

## **Trip Report: Bonn 2 UNFCCC Climate Change Negotiations, 1-12 June 2009**

This report is based on observations during the latest round of the UNFCCC Climate Change Negotiations in Bonn, 1-12 June 2009. The conference combined several events:

- 30<sup>th</sup> sessions of the Convention's two subsidiary bodies – the Subsidiary Body for Scientific and Technical Advice (SBSTA) and the Subsidiary Body for Implementation (SBI)
- 8<sup>th</sup> session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP)
- 6<sup>th</sup> session of the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA)

The meetings followed on from COP14 and 'Bonn 1' in April, which was the 7<sup>th</sup> session of the AWG-KP and the 5<sup>th</sup> session of the AWG-LCA.

### **Negotiations**

#### Overview

As per previous reports three of the negotiating streams are of relevance to biodiversity and forest conservation:

- AWG-KP, specifically the carbon accounting rules for LULUCF (land-use, land-use change and forestry) and proposed reforms to the Clean Development Mechanism (CDM)
- AWG-LCA, specifically the policy mechanism for design of REDD and potential finance for ecosystem-based adaptation
- SBSTA, specifically the methodological guidance to be used when implementing REDD

Given time constraints, this focuses on following aspects of the three streams that are relevant for REDD.

It is unclear how the two negotiating streams that could end up in a new international settlement (AWG-KP and AWG-LCA) will come together. Possible options, which are spelt out in the section 'Legal form of the agreed outcome' of the AWG-LCA negotiating text include:

- A series of specific, legally binding, COP decisions
- An 'agreement', with its legal form as yet undefined
- A revised version of the Kyoto Protocol
- A new Protocol
- Amendments to the convention itself

One consideration is that the US will apparently not agree to a document based on Kyoto, simply due to the domestic political resistance to Kyoto – i.e. the new treaty/agreement/protocol would have to have a new name.

Several meetings are planned in the lead up to Copenhagen, in order to give extra time for negotiations these are:

- 'Bonn 3': 10-14 August 2009, AWG-LCA and AWG-KP, informal meetings. This session may be closed to outside NGOs.
- Bangkok: 28 September – 9 October 2009, 7<sup>th</sup> session of the AWG-LCA and 9<sup>th</sup> session of the AWG-KP.
- Barcelona: 2-6 November 2009, resumption of the 7<sup>th</sup> session of the AWG-LCA and AWG-KP, informal meetings.
- Copenhagen COP 15: 7-18 December 2009, 8<sup>th</sup> session of the AWG-LCA, 10<sup>th</sup> session of the AWG-KP, 31<sup>st</sup> sessions of the SBSTA and SBI.

#### AWG-KP

The draft negotiating text on LULUCF and project-based mechanisms (i.e. the CDM) can be found at: <http://unfccc.int/resource/docs/2009/awg8/eng/08.pdf>

AWG-KP is undergoing a process to redefine how emissions (e.g. deforestation) and removals (e.g. reforestation) of greenhouse gases (GHG) are accounted for under the Kyoto Protocol. These rules were initially laid out in the Marrakesh Accords (2001), and refer to Annex 1 parties (i.e. Developed Countries plus some of the former Soviet block). The most comprehensive way to account for GHG would be through a total 'land-based accounting' system, i.e. requiring reporting for every type of activity covering all types of land. In practice this would be extremely difficult to do, and I think only a few countries currently do this (one possible example is Australia's national carbon accounting system). Under Kyoto, the parties adopted a less comprehensive approach, making reporting of some land-use change activities compulsory (e.g. forest cover) and allowing Annex 1 countries to then select other activities for reporting (e.g. forest management or cropland management). A second complexity was that countries were either supposed to report changes from a gross baseline, or relative changes from emissions in 1990. These rules allowed countries to game the system, by reporting activities that had a net improvement (thereby offsetting some of the country's industrial emissions) and not reporting others. Some of this was for political reasons: e.g. Russia was effectively given various incentives to join the scheme. The document 'Deconstructing LULUCF' explains this in more detail. A second problem with the Kyoto land-use accounting system is that apparently the targets were negotiated before the rules (which were negotiated later leading to the Marrakesh accords). This gave incentives to countries to come up with the best set of rules to allow them to meet the targets as easily as possible. Under AWG-KP the consensus has been to negotiate the rules first, and then set the targets.

