

SBI/SBSTA: Parties move forward on economic diversification and just transition work

Kuala Lumpur, 6 June (Hilary Chiew) – Parties to the UNFCCC at the recently concluded climate talks in Bonn agreed to advance further work on the impact on developing countries, of the implementation of response measures (to address climate change) by developed countries.

This decision was taken at the 44th session of the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA) on 26 May, the final day of the Bonn talks.

The impact of the implementation of response measures is a joint SBSTA/SBI agenda item. Among the sub-items of this agenda item were: ‘(a) improved forum and work programme’; and ‘(b) modalities, work programme and functions under the Paris Agreement of the forum on the impact of the implementation of response measures’.

Parties adopted conclusions following four informal consultations and three contact group meetings.

The main highlights of the conclusions for sub-item (a) on the improved forum and work programme are as follows: “The SBI and the SBSTA welcomed the offer by a Gulf Cooperation Council (GCC) country to host a workshop to enhance work under the improved forum. The SBI and the SBSTA noted the interest of some Parties in a high-level event on economic diversification and sustainable development to be held at the 22nd meeting of the Conference of the Parties (November 2016) ...” They also “agreed to implement the work programme on the impact of the implementation of response measures ...”

The elements of the work programme include a “technical paper on just transition of the work force, and the creation of decent work and quality jobs” as well as submissions from Parties and observers on

“views and experiences, including on case studies, ... in the context of sustainable development, in order to implement the work of the improved forum, on: (i) economic diversification and transformation; and (ii) just transition of the workforce, and the creation of decent work and quality jobs.”

Parties also agreed “that in order to advance the work of the improved forum, the *ad hoc* technical expert groups shall function in accordance with the terms of reference contained in annex II (of the conclusion).”

The main highlights of the conclusion on the sub-item (b) on modalities, work programme and functions under the PA of the forum on the impact of the implementation or response measures, was as follows: the SBI/SBSTA agreed to invite Parties and observer organizations to submit by 12 September 2016 their views on the modalities, work programme and functions under the Paris Agreement of the forum, and also to continue their consideration of this matter at the 45th sessions (in November 2016).

At the **first contact group on 17 May**, developing countries stressed the need to leave Bonn with an elaboration of the work programme for the improved forum and the terms of reference (TOR) for the Technical Expert Group (TEG) to elaborate on the technical work under the improved forum.

Representing the **Group of 77 and China, Bahrain** said it was enthused with the institutionalisation of discussion by means of continuing and improving the forum to address the needs of developing country Parties to deal with the impact of the implementation of response measures, and looked forward to start breaking ground on developing the work programme with a view to recommending specific actions.

The G77 said “the improved forum shall serve to give full consideration to what actions are necessary to

meet the specific needs and concerns of developing countries arising from the impact of the implementation of response measures, in accordance with the principles and provisions of the Convention. All this, in a general context has to be seen in the broader objective of the achievement of sustainable development in its economic, social and environmental dimensions and the first and overriding priorities of developing countries, being poverty eradication and economic and social development.”. It stressed the need in this session to elaborate the work programme and its activities, as well as the specific TOR of the TEG.

This work, said Bahrain, will help to recommend specific actions on areas such as economic diversification and the just transition of the workforce, the creation of decent work, taking into consideration the needs and concerns of developing countries, including policy issues of concern.

The G77 also welcomed the two technical papers prepared by the Secretariat, specifically the guidance document to assist developing countries to assess the impact of the implementation of response measures, and the technical paper on the concept of economic diversification in the context of response measures. The Group found them very useful in showing the gaps in implementation. It said “the papers show how certain policy initiatives have an impact on developing countries, and how there is a need for *ex ante* and *ex post* assessments.”

It further outlined the areas where the G77 saw collaboration and cooperation that can be enhanced where there are still gaps of implementation, which included the following: “Facilitation of technical collaboration among Parties and experts on tools, including studies, modelling and methodologies, to assist developing countries, ... in particular in relation to specific action for economic transformation and diversification; cooperation of modelling teams among Parties; partnership with organizations in the research and assessment of developing countries’ concerns and needs rising from the impacts; cooperation under the Convention to enhance the reporting of Annex I Parties of the impacts of their response measures on developing countries, and how they are minimizing the adverse effects on developing countries; promotion of cooperation for the fulfilment of developed countries obligations’ in terms of support of financial resources, transfer of technology and capacity building to developing

countries; support of multilateral solutions, in opposition to unilateral measures; collaboration for the development of mechanisms for a just transition of the workforce and the creation of decent work, in accordance with nationally defined priorities and cooperation on the assessment of response measures taken by developed country Parties.”

