

**UNFCCC COP 13/CMP 3**  
**Preparatory Meeting for Negotiators and National Focal**  
**Points of Latin America**

**Panama City, 22 - 23 October 2007**

## **Report**

**This report is not a negotiation document, and its purpose is to serve as an orientation paper for the delegations of the countries of the region in the multilateral meetings to be held in Bali.**

### **I. Opening**

The preparatory meeting for negotiators and national focal points of Latin American countries during the period prior to the Convention of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) and the Conference of the Parties serving as a Meeting of the Parties (CMP) of the Kyoto Protocol (UNFCCC COP13/CMP3) began on Monday October 22, at 0900 hours, with the attendance of the delegates of Argentina, Belize, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Paraguay, Dominican Republic, Uruguay and Venezuela. Representatives from the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Environment Programme (UNEP) participated by providing technical support. The List of Participants is attached as Annex I.

The meeting was opened by Mr. Eduardo Reyes, Deputy General Manager of the National Environment Administration of Panama, who as the host welcomed all participants.

Immediately Mr. Ricardo Sanchez Sosa, Regional Director of UNEP/ROLAC and Mr. Roberto Acosta, representing the Secretariat of UNFCCC, reemphasized on the importance of this preparatory meeting for the region in view of future multilateral meetings. Similarly, they also stated that the work of UNEP as well as the Secretariat of the Convention, is to facilitate and assist sessions, by providing information and supporting the countries, who have defined the meeting's agenda and have in their hands the development of the same.

Mr. Jorge Alvarez, delegate of the Republic of Peru, acted as coordinator of the meeting, since his country currently holds the presidency of GRULAC, he stated that the meeting represents a valuable opportunity for the active preparation and coordination of the region, taking into consideration the complexity of the multilateral negotiation processes.

Immediately, the agenda was submitted to the consideration of the participants, and this one was approved with the consideration that the presentation of the Adaptation Fund planned for Session VI would be moved forward to Session III.

Similarly, it was agreed that each session would be introduced by the UNFCCC Secretariat by presentations, moderated by one of the participating delegates, who would also assume the task of preparing a brief summary of the discussions and conclusions of the session. These contributions will contribute towards the consolidation of the Report of the Meeting, which shall be the responsibility of a Rapporteur Group formed by Cuba, Ecuador, Paraguay and Uruguay.

### **Session I –General Introduction**

Mr. Roberto Acosta, for the UNFCCC Secretariat, made a presentation on the current situation of the intergovernmental climate change process and the expectations for Bali, highlighting the Convention process and the situation of the region in this process. Mr. Acosta highlighted the fact that two Conferences of the Parties have been held in the region and have been instrumental in defining the goals and tasks of climate change.

He also mentioned the four thematic blocks that must support the negotiation process in view of Bali: Adaptation, Mitigation, Technologies and Financing.

Immediately, the Meeting's Coordinator presented the negotiation topics for Bali, and stressed the importance of coordinating the participation of delegates from the countries of the region.

Similarly, UNEP's Regional Director expressed the transcendence of the issue of climate change for the sustainable development of the countries of the region and the quality of life in its people, due to its special vulnerability vis-à-vis climate change, and the place that topics such as deforestation hold. Therefore, the importance of promoting active participation in negotiations is necessary so that the interests of the region are present and are enforced in the International scope, potentiating the strengths of the region.

This was followed by comments in the sense of recognizing that GRULAC has not had as such an active participation in negotiations, which is to the detriment of the incorporation of the interests of the region into the multilateral process. In this sense, Ecuador called for the institutionalization of a preparatory process prior to the meetings of the subsidiary bodies of the Convention and its Conferences of the Parties, suggesting that UNEP should lead this process, with the aim of tackling negotiation topics in a regional work platform. The process established in CAF for the Clean Development Mechanism topic was mentioned, stating that work and meeting agendas could be coordinated to optimize resources and prevent excessive activities.

This proposal had the general consensus of all participants. Considering this, it was pointed out that this meeting was precisely called by the Secretariat of the Convention and UNEP, to provide support to the countries, and that UNEP's mandate is specifically given by the countries, so that the proposal be put forward to the Forum of Ministers and articulated in this manner, having to also evaluate the financial implications of this proposal.

### **Session II – Political Process in the Framework of the Convention and the Kyoto Protocol**

The session was moderated by Mr. Omar Rivero, delegate from the Republic of Cuba, and began with a presentation made Mr. Claudio Forner, from the UNFCCC Secretariat, who referred to the processes inside UNFCCC relating to the future of the Convention. These include in the scope of the Kyoto Protocol, the Special Working Group on the new

commitments of the Parties of Annex I in agreement to the Kyoto Protocol (AWG or GTE) and the second exam of the Protocol pursuant to its article 9; and in the general scope of the Convention, the Dialogue on long-term cooperation to face climatic change ("the dialogue").

The facilitator opened the