The proposed AWG-KP revisions to the LULUCF rules are contained in a 'Non-Paper' that was prepared by the co-chairs of the informal group and contains two options: Option 1 would be a revision to the current rules, i.e. an activity-based accounting system; Option 2 would be a land-based accounting system. The EU proposed a new alternative during Bonn 1 (March 2009) called the 'bar' which is intermediate between the two. Option 2 seems to have been inserted by developing countries in order to gain negotiating leverage over the Annex 1 countries. Developing countries have two further more legitimate complaints. The first is that under the current rules developed countries can offset their industrial emissions against credits gained from gaming LULUCF. This potentially reduces the need for developed countries to buy offsets (such as REDD credits). A second issue is that much of the REDD debate is about requiring developing countries to measure forest cover changes at the national scale, thereby accounting for leakage. However, the current LULUCF rules for the Annex 1 parties do not account for leakage at all, since emissions displaced from an activity that must be reported to an activity that need not be measured. It seems somewhat unreasonable to request the developing countries to account for all changes in GHG emissions and removals from forestry under the proposed REDD mechanism, if the Annex 1 countries do not.

The AWG-KP stream is also relevant because it includes the amendments to the Clean Development Mechanism. Under the negotiating text the breadth of CDM could be enlarged to encompass:

- (a) [Afforestation and reforestation, as defined in decision 16/CMP.1;]
- (b) [Reducing emissions from deforestation and forest degradation;]
- (c) [Restoration of wetlands;]
- (d) [Sustainable forest management and other sustainable land management activities;]
- (e) [Soil carbon management in agriculture;]
- (f) [Revegetation, forest management, cropland management and grazing land management, as defined in decision 16/CMP.1;]

Similarly the current system by which temporary credits are issued for land-use could be replaced with a permanent system, with credits either guaranteed by host countries, or a reserve buffer (like

the VCS), or an insurance mechanism. Of course, these issues are being negotiated without any consensus as to whether the CDM will actually be renewed at all for the second commitment period (i.e. post 2012). Many negotiators said they thought that it was likely the CDM would only be maintained for sectors not covered by NAMAs (nationally appropriate mitigation actions, see AWG-LCA below, which could include REDD) or for the least developed countries who might not be able to undertake national mitigation activities.

### AWG-LCA

The draft negotiating text for the entire AWG-LCA can be found at:

<http://unfccc.int/resource/docs/2009/awglca6/eng/08.pdf>

The REDD text is found on pages 31-34 of the LCA document.

The text has been compiled based on the submissions of parties and the views expressed to date. During Bonn 2 the first reading of the text was completed and parties were asked to submit written comments and suggestions for new text. This process will be completed by June 10, and the second reading of the draft will be completed by June 12. It is possible then that a further window for submitting new text will be announced, prior to Bonn 3. After this the text will be closed and parties will be restricted to negotiating what exists. i.e. the aim at this stage is to insert placemarkers where parties feel they have an interest.

This text covers four sections:

1. A shared vision for long-term cooperative action
2. Enhanced action on adaptation
3. Enhanced action on mitigation
4. Enhanced action on financing, technology and capacity-building.

REDD comes under mitigation (section 3) in two places: firstly under 'B: Mitigation by developing countries' and secondly as a specific policy option 'C: Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries'.

The LCA text talks about REDD-plus rather than just REDD. REDD-plus is described as: policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. REDD-plus is supported by countries such as China and India (that are reforesting) or Congo Basin countries (that want incentives to keep current forest stocks). Other countries (e.g. Brazil) would prefer to stick to REDD or even RED because they think that will be simpler to measure.

