TWN 14
Panama News Update
www.twnside.org.sg
Published by Third World Network
10 October 2011

Progress in Panama but big challenges ahead in Durban

Geneva, 10 October (Meena Raman) – The last day of the climate talks in Panama on 7 October under the Ad-Hoc Working Group on Long-term Cooperative Action (AWG-LCA) saw some progress in producing some texts by Parties to advance further negotiations in Durban, South Africa where the talks will resume in late November.

Although the mood was generally positive that advances were made in producing texts in Panama on several key elements under the Bali Action Plan, big challenges remain in Durban to arrive at an agreed outcome on all the critical issues which are - shared vision, mitigation for developed and developing countries; mitigation related to forest activities, sectoral approaches, market and non-market mechanisms, economic and social consequences of response measures; adaptation; finance; technology transfer and capacity building.

At the closing plenary of the AWG-LCA, **Ambassador Jorge Arguello** of **Argentina** speaking for the **Group of 77 and China,** said that "although there has been indubitable progress in the work in Panama", the Group had "concerns over the uneven progress in the negotiations and called for decisive leadership to ensure that all submissions from the Parties are discussed and that there is a positive basis for successful negotiations in Durban." He stressed that a serious imbalance in the progress of issues could not be conducive to a successful outcome that is comprehensive and balanced.

Arguello was referring to how there were draft texts or non-papers for negotiations in the case of several issues, but there was no progress on some issues as that relating to economic and social consequences of response measures, which included the issue of addressing unilateral trade measures by developed countries on the grounds of climate change.

At a contact group meeting of the AWG-LCA held at noon before the closing plenary, facilitators reported on the outcomes of the respective informal groups.

In relation to the element of **shared vision,** Parties worked on the facilitators notes, which led to the production of a non-paper for further work. The facilitator of the session welcomed more suggestions for further streamlining of the document in order to have a draft decision text.

(Among the divergences that arose in this informal group among developed and developing countries was over the scope of the shared vision. Developed countries wanted the focus to be only on the issue of determining the long-term global goal for emissions reductions and the time frame for global peaking. Developing countries on the other hand wanted the shared vision to also operationalise the principles of equity and historical responsibility including through having a fair sharing and equitable allocation framework in relation to emissions reductions, and the establishment of global goals for finance, technology transfer, adaptation, and capacity building. In addition, developing countries also wanted the issue of unilateral trade measures and intellectual property rights to be addressed).

On the **mitigation** of **developed countries,** the co-facilitators reported progress in textual work and in-depth discussions on biennial reports and international assessment and review (IAR). A non-paper was prepared on "possible elements of draft guidelines for biennial reports" and another non-paper on "possible elements of modalities and procedures for IAR. The co-facilitators said that discussions were also held on the pledges of developed countries, their ambition level and the accounting framework (relating to paragraphs 36-38 of the Cancun decision) and a co-facilitators' summary of the discussions was produced. The co-facilitators acknowledged that the co-facilitators notes (regarding paragraphs 36-38) were less elaborate than the other two non-papers and were not as mature (in terms of the discussions).

(Many Parties recognized the existence of an ambition gap in relation to the pledges of developed countries and the need to raise the ambition level. However, developed countries insisted on the consideration of this issue in the context of encompassing all Parties, including developing countries with a significant share of emissions. Developing countries on the otherhand were opposed to the attempts by developed countries to link their ambition level to that of developed countries.) (See TWN Update 13 in this regard).

The co-facilitators said that Parties had requested a second reiteration of these non-papers, which would be done by 14 October. Parties were asked to provide further concise draft proposals, additions and deletions including any structural changes to the non-papers by 21st October. They said that the non-papers would be revised on the basis of submissions by Parties latest by 18th November.

The situation was similar in the case of mitigation actions of developing countries. Parties had discussions on biennial update reports (BURs); international consultations and analysis (ICA); the registry to record the national appropriate mitigation actions (NAMAs) seeking international support; and the pledges of developing countries including the assumptions underlying them (which related to paragraphs 48 to 51 of the Cancun decision).

