, successfully paves the way for the entrance of the Parties into full negotiating mode in 2009.

### *Negotiating texts*

The former AWG-LCA Chair, M. Luiz Figueiredo Machado (Brazil), wrote an Assembly document<sup>2</sup>, taking inventory of the proposals made by all Parties since Bali. While all Parties recognised the value of the Assembly document, it cannot be considered as a negotiating text, because of its nature (it includes all Parties proposals and attributes authorship to these proposals) and of its length (more than 80 pages). On the other hand, the two next texts written by the incoming AWG-LCA Chair, Mr. Michael Zammit Cutajar, will be

actual negotiating texts. They will be made available a few weeks before the next two sessions, in March and in June.

The text will describe areas of convergence in the ideas and proposals of Parties (e.g. shared vision, except for numbers), explore options for dealing with areas of divergence (e.g. differentiation and graduation), and identify any gaps that might need to be filled in order to reach an agreed outcome (e.g. legal form of the agreed outcome). Besides, three points of particular importance need to be highlighted:

- The text will not attribute authorship to the proposals, which allows the Chair to combine proposals and produce a shorter text, probably around 30 pages.

- The text will encompass all the aspects of the Bali Action Plan (BAP) in a balanced manner. It compels the Chair to deal with all the building blocks of the BAP, and to follow its structure as much as possible. But it also allows him to slightly reframe some building blocks (especially the one on delivery, dealing with technology and finance) and to add some new elements (especially on the institutional arrangements of delivery).

- The text will be written in a language that does not prejudge the form of the agreed outcome (protocol...).

### *Additional session*

Besides, Parties decided to leave open the possibility to organise an additional session. However, the UNFCCC Secretary General, Mr. Yvo de Boer, urged them to decide before the end of the March session whether or not they will convene this additional session. In most people's minds, such a session would take place between the August session and Copenhagen, in order to allow more time for negotiations. Indeed, time is running very short until

<sup>1</sup> FCCC/AWGLCA/2008/L.10

<sup>2</sup> FCCC/AWGLCA/2008/16/Rev.1

Copenhagen, and Parties will only enter into full negotiating mode in 2009.

In addition, uncertainties remain regarding parallel negotiating tracks. It seems that the UN Secretary General, Mr. Ban Ki Moon, still plans to organise at least two Heads of State meetings in 2009, one in March and one in September, just before the UN General Assembly. However, he still seems to be waiting for a clear signal from the US President-elect, Mr. Barack Obama, to do so. It also seems that Mr. Obama plans to create a Global Energy Forum, in replacement of the Major Economies Meeting (MEM). But the format and content of such a forum is still unknown.

## Main features of the discussions in each building block of the AWG-LCA

### *Shared vision*

Discussions on shared vision were tense due to inaccurate quotes by many Parties and observers of the results of a recent scientific article published in *Climatic Change*<sup>3</sup>.

In the fourth report of the IPCC, working group III, chapter 13, the box 13.7 establishes the need for “substantial deviation from baseline” in developing countries (DCs) at two different periods in time (2020 and 2050) and for three different scenarios (450, 550 and 650 ppm). Since the publication of the report, two of the authors, Niklas Höhne (lead author) and Michel den Elzen (contributing author) have now specified quantitatively the range of deviation from Business As Usual (BAU) that is needed in DCs. According to their article, on average, a deviation from BAU of 15-30% is needed in DCs in 2020 to reach a global long-term objective of 450 ppm eq. in 2050. To do so, the authors rely on two key assumptions: first that Annex 1 countries reach the 25-40% targets by 2020; second, that deforestation rates follow the BAU.

It must be stressed that, since it is post-fourth-report work, the figures have not yet been endorsed by the IPCC. Nevertheless, many Parties and observers inaccurately quoted them in different workshops and contact groups, which gave the impression that they were endorsed by the IPCC. In addition, these figures were used by Bert Metz, former Co-chair of Working Group III for the third and fourth

assessment report of the IPCC, during an in-session workshop on mitigation potentials<sup>4</sup>.

These repeated inaccurate quotes – understandably and rightly – upset many DCs. The Indian delegate for example issued four times the same statement in different workshops and contact groups to express his irritation. The DCs’ arguments were twofold. First, these figures are not IPCC figures. Consequently, DCs do not recognise them as relevant within the context of UNFCCC negotiations. Second, the 15-30% deviation from BAU needed in DCs rests on the assumption that Annex I countries reduce their emissions by 25-40%. Yet this range of 25-40% emissions reduction is not – or at least not only – scientific. It represents a political judgement made by Parties regarding the equitable burden sharing between Annex I and DCs Parties. Consequently, DCs argued that this range should be revised and increased.