One of the most significant emerging issues is that parties such as the EU would prefer to see REDD under policy option B by developing 'Nationally Appropriate Mitigation Actions' (NAMAs), rather than as a separate policy (C). NAMAs would be equivalent to the NAPAs (National Adaptation Programmes of Action). In the text (paragraph 70) NAMAs are described as:

"Developing country Parties contribute to enhanced mitigation by undertaking NAMAs. These actions should be country-driven, undertaken on a voluntary basis in the context of sustainable development, in conformity with prior needs of sustainable development and eradication of poverty, and determined and formulated at the national level in accordance with the principle of common but differentiated responsibilities and respective capabilities."

NAMAs may include (paragraph 73):

- (a) Sustainable development policies and measures;
- (b) Low-emission development strategies and plans;
- (c) Programmatic CDM, technology deployment programmes or standards, energy efficiency programmes and energy pricing measures;
- (d) Cap-and-trade schemes and carbon taxes;
- (e) Sectoral targets, national sector-based mitigation actions and standards, and no-lose sectoral crediting baselines;
- (f) REDD-plus activities and other mitigation actions implemented in different areas and sectors, including agriculture.

Many developing countries do not want to see REDD caught up in complex national-level plans that would include other sectors. Some of this may be political, because the designated national authority (DNA) for the CDM in many countries is the Ministry of Environment, which may be separate from the forest management agencies that see themselves as responsible for REDD. I have concerns about another set of national plans led by external consultants that countries sign up to but don't understand or really want to implement.

A second significant issue is that REDD will probably be implemented following a phased approach (usually three phases are proposed), with only the final one being sale of REDD credits. The first two phases are likely to involve significant amounts of development aid, some of which may be up-front (i.e. not performance based). Final REDD financing is likely to be both fund and market based.

Critical issues such as national vs sub-national REDD have yet to be decided. Some countries (e.g. Columbia) would prefer subnational REDD (in Columbia's case because part of their territory is not under their control).

### SBSTA

The SBSTA continued the discussions that were ongoing in Poznan. The Poznan report can be downloaded at (see page 8 onwards):  
<http://unfccc.int/resource/docs/2008/sbsta/eng/13.pdf>

In Poznan a key issue was whether SBSTA would propose a COP decision or merely a set of conclusions. In the end the latter choice was made. For the current SBSTA session the co-chairs have written a proposed draft Decision for the Copenhagen COP. This captures the conclusions made in Poznan, such as:

- Using IPCC guidance to measure changes in GHG emissions and removals
- Referring to REDD-plus (i.e. including conservation, enhancement of forest stocks and reforestation) rather than REDD
- Advocating a national approach to monitoring rather than subnational
- The importance of respecting indigenous peoples and local communities
- Independent review of results

There is a general feeling that SBSTA cannot move significantly further forward until the LCA has made some recommendations on REDD policy.

### Summary on the status of REDD

There are a further six weeks of LCA negotiations timetabled before the end of COP15 in December. This should give sufficient time for a decision about whether a REDD mechanism should exist (almost undoubtedly yes) and the basic form that it should take. Many negotiators seem to think that the

COP decision will set out the REDD policy and the principles it should adhere to, and then leave discussions about implementation and the rules for implementation until after COP15. This process could take up to a couple of years, with the agreement coming into force after 2012. There was also a feeling that significantly more information was needed about demonstration activities and lessons learned before decisions about implementation mechanisms could be made.

Even after 2012 implementation of REDD is likely to be phased and slow. For example, the EU is unlikely to open up the ETS to REDD credits until after 2020, and then probably only for countries that have the necessary national mechanisms and governance systems in place.

More generally, the chairs of the LCA seem to think that the REDD discussions are still further ahead than other streams (e.g. developed country emissions reductions, adaptation, etc...) and therefore will restrict the time devoted to REDD. This makes sense in the broader context but may mean that the COP15 decision is fairly general.