According to the facilitators, 4 non- papers were produced on the "possible elements of draft guidelines for biennial update reports", "possible elements of modalities and procedures for international consultations and analysis,"; the registry and a co-facilitators' summary of the discussion related to paragraphs 48-51. Parties asked for a second iteration of these documents. The co-facilitators welcomed further specific concise drafting proposals, additions, deletions and suggestions for structural changes to the non papers which are to be submitted by 21 October. The revisions would be made before regional groups meet in Durban by 18 November. It was also acknowledged that the summary note on paragraphs 48-51 was less mature compared to the others and revisions of the summary note should reflect this.

On the issue of **reducing emissions from deforestation and forest degradation in developing countries (REDD-plus),** according to the report back by the facilitator of the informal group, Parties had explored financing options for results-based actions in implementing forest-related activities and considered what results-based actions were. A vast majority of Parties wanted a decision on REDD-plus finance for its full implementation. The facilitator was able to produce a non-paper, which was a "placeholder text" which was an outline rather than a negotiating document. The facilitator asked Parties to submit views and proposals, which the secretariat will compile so that Parties can begin work in having a full text for negotiations in Durban.

On the issue of **"cooperative sectoral approaches",** the facilitator of the informal group reported that Parties discussed the general framework, agriculture and international aviation and shipping. A consolidated texts provided by Parties was produced in which the options reflected captured a divergence of views. (Some Parties wanted decisions on agriculture and international aviation and shipping while others did not want any decision in this regard.)

On **"various approaches including market and non-market based mechanisms"**, a draft text was produced which contained a compilation of submissions from Parties which, according to the facilitator, provided ingredients for negotiations. Parties could review the text further and see how streamlining could be done. (One major area of disagreement among Parties is whether offsets should be allowed in relation to market based mechanisms).

On the issue of the **"economic and social consequences of response measures"**, the facilitator said that there was need to continue discussions further for a textual note. The facilitator prepared a note under his own responsibility, which summarized the discussions and there were also 3 submissions by from developing country Parties as draft decision texts. (This was one of the most controversial issues during the Panama meeting where developed countries were opposed to any texts for negotiations. They did not even want the submissions of developing countries to be compiled into a document. One issue, which was firmly resisted by developed countries and Singapore, was that of "unilateral trade measures" as they insisted that the UNFCCC was not the proper forum to discuss this matter but the WTO.) (See TWN Update 9 on this issue).

On **"adaptation"**, the facilitator reported that a consolidated text was produced as basis for further discussions, which was a well-advanced draft decision text. The facilitator hoped to see further common ground reached on the composition of the Adaptation Committee. (Parties had disagreements on how the Committee is to be composed).

As regards the issue of **"finance"**, the co-facilitators reported that Parties discussed "long-term finance" and the "Standing Committee on Finance" As a result of time constraints for further discussions, the co-facilitators said they would incorporate Parties comments in the meetings along with additional submissions into a draft text which will be presented for negotiations. All the submissions by Parties as conference room papers would still be on the table. There said that there were different views on long-term finance. (Some developed countries, including Australia, Japan and Canada were initially opposed to any text on long-term finance, but relented after insistence by developing countries.)

As regards **technology development and transfer**, the facilitator reported that based on the submissions of the G77 and China, the European Union and the joint-submission by Japan and the United States, he produced a draft decision text for negotiations. He said that Parties engaged in a first reading of the text and there was a good exchange of views on the governance structure of the Climate Technology Centre and Network (CTCN) and on the criteria for the host of the CTCN. He said that there were divergences over the role of the Technology Executive Committee (TEC) in governing the host of the CTCN and this was an issue that still needed to be resolved. (Developing countries want the CTCN to be governed by the TEC while this was opposed to by developed countries). The facilitator said that further technical work was needed to enhance the clarity on the call for proposals to host the CTCN and criteria for evaluation in this regard. The text was detailed on the international selection procedure and he said that Parties have to make an effort to hammer down concrete ideas.

