



Background paper for the Pre-COP consultations Copenhagen 2009

INTRODUCTION

1. Parties are working towards an agreement to enable the full, effective and sustained implementation of the Convention through long-term cooperative action now, up to and beyond 2012. They are also working towards new commitments for Annex I Parties under the Kyoto Protocol. The overall agreement needs to be levered by Annex I Parties' leadership in reducing emissions and providing support to developing countries. It must also be consistent with the priorities and constraints of developing countries, including their right to development and the priority of poverty eradication. The success of the agreement will be measured by the level of collective mitigation and adaptation action that it generates toward meeting the long-term goal, recognizing that the extent to which developing countries can act is dependent on the level of support available.
2. The Copenhagen package, captured in COP and CMP decisions, must be comprehensive and capture ambitious political commitments in all work areas and building blocks. Because the time remaining for negotiations is extremely limited, attention in Copenhagen must be focused on resolving high-order political questions necessary for agreement. Further, a Copenhagen political agreement must set a clear deadline and process for capturing political commitments in the required legal form.
3. In the areas of shared vision, adaptation, technology, capacity building, and REDD+ (reducing emissions from deforestation and forest degradation and other forest-related activities), there is much convergence. Important issues remain, but reaching agreement on these issues will largely be contingent on achievement of a balanced package overall. Particular issues on mitigation and finance will be some of the key political questions for Copenhagen. Further, political agreement on these issues will facilitate conclusions of the negotiations in other areas.

4. This paper is intended to facilitate the evolution of a common understanding by Ministers of the necessary scope of an agreement in Copenhagen and issues that need to be resolved to achieve that agreement. To this end, it presents progress made to date in the key substantive areas under negotiation and outlines outstanding issues. Nothing in this paper prejudices how those issues will be resolved nor the form of the final agreement.

AREAS WHERE SIGNIFICANT PROGRESS HAS BEEN MADE

Shared Vision

5. Parties concur that a shared vision integrates the five building blocks (mitigation, adaptation, technology, financing and capacity building) and includes a long-term goal for emission reductions to guide international action. Parties also agree that a pathway toward this goal needs to be defined, but differences remain over how to formulate this goal. If the goal is formulated as a reduction in emission levels, there is general consensus on at least 50% by 2050. However, many Parties want deeper cuts. A maximum temperature increase of 1.5 - 2 degrees Celsius has also been proposed. Other outstanding issues include the timeframe that emissions should peak for developed and developing countries respectively, ensuring equity, and the base-year for the long-term goal.

Adaptation

6. Parties have made progress on defining a comprehensive framework or programme for enhanced action on adaptation and its means of implementation. This programmatic approach to adaptation is built upon a foundation of significantly scaled-up funding to reduce vulnerability, build resilience to climate change and robust approaches to adaptation at all levels and timeframes, particularly in vulnerable countries. Critical remaining issues revolve around ensuring sufficiently scaled-up financing, technology and capacity building and appropriate institutional structures to coordinate and monitor implementation of the framework. Resolution of key elements of the financial package will facilitate agreement on these issues.

Technology

7. Parties are converging on a mechanism to enhance all aspects of technology cooperation. This mechanism would include an international technology action plan, technology innovation centres,

and provide support for the development and implementation of national technology plans and incentives for private sector investment. Important pending issues are the means for enhanced financing for technology, the functions and composition of a body to oversee the mechanism, and barriers to technology transfer. These issues are also dependent on agreement on the financial package.

Capacity Building

8. Parties agree that enhanced action on cross-cutting capacity building is necessary to achieve full, effective and sustained implementation of the Convention. It must be country-driven, participatory and on-going and build upon the capacity-building framework adopted in 2001. There is no consensus on whether to establish a mechanism or panels for capacity building.

Reducing Emissions from Deforestation and Degradation

9. Parties have endorsed REDD+ as a legitimate and important component of mitigation and recognize the need for financing to support readiness for and implementation of REDD+ activities. There is also agreement on necessary components for effective implementation of REDD+ activities at the national level – action plans or strategies, development of reference emission levels and monitoring and reporting systems. The role of market-based approaches in supporting implementation of REDD+ activities at the national level is not yet clear, and is tied to agreement on developed country mitigation and the overall levels and availability of support for REDD+.

BALANCING MITIGATION AND FINANCE

10. A balanced compromise on mitigation and financing on the basis of common but differentiated responsibilities and respective capabilities is essential to agreement on a Copenhagen package. Developed countries must show more leadership through strong commitments in two areas: deep cuts in emissions and provision of sustained, predictable, and substantially scaled-up financing for mitigation and adaptation in developing countries. In response, developing countries need to build on the mitigation actions they are already undertaking and commit to act further with financial support.