To sum up, all the figures, including the ones that seemed the most robust (e.g. 25-40% of emissions reductions), have turned out to be very shaky. Discussions on shared vision have been tensed due to an attempt to reopen these figures. They will undoubtedly continue during the March session.

### *Mitigation*<sup>5</sup>

The focus of the discussions on mitigation was very much on Policies and Measures (PAMs), DCs’ national mitigation plans, and the creation of a registry to record these PAMs (South Africa, South Korea, the EU...)<sup>6</sup>. Some other Parties (mainly China and Mexico) also showed some increasing appetite for sectoral crediting mechanisms.

Both South Africa and South Korea proposed the creation of a registry that would enhance existing provisions of the Convention, in that Article 12.4 already provides that “developing country Parties may, on a voluntary basis, propose projects for financing, including specific technologies, materials, equipment, techniques or practices that would be needed to implement such projects, along with, if possible, an estimate of all incremental costs, of the reductions of emissions and increments of removals of greenhouse gases, as well as an estimate of the consequent benefits.”

<sup>4</sup> [unfccc.int/files/kyoto\\_protocol/application/force-download/2-awgkp\\_6.2-ipcc\\_mr.\\_metz.pdf](http://unfccc.int/files/kyoto_protocol/application/force-download/2-awgkp_6.2-ipcc_mr._metz.pdf)

<sup>5</sup> For more detailed comments on REDD, see Loisel and Pirard, forthcoming.

<sup>6</sup> Submissions by the EU, South Africa, South Korea and others can be found at: [http://unfccc.int/meetings/ad\\_hoc\\_working\\_groups/lca/items/4578.php](http://unfccc.int/meetings/ad_hoc_working_groups/lca/items/4578.php)

<sup>3</sup> Michel den Elzen and Niklas Höhne, “Reductions of greenhouse gas emissions in Annex I and non-Annex I countries for meeting concentration stabilisation targets, An editorial comment”, published in *Climatic Change*, June 2008.

These national mitigation plans and this registry would serve as the basis for developed countries' technological and financial support. Differences remain regarding the type of international funding requested (mainly public finance for the South African SDPAMs and carbon markets for the South Korean NAMAs). But South Africa and South Korea have been invited by the Chair to write a joint submission for the March session.

What is perhaps even more interesting is that Brazil jumped in the discussion between South Africa and South Korea, and endorsed the idea of the creation of a registry. It was the first time they issued such a statement. They made it clear that they would commit to the implementation of these actions, not to their results, and that the actions would be conditioned to support.

The EU is considering that national mitigation plans should be the basis of developed countries technological and financial support. It is also in favor of the creation of a registry. It proposed three kinds of actions that could be recognised internationally:

- unilateral actions (with low or negative costs) (energy efficiency...);
- additional actions (actions with positive costs) supported internationally by other means than the carbon market (building, transport...);
- additional actions supported internationally through the carbon market and sectoral crediting (cement).

China also made some interesting and unexpected statements. Talking about sectoral approaches, the Chinese delegate said that the idea as such was interesting. He deplored that developed countries talked too much about sectoral agreements with targets (either an absolute or an intensity target) and not enough about technology transfers. But instead of repeating what had been said by all DCs during the last session in Accra in August, namely that sectoral approaches should be considered exclusively within the perspective of technology transfers (art 4.7), he said that Parties should have a "balanced view" of the two different kinds of sectoral approaches. In other words, he seemed to open the door for some sectoral crediting.

### *Adaptation*<sup>7</sup>

Apart from the intense negotiations on the Adaptation Fund, adaptation did not show very substantial progress. Countries made general

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<sup>7</sup> For more detailed comments on adaptation, see Garnaud, forthcoming

statements under the AWG-LCA talks on adaptation and means of implementation, underlining the need for scaled-up finance, a comprehensive architecture, the recognition of the need to address disaster risk reduction (including insurance), and the need for regional adaptation centers and information exchange. The other agenda points have delivered hardly significant outcome, but in line with expectations (especially on the Least Developed Countries Fund, the Nairobi Work Programme and the Buenos Aires programme of work).

### *Delivery*

The level of discussions on the delivery of finance and technology was quite disappointing. Parties even moved one step backwards compared to the level of discussion they had in Accra in August, where Parties discussed the various proposals on the table, including<sup>8</sup>:

- **The Norwegian proposal**, which is to create a cap and trade scheme at international level. It proposes that a small portion of permits in this scheme (e.g. 2%) should be withheld from national quota allocation and instead auctioned – the revenues are to be used for adaptation.
- **The Swiss proposal**. Revenue for this proposal is to be raised through a uniform global levy on carbon based on per capita emission and per capita GDP. Countries with emissions below 1.5t per capita will be exempted.
- **The Mexican proposal**. All countries would contribute on the basis of 1) ability to pay, 2) emissions, 3) population. Developed and emerging economies would contribute on a net basis. DCs would also contribute but could draw more from the fund than they contribute. LDCs would not need to contribute.

