

**Twelfth Session of the Conference of the Parties to the
UN Framework Convention on Climate Change
and
Second Meeting of the Parties to the Kyoto Protocol**

November 6-17, 2006
Nairobi, Kenya

Government negotiators at the United Nations Climate Change Conference in Nairobi continued two processes launched last year in Montreal to consider next steps in the international climate effort, and agreed in the final hours to open another track to review the Kyoto Protocol. In two weeks of talks, parties also agreed on modest steps on adaptation, debated approaches to reducing deforestation and accelerating technology transfer, and heard proposals from South Africa and Brazil on ways to promote stronger action by developing countries.

The conference – known formally as the Twelfth Session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 12) and the Second Meeting of the Parties to the Kyoto Protocol (COP/MOP 2) – was the first such gathering in sub-Saharan Africa. Its high-level segment featured an opening statement by outgoing UN Secretary-General Kofi Annan, who lamented a “frightening” lack of leadership from governments and announced the “Nairobi Framework,” an initiative to help spread the benefits of Kyoto’s Clean Development Mechanism (CDM) among more developing countries.

Business and economic issues took on a more prominent role in Nairobi. Sir Nicholas Stern of the U.K. government presented a comprehensive new economic review showing that the projected impacts of climate change will be far more costly to the global economy than the steps that would be required to avert them. Business leaders, meanwhile, expressed growing concern that without strong new signals from governments on the future of the climate effort, the rapidly expanding carbon market spawned by the Kyoto Protocol could collapse.

But with the United States and developing countries still strongly opposing any discussion of taking on binding commitments, the conference made little measurable progress toward new agreements on international action beyond 2012, when the current Kyoto commitments expire. The most contentious issues were the terms of the new Kyoto Protocol review, a proposal by Russia to establish a pathway for developing countries to take on “voluntary” emission targets, and Belarus’ proposal to set an emissions target for itself. As those were issues for Kyoto parties only, the United States did not engage on them and maintained a relatively low-key posture throughout the conference.

Despite the lack of progress, much of the debate was marked by a growing sense of urgency about the threats posed by climate change, and privately some developed country negotiators talked of aiming for a strong new negotiating mandate at next year’s conference, tentatively slated for Bali, Indonesia.

Following are summaries of key outcomes (the full text of decisions is available at http://unfccc.int/meetings/cop_12/items/3754.php):

The Montreal Processes

At COP 11 and COP/MOP 1 in Montreal, parties established parallel processes under the Convention and the Protocol to consider next steps in the international effort. Both processes convened initial sessions earlier this year in Bonn, and their second sessions in Nairobi.

The Kyoto process – triggered by Article 3.9 of the Protocol and called the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol – has the charge of negotiating post-2012 commitments for developed country parties. In Montreal, parties set no deadline for these negotiations, specifying only that they conclude in time to “ensure...no gap” between commitment periods. In Nairobi, the Ad Hoc Working Group, or AWG, held a workshop to explore the scientific basis for establishing future commitments and adopted a work program for completing its mandate.

The workshop included presentations from the Intergovernmental Panel on Climate Change and the European Commission on the long-term emission pathways necessary to stabilize atmospheric greenhouse gas concentrations. In its conclusions, the AWG noted that to stabilize concentrations, global emissions must be reduced to “well below half of levels in 2000,” seen by many as an implicit recognition that developing country commitments also will be needed. The work program lays out a series of analytical steps – focusing first on mitigation potentials, then on possible means of achieving mitigation objectives – followed by consideration of post-2012 targets for developed country parties. The AWG said timely pursuit of its work program would “send a clear message that [developed countries] are taking the lead in the mitigation effort” and deliver “a clear signal to economic actors about the continuity of the international carbon market.”

In presenting the group’s conclusions, Chair Michael Zammit Cutajar of Malta said he would have liked to establish a deadline for concluding the process, but one could not be agreed. The COP/MOP named Leon Charles of Grenada to succeed Zammit Cutajar, and Outi Bergall of Finland to succeed Luiz Figueiredo Machado of Brazil as vice-chair.

Unlike the AWG, the Dialogue on Long-Term Cooperation Action to Address Climate Change by Enhancing Implementation of the Convention – the parallel track established in Montreal under the Convention – is explicitly not a negotiation, but rather a two-year series of workshops to explore a set of broad themes related to future action. Its launch reflected the recognition that Kyoto’s developed country parties are unlikely to take on new targets under the AWG without some means of securing stronger action by major developing countries and by the United States (which is a party to the Convention but not the Protocol).