Mitigation Commitments of developed countries

11. There is consensus that developed country mitigation commitments must take the form of national, economy-wide emission targets; and that these targets collectively should represent an ambitious level of effort. However, there is little agreement on how to ensure continuity with Kyoto commitments, the level of national targets, the means of meeting these targets (e.g. market- mechanisms and sinks) nor their relationship to the long-term goal. **The aggregate level of effort for mid-term targets will be critical for the Copenhagen package.**
12. Another fundamental question is how and under which instrument national targets will ultimately be reflected. There is currently disagreement as to whether these targets would be captured via an amendment to the Kyoto Protocol (which is not expected to include USA), a COP decision and/or a new legal instrument. Under the Kyoto Protocol national emission targets are inscribed in an amended Annex B of the Protocol, and are legally binding because they were ratified as part of the treaty. The legal nature of targets inscribed through other options, such as a 'schedule', would depend on how they are captured. **Clarity is needed on the political intention regarding the legal nature of national targets and the instrument to capture these.**
13. The need for rigorous MRV of national targets is not disputed. The Copenhagen package could affirm the need to maintain at least the level of rigour and intensity in current provisions for reporting and review of inventories and targets. **However, the role of MRV in relation to compliance needs further exploration.**
14. There is also consensus that developed countries should minimize the economic and social consequences of mitigation actions. Progress has been made in consideration of a forum to address response measures.

Nationally Appropriate Mitigation Actions by developing countries

15. There is growing understanding that developing countries have made important contributions to the global mitigation effort and that these contributions should be enhanced with support. There is also general consensus that developing countries will commit to enhanced mitigation actions with enhanced international support. Parties generally agree that support should be available for both the planning and the implementation stages. **However, the mechanism for linking these actions to financing (e.g. a registry or schedule) and the relationship to possible market-based approaches remain unclear. There is also little clarity on the scope of actions and the information**

required to enable the flow of funds, such as expected and/or achieved emission reductions of the action or its impact on national emission trends.

16. There is a strong support for enhanced funding for developing countries for improved national communications and inventories. Parties also converge on the need to recognise and 'internationalize' mitigation actions that developing countries take domestically without international financial support. Further, there is emerging consensus that MRV of supported actions should be more extensive than that of other domestic actions, with more flexibility for the least developed countries and the small island states. Several options have been proposed for reporting and publishing information on these actions, including national communications, a registry or schedules. **Key questions are the platform for internationalizing planned and implemented actions and the means of considering these actions. Parties must also determine if and how to provide transparency on these activities – through international consultation, peer review or national verification according to international guidelines.**

Financing

17. Parties agree that current levels of financial resources are inadequate to meet the adaptation and mitigation needs of developing countries and must be significantly scaled up. They also agree on the need to improve MRV of financial support to instil confidence that these obligations are being met. A primary issue of debate is the means of generating financial resources at a scale necessary to support enhanced mitigation and adaptation activities by developing countries, and to ensure that the availability of these resources is predictable and sustained. **Parties agree that public finance must continue to play a central role, but are divided on the whether public finance should be generated via assessed contributions at aggregate or individual country levels, and if so, on what basis contributions would be assessed. A related issue is the role that other sources of finance, such as private sector investment, market-mechanisms or other innovative sources (e.g. contributions from maritime shipping and aviation), can play in addressing the resource needs of developing countries.**
18. There are converging views on establishing a fund with windows focused on certain activities in the areas of mitigation, adaptation, technology and REDD+. **There is however no clarity as to whether the funding should only be channelled through this fund or also through**

existing (reformed) channels. Finally, up-front delivery of immediate additional financing to support developing countries in planning for and implementing adaptation and mitigation actions and to start building the necessary institutional arrangements will help build trust and pave the way for an agreement.

19. A further area of discussion revolves around institutional and governance aspects. There is general consensus on the need for enhancing the financial mechanism and that the Conference of Parties should establish policies, priorities and eligibility for the mechanism, but should not be involved in the day to day activities of approval and disbursement. **Disagreement arises however over whether the mechanism should operate under the authority of the COP, as is the model for the Adaptation Fund, or receive guidance from the COP.**
20. Parties also agree on the need to provide developing countries with the option for direct access to funding, rather than through implementing agencies, but differ on how to accomplish this. **Specifically, disagreement arises over how to ensure appropriate transparency and accountability in effective use of these resources.**