It believed that “this work under the Forum will be a milestone towards the establishment of an institutional arrangement post-2020 in the context of the Paris Agreement”.

Speaking for the **African Group**, **South Africa** was of the view “that economic diversification is not the only effective means of reducing the adverse impact of response measures ...; economic diversification is a long-term process included in our national sustainable development priorities.”

“Like the right to regulate, the right to self-determine our economic diversification pathways means that the forum’s role is not to determine how economic diversification can be integrated into national sustainable plans as a mean of adapting to the negative impacts or potential impacts of response measures,” it pointed out.

Africa, it said, is not in a position to quickly adapt to the negative impact of response measures. Thus, the work programme on economic diversification must promote examination of both short-term and long-term solutions, noting that the African Group is interested in supporting a work programme that recognises how the implementation of response measures can impact economic diversification and sustainable development.

“For example, how the implementation of response measures impact industrialisation in Africa, especially the integration and exclusion of Africa from global value chains. The assessment of impacts and modelling tools should seek to address such gaps,” said South Africa.

“The TEG should address the technical barriers in the assessment and analysis of the impact of the implementation of response measures in addition to addressing the capacity-building needs of African countries regarding resources to do in-country assessments,” it added.

Welcoming the two guidance papers by the secretariat, **Singapore** said the papers represented a good start and provide a useful point of reference for our work. It said there are two priorities for this session. The first priority is to have an agreed work programme of the improved forum. It said it should cover three areas – economic diversification, assessment of impacts of response measures, and just transition of workforce.

“Economic diversification could cover sector and country-specific sharing of case studies on successful diversification strategies; development of guidelines for economic diversification activities; and the development of an inventory of response measures that could have adverse impacts on economic diversification efforts”, said Singapore.

One such cluster of measures is trade barriers, it said, and pointed out that the impacts paper contains a list of trade measures that could have adverse implications on developing countries. For just transition in workforce, it said the improved forum may need to undertake a diagnostic study, followed by guidelines for just transition.

Singapore also underscored that countries will face structural challenges as they meet their climate commitments and depending on how response measures are designed and applied, they may have adverse implications. “We are dealing with urgent real world issues and these issues need urgent responses,” it stressed.

China emphasised that the purpose of the forum is on how to eliminate the negative impacts of the implementation of response measures. It believed that in future following the commitments made in Paris, climate actions by countries will increase and that means increased risks of the impacts.

“The important topic in the whole negotiation is not only in mitigation. Negotiators in this room are not trouble-makers but trouble-shooters ... we are trying to find solutions to problems in the future (arising from response measures), said China.

“China was not satisfied with the previous forum so we asked for an improved forum but we really need to define what is improved and want to see more concrete actions,” it added.

Noting that Parties are only meeting twice a year, **Mali** emphasised that it was critical to look into the use and development of modelling tools, taking into account relevant policy issues of concern from this session. **Argentina** said Parties need an action-oriented work programme and to decide on specific actions on just transition of the workforce and assessment of impacts, including those from unilateral measures.

The **European Union (EU)** wanted the work programme to include all views and to look at impacts across the board. **The United States (US)** said it wanted a careful balance of Paris achievements and to implement the work programme focusing on economic diversification and just transition of the workforce.

Informal consultations on 19 May

Developing countries reiterated their general positions. Developed countries made clear that they were not in favour of moving ahead with delivering the TOR for the TEG yet, pending further discussion of the work programme.

The **EU** argued that there was no specific call for the TOR for the TEG by the decision in Paris but it could discuss how to provide details on that. It also said that the TEG is to be established under an *ad hoc* basis when the need for it has been identified. It was supported by the **US** and **Japan**.

After hearing the exchanges of Parties, **co-facilitator Andrei Marcu (Panama)** proposed to put forward a document on how Parties see the work programme as a basis for further discussion and as well as the TOR for the TEG.

The **US** suggested delaying the *ad hoc* TEG but **South Africa** disagreed. The latter said it foresaw the need for the TEG to implement the work programme. “The TOR is important for us now rather than later because that means the work programme will be delayed,” it warned. **China** supported South Africa.