The Dialogue workshop in Nairobi featured presentations and discussion on the broad themes of sustainable development and market-based opportunities. Highlights included Stern’s presentation of his new economic review, widely regarded as the most comprehensive

synthesis of climate economics to date, and presentations by major developing countries on existing and future efforts.

China made a lengthy presentation on a wide array of national policies it described as “efforts of China to mitigate climate change,” including energy efficiency goals and policies to promote biofuels, renewable energy, nuclear power, and reforestation. The presentation included estimates of the emission reductions these policies are projected to achieve. Brazil presented a proposal to reduce emissions from deforestation in developing countries, calling for financial incentives in the form of payments from developed countries, rather than through tradable emission credits, as other tropical forest countries have proposed (see section on avoided deforestation below). South Africa outlined a proposal for developing countries to pledge to Sustainable Development Policies and Measures, or SD-PAMs, which would simultaneously address national development objectives and contribute to climate mitigation under the Convention. Brazil and South Africa emphasized that their proposals were meant to promote stronger action by developing countries under their existing Convention commitments, rather than to suggest new commitments.

In a step toward opening the Convention process to broader inputs, the Dialogue also heard presentations from nongovernmental organizations, including one from the Pew Center on the outcome of its Climate Dialogue at Pocantico. (Presentations to the Convention Dialogue can be viewed at <http://unfccc.int/meetings/dialogue/items/3759.php>. The report of the Pocantico dialogue is available in English, Spanish, French, and Chinese at <http://www.pewclimate.org/pocantico.cfm>.)

Review of the Kyoto Protocol

Article 9 of Kyoto required an initial review of the Protocol at COP/MOP 2 and calls for periodic reviews thereafter. It was expected the initial review would be pro forma, as there had been no process in advance to prepare for it. In brief conclusions, the parties declared that the Protocol “has initiated important action and has the potential to make a decisive contribution to addressing climate change,” although elements such as adaptation “could be further elaborated upon,” and the Protocol’s implementation “could be further enhanced.”

The timing and nature of the second Protocol review emerged as the most difficult issue in Nairobi because of the potential implications for the question of future commitments. Developed countries, hoping to establish a process demonstrating that developed country commitments alone would be inadequate, sought a firm date for a second review explicitly linked to the Article 3.9 negotiations. Developing countries, however, strongly opposed any linkage or specified timing, and insisted the review focus narrowly on how well developed countries are implementing their existing commitments under Kyoto.

The compromise adopted calls for a review at COP/MOP 4 in 2008, with its “scope and content” to be decided at COP/MOP 3. The decision specifies that the review “shall not lead to new commitments for any Party,” but also notes that the COP/MOP “shall take appropriate action” based on the Article 9 reviews.

Russian and Belarus Proposals

The COP/MOP also wrestled with two specific proposals related to the question of how additional countries could assume emission targets under the Protocol – a proposal by Belarus to commit itself to a target, and a proposal by Russia to establish a process enabling developing countries to make “voluntary commitments.”

Although Belarus is an Annex I (developed country) party, as an economy in transition it was not assigned a target under the Protocol. In Nairobi, Belarus proposed taking on a target of reducing its emissions to 5 percent below 1990 levels, about the average reduction negotiated in Kyoto. However, Belarus’ emissions have fallen well below 1990 levels, and many parties were concerned that its proposed target would grant it “hot air,” or excess allowances, which it could sell through emissions trading, in effect weakening the overall effort. To win the COP/MOP’s approval, Belarus accepted a target of 8 percent below 1990 levels (the same as the European Union’s), together with various safeguards to limit the potential for “hot air,” including a requirement that it hold 7 percent of its allowances in reserve, unavailable for trading, and a commitment to use any proceeds from emissions trading for further emission abatement measures. The Belarus target is the first new target adopted – and the first amendment to the Protocol – but takes effect only if ratified by three-fourths of the Kyoto parties.

While the Protocol spells out procedures for new emission targets for Annex I parties, developing countries insisted that it include no mechanism for them to take on targets. Last year in Montreal, Russia proposed establishing a way for developing countries to take on voluntary emission limits, and the proposal was deferred to Nairobi, where it was the focus of heated consultations chaired by the COP/MOP president, Kenyan environment minister Kivutha Kibwana. A last-minute compromise calls for a workshop in May 2007 “to clarify and explore the scope and implications” of the proposal, with a report to COP/MOP 3. In an unusual gesture to Russia, which has complained bitterly that its proposal has not been given a fuller airing, the decision “noted, with regret, that it had not been possible to consider this important proposal in substance” during COP/MOP 2.

Adaptation

With the conference taking place in sub-Saharan Africa, among the regions most vulnerable to the impacts of climate change, adaptation issues drew considerable attention, though with only modest results.