There is an ever-growing gap between the level of detail of the G77 and China proposals and the general statements made by developed country Parties. This situation produces some frustration among DCs, as they wait in vain for developed countries to respond to their proposals. The EU made a very general statement regarding the three principles that should guide the post-2012 climate financial framework (effectiveness, efficiency and equity). Incidentally, the EU will probably not be able to develop a concrete position before the Spring Council. Other developed countries

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<sup>8</sup> These proposals can be found at : [http://unfccc.int/meetings/ad\\_hoc\\_working\\_groups/lca/items/4578.php](http://unfccc.int/meetings/ad_hoc_working_groups/lca/items/4578.php)

were at the same level of general statement, except for Norway and Switzerland.

### **Focus on the two points negotiated during the Ministerial roundtable**

While the negotiations during the first week and a half proceeded quite well, with an agreement almost easily found on the work programme for 2009, and some negotiating lines slightly moving – especially on mitigation – the two last days with the Ministers were particularly acrimonious, and the Conference thus ended on a bitter note. Indeed, Ministers have been left with two difficult and badly prepared issues to deal with: the legal capacity of the adaptation fund, and the extension of the share of proceeds.

#### ***Adaptation Fund***

Negotiations on the Adaptation Fund showed great misunderstanding of the issue from every Party, on both technical and political aspects of the discussion. After harsh negotiation, the EU and the Umbrella Group finally accepted to give the Adaptation Fund Board (comprised of a majority of developing countries) a legal capacity in order to allow Non-Annex 1 Parties to access the fund directly. Sold as being operationalised after Bali, the Adaptation Fund suffered from disagreements with the World Bank on ways of implementing this direct access, as the World Bank – interim trustee of the Adaptation Fund – did not want to abandon all power on the way the funds would be disbursed if it was to be fiduciary responsible (as stated in the Bali decision). Developing countries argued that giving the Board legal capacity (and thus fiduciary responsibility) was the only way to achieve direct access, whereas developed countries believed there were other ways. Developed countries were further unwilling to give the Board legal capacity as they feared first they would lose *de facto* any power on it, and second that it might become a precedent for the future financial architecture and for international cooperation in general. Thus, what was predicted to be a pretty straightforward negotiation, giving developed country an asset to show their good will on the issue of adaptation, turned out to be a very good move for developing countries who finally got what they wanted and can still blame the Annex 1 countries for uncooperative attitude.

Yet, the very hazy language of the decision might bring some surprises when the operationalisation takes place. We might as well see the issue raised again at Copenhagen in the

same terms, with still no project financed 8 years after the creation of the Fund. Needless to say this would not be a good starting point for Annex 1 Parties' delegations.

#### ***Share of proceeds***

The extension of the share of proceeds from Joint Implementation (JI) and emissions trading was discussed in the agenda item, "Second Review of the Kyoto Protocol, pursuant to its Article 9". The discussion collapsed without agreement past midnight on December 14, the last day of the Conference. The main point of disagreement between Parties was the extension of the share of proceeds to "emissions trading" (even though Russia and Ukraine were strongly opposed to the extension of the share of proceeds to JI, as they host many JI projects). A levy on "emissions trading" can be understood as a levy on the issuance of credits, or on the transaction of credits. The second option is of course leveraging much more money as the tax is collected for each transaction. There was a clear divide between developed and developing country Parties on this issue, the former refusing to sign a deal on the extension of the share of proceeds before the final deal on finance was signed (and before they get pledges from DC to reduce significantly their emissions in return), and the latter willing to get a deal in Poznan. At least two options were discussed:

- Option 1, supported by DCs, said that starting from the second commitment period (for Annex 1 countries) of the KP, the share of proceeds from emissions trading and projects under Article 6 of KP (joint implementation) shall be used to assist developing countries that are particularly vulnerable to meet the costs of adaptation. To operationalise this, Parties with a commitment inscribed in Annex B of the KP shall, as soon as possible, upon issuance of the assigned amount units (AAU) and removal units, transfer two percent of those units to the appropriate account of the Adaptation Fund.

- Option 2, supported by developed countries, recommended that the issue be taken up under the AWG-LCA under the Convention in the context of other possible options for raising funds for adaptation purposes.

In the end, the agenda item on the review of the KP was completed without a decision being made.