Informal consultation on 21 May

Co-facilitator Marcu presented three slides containing a projected list of activities of the work programme proposed by Parties during the earlier discussions. A printed version of the slides was distributed to Parties.

Saudi Arabia speaking for the **G77 and China** (in the absence of Bahrain) said the compilation was below the Group's expectations but was a good basis to start. It was concerned with the delay of the development of the TOR to a later stage (proposed for November in the co-facilitator's text).

Australia asked how the inter-session workshop on the case studies (economic diversification and transformation and just transition of the workforce) will operate given that the forum operates during the subsidiary bodies meetings.

South Africa representing the **African Group** reiterated that it preferred to look at linkages of economic diversification with the impact of the implementation of response measures but should not prejudge economic diversification as a means to address impacts. It also proposed to expand the scope to read as 'economic diversification and transformation'.

Echoing Australia, the **US** said it was concerned with the proposal that has gone beyond the scope of the forum and was not sure what inter-session workshop means. The **EU** was dissatisfied that the principle of inclusiveness to involve as many Parties and observers in the forum was not reflected in the inter-session activity.

Namibia expressed concerns that developing countries may now have to implement economic diversification in response to the impacts rather than developed countries reducing their impact of the implementation of response measures.

Singapore said that as the work was multi-dimensional, it was perhaps apt not to have a TOR that caters for all issues and therefore mooted the idea of a generic TOR. On modalities of the TEG, it suggested a roster of experts having expertise in areas relevant to fulfil the mandate of the Paris decision.

Developing country groupings and Parties saw the Singapore idea as a basis to move forward.

Contact Group on 24 May

Co-chair Marcu presented a revised work programme after much discussion on the contents at the last informal consultation on 23 May.

Bahrain for **G77 and China** said the Group was ready to move forward with the revised text. It was

supported by **South Africa** for the **African Group**, **Maldives** for **AOSIS** and **Saudi Arabia**.

Parties continued to hold divergent views on when to hold the workshop on views and experiences including case studies on economic diversification and transformation and just transition of the workforce and the creation of decent work and quality jobs as well as the high level event to launch the improved forum.

Bahrain for **G77** recalled that Parties reached a historical agreement in Paris (referring to the improved forum) and would like to have the workshop which would include Parties and observer organisations and the high level event. **Saudi Arabia** said it has indicated at the 23 May meeting that there was a Gulf Cooperation Council member that was ready to hold an inter-session workshop.

The **EU** believed having an in-session workshop at Marrakech (venue of the SBs 45th meeting) will attract more people and wider visibility, and reduce travel for all, including having the launch of the improved forum during the workshop.

The **US** expressed strong preference for in-session workshop but noted that it would be difficult to decline the offer on the table to host the workshop. It understood the desire for recognition of the improved forum but it was not sure if 'high level' is the right term as it carried certain connotation in the UNFCCC process and it was open to other ways of having the launch event. **New Zealand** too had concerns about holding an inter-session workshop and if the host of the workshop will cover travel costs of all participants.

The Secretariat said there has been strong expression of interests to hold an inter-session workshop to allow Parties to dig deep into the discussion around economic diversification and just transition of workforce. As there was already an offer to host, there will be no cost to the Secretariat.

Bahrain for the **G77 and China** said the high-level event will be appropriate. **Canada** insisted that having an inter-session workshop will affect inclusivity. **Singapore** cautioned that delaying the work to Marrakech would mean that Parties did nothing for one year.

South Africa for the **African Group** said if the EU, New Zealand and the US did not see the value of the

workshop, could these Parties explain their grand notion of the launch of the improved forum.

Japan and **Australia** also voiced their support for an in-session workshop saying that this would ensure inclusivity.

Namibia said “There are already unilateral measures affecting some of our sectors. My national airline that flies into the EU zone is already feeling the pinch and paying carbon tax. There are issues of sustainable production and consumption.” It appealed for a “fast-track so we can arrive at a comprehensive decision at Marrakech.”

Saudi Arabia reiterated that there was an offer by a GCC country which covers the cost of the workshop and logistics. It did not see any clear concrete reasons not to have the inter-session workshop.

The **EU** said that there was a strong reason not to have a pre-session workshop and insisted on in-session workshop.

Informal consultation and Contact Group on 25 May

Following further feedback and exchanges, **co-facilitator Marcu** read out the draft conclusions for sub-items (a) and (b) which Parties agreed to, as set out above.