A major issue for the COP/MOP was the administration of the Adaptation Fund established under Kyoto to support adaptation efforts in vulnerable countries. Unlike other funds under the Convention and the Protocol, which are supported by developed country contributions, the Adaptation Fund is supported by a 2 percent levy on projects generating emission credits through the CDM. As such, many developing countries have argued that it should be managed not by the donor-dominated Global Environmental Facility, which manages the other funds, but by an entity giving developing countries more say in decision-making. Parties agreed to sidestep for the time being the choice of entity, however, and focused in Nairobi on governance principles. They decided that funding would be made available for

national, regional, and community-level efforts, and that whatever governing body is selected, a majority of its members will represent developing countries.

The COP, meanwhile, filled in many of the details of a five-year work plan launched two years ago in Buenos Aires, and renamed it the Nairobi Work Programme on Impacts, Vulnerability, and Adaptation to Climate Change. The plan calls for a series of workshops and reports over the coming three years to share and analyze information on topics including climate data and modeling, adaptation tools and methods, climate variability and extreme events, and economic diversification.

Clean Development Mechanism

Another issue drawing particular attention by virtue of the conference's African venue was the geographic distribution of CDM projects. Under the CDM, projects that reduce emissions in developing countries generate tradable emission reduction credits that can be applied by developed countries toward their emission targets. This provides developed countries with lower-cost reductions while drawing investment to clean development in developing countries. However, the vast majority of projects approved to date are in large countries such as China, India, and Brazil, with only a handful in Africa.

To help promote a broader distribution, UN Secretary-General Kofi Annan announced the "Nairobi Framework," a joint initiative of the UN climate secretariat, the United Nations Development Programme, the United Nations Environment Programme, the World Bank Group, and the African Development Bank. Funding and other details are as yet uncertain. The European Commission also announced pledges by Germany and Finland for clean energy programs that it said would promote a more equitable distribution of CDM benefits.

Among other CDM-related issues, the COP/MOP called for further input from governments and others on whether carbon capture-and-storage (CCS) technologies should be eligible as CDM projects. Following a workshop on the issue in May, many parties felt that developing countries were not the right proving ground for the emerging CCS technologies. The COP/MOP called for submissions on a range of technical issues and asked the Subsidiary Body on Scientific and Technological Advice (SBSTA) to provide recommendations at COP/MOP 3, with a view to taking a decision at COP/MOP 4.

Technology Transfer

The perennial debate over technology transfer became more pointed in Nairobi with parties offering widely differing views on whether and how to extend the mandate of the Expert Group on Technology Transfer (EGTT).

The EGTT has to date had a largely analytical role, studying a wide range of technology-related issues and helping countries assess technology needs and options. With the group's mandate set to expire, developing countries saw an opportunity to reinvent it as a standing body with a much stronger role in promoting the transfer of technologies from developed countries. Proposals included creation of a Technology Development and Transfer Board

with decision-making powers, and establishment of a Multilateral Technology Acquisition Fund to make technologies available to developing countries by “buying out” intellectual property rights. These proposals were staunchly opposed by developed countries.

The COP agreed only to keep the EGTT alive for another year and to refer the issues back to SBSTA with a view to adopting a decision at COP 13.

Avoided Deforestation

The deforestation debate opened in Montreal deepened in Nairobi, with tropical forest countries now offering competing views on the types of incentives that should be offered to reduce emissions by slowing deforestation. The issue is drawing intense interest in part because it is the one area where developing countries have offered concrete proposals to reduce their emissions.

In Montreal, a coalition of 15 rainforest nations led by Papua New Guinea floated a proposal to allow CDM-type credits for reduced deforestation. The proposal led to a workshop earlier this year where Brazil outlined a competing approach that it then elaborated in Nairobi. Under Brazil’s approach, countries reducing their deforestation rates would not get credits that could be sold on the emissions trading market, but payments from an international fund supported by donor country contributions. Brazil argues that its approach would result in greater environmental benefit because the resulting emission reductions would be above and beyond – rather than substituting for – those of developed countries.

Negotiations focused narrowly on the agenda of a second workshop to be held prior to the May meeting of SBSTA. Although the United States wanted to confine the agenda to technical matters, SBSTA decided the workshop would focus on “ongoing and potential policy approaches and positive incentives” and related methodological issues. SBSTA plans to consider the results of the two workshops in May and possibly offer recommendations to COP 13.

Future Meetings

COP 13 and COP/MOP 3 were set for December 3-14, 2007, likely in Bali, with a final decision on the venue due in mid-February. Poland expressed interest in hosting COP 14 and COP/MOP 4 in 2008, and Denmark offered to host COP 15 and COP/MOP 5 in 2009.