On c**apacity building,** the facilitator reported that 3 groups of Parties had proposals for draft decision text, which were compiled for further discussions.

As regards the issue of the "**review to define its scope and development of its modalities"** the facilitator reported that a non-paper was produced and hoped that there would be agreement on the scope of the review. (Parties were divided on the scope of the review as the Alliance of Small Island States wanted the review to only be confined to a review of the adequacy of the long-term global goal in relation to the temperature goal while a large number of developing countries were in favour of a review the adequacy of the implementation of the commitments under the Convention as a whole).

On the **legal options** for the agreed outcome of the work of the AWG-LCA, the facilitator reported a divergence of views on the matter. Parties are to continue discussions on the menu of options. (This issue was one of the "hottest" issues in Panama, as some Parties wanted Durban to launch a new mandate and process for a new legally binding instrument under the Convention while other Parties wanted the content of the outcome to be agreed to first before determining the legal form of the outcome). (See TWN Update 10 on this issue).

Following the report back from the contact group, Parties expressed their views on how they saw the Panama meeting at the closing plenary held on October 7.

The last day of the Panama meeting also saw the launch of an alliance between the African Group, the Least Developed countries (LDCs) and the ALBA group of Latin American countries to ensure that the Durban climate conference delivers outcomes that strengthen the climate regime, cut emissions and deliver on climate finance. At a press conference held on 7

October, the leaders of these developing country groupings announced that they have developed a 'Statement of Common Position' outlining areas of unity and defining a common position covering key areas of the negotiations.

The **G77 and China** at the closing plenary said that that the (Panama) session proved to be of great added value, with positive results in terms of making concrete progress in order to arrive in Durban with greater clarity, an improved mutual understanding and concrete texts to work on, in several cases. The Group reaffirmed the strong commitment of the members to move forward in Durban in both tracks (of the United Nations Framework Convention on Climate Change and its Kyoto Protocol), based on some fundamental tenets: the Convention and the Kyoto Protocol must be preserved. The Bali Road Map and the two-track negotiation are to be followed, and the Cancun decision rendered operational. It said that multilateralism is a political tool that has proved beneficial to all and must be safeguarded. The second commitment period (for Annex 1 Parties under the KP) is paramount for the G77 and China. Efforts must be made in order to achieve its adoption.

The G77 and China expressed that in Durban, there must be a fair and equal treatment of all issues that are important to all Parties. A serious imbalance in the progress of issues can clearly not be conducive to a successful outcome that is comprehensive and balanced.

The Group was ready to work on the draft negotiating texts on the very important issue of **finance**, those of the Standing Committee and long-term finance, both crucial enabling means of implementation for developing countries. It is clear that without financing, including for technology development and transfer and capacity building, the extent to which developing country Parties will be able to effectively implement their commitment under the Convention will be directly affected, it said.

The same applies to other new responsibilities, such as measurement, reporting and verification (MRV) of nationally appropriate mitigation actions of developing countries (NAMAs), that should be accompanied with clear indications of how much, how, and when new financial resources would be provided to developing countries, said the G77 and China. The oversight of the implementation of commitments related to financing, technology development and transfer and, in particular, adaptation should be ensured through the Standing Committee. Long-term finance would include the initial capitalization of the Green Climate Fund and its predictable financing so that it can become operational in Durban.

Regarding **mitigation**, the G77 and China believed that the level of engagement in mitigation was positive especially in the mitigation actions of developed countries and that of developing countries, but insufficient in others, such as the social and economic consequences of response measures. The Group highlighted the need for balance, both within mitigation and between mitigation and other building blocks, including adaptation and financing. It called for the willingness of Parties to engage on concrete text and good faith must exist from all Parties and on all issues.

In connection to the discussions on the development and **transfer of technologies**, the G77 and China said that negotiations were positive, and hoped that the two outstanding issues remaining can be resolved in Durban, so that the Technology Mechanism can be fully operationalized.

The Group of 77 and China emphasized the importance of the issue of **economic and social consequences of response measures** for all developing countries, and therefore, the need to give full consideration under the AWG-LCA 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 this respect, it expressed its disappointment at the unwillingness of developed countries to make progress in Panama on this issue in the AWG-LCA, which lead to not having an outcome on this issue during this session.

The **Democratic Republic of Congo,** speaking for the **African Group** said that it was concerned that progress in Panama has been uneven on different issues. On some, there was considerable movement, on others some movement and on others, the negotiations had almost ground to a standstill. It said that there was foot-dragging by some Parties.

It was concerned in particular that there has been inadequate progress on finance and, under the other track of our negotiations, on mitigation commitments by Annex I parties under the Kyoto Protocol. The African Group said that we cannot build a table on two legs. There was need to ensure strong outcomes on both tracks and all pillars of our negotiations – particularly two key commitments of Annex I countries – mitigation and finance. On mitigation, we need to increase the ambition of Annex I mitigation targets across the board. In particular, work under the AWG-LCA we must focus on converting Annex I non-Kyoto Parties in converting targets into a carbon budget and a common accounting framework, it said.

There was also need to establish a robust MRV regime to ensure environmental integrity, comparability of efforts among Annex I Parties and avoid double counting. This should serve as an early warning mechanism in tracking mitigation and support.

On finance, we need progress on the sources and scale of public financial resources to be provided by developed countries for the period commencing in 2013, on enhanced transparency in the provision of new and additional financial resources through a common reporting format, and on the operationalization of the Green Climate Fund and the Standing Committee on Finance. It expressed concerns that it took most of the week here in Panama to start work on a text. Aadaptation is a priority for Africa and called on developed country Parties to urgently scale up support for the implementation of adaptation measures and plans.

Ecuador speaking for the **ALBA**, was concerned that developed countries who were clamouring for a legally-binding outcome under the AWG-LCA were themselves not respecting the law in not making their further commitments under the Kyoto Protocol. It said that there was need for a clear decision on the provision of long-term finance and it could not accept the excuse that there was not enough resources when billions of dollars were being used to save banks and on war.

Saudi Arabia, speaking for the **Arab Group** expressed concern that developed countries were impeding negotiations on long-term finance. In relation to the informal group on economic and social consequences of response measures, there was a total rejection of all texts by developing countries, which did not lead to the required balance for a comprehensive outcome.

Grenada, speaking for the **Alliance of Small Island States,** did not support the efforts by some Parties to rewrite the Convention and abandon the Kyoto Protocol. It wanted a clear and unambiguous mandate for a new agreement under the AWG-LCA, while expecting developed countries to fulfill their commitments under the Kyoto Protocol. In relation to the issue of the review, it said that it will resist attempts to broaden the scope of the review beyond the adequacy of the long-term global goal related to limiting the temperature rise. It also called for the rapid capitalization of the GCF.

Gambia speaking for the **LDCs**, said that many Parties were willing to move towards a legally binding instrument under the Bali Action Plan but such an instrument must be binding and capable of enforcement on all the Bali pillars.

The **European Union** welcomed progress on many issues, including on mitigation ambition, clarifying of the pledges (for emissions reductions), common accounting framework and enhanced MRV. The EU emphasized the need for a single legally binding instrument that includes all the essential elements of the KP and that it was willing to consider a second commitment period as part of a wider outcome including a comprehensive framework for all major economies. It said that Durban should agree on a mandate with a clear timeline to negotiate a new protocol. It said that further progress was needed on identifying the sources of long-term finance from public finance, including innovative sources, and private finance. Market mechanisms were part of the solution and an agreement on new market mechanisms must be a part of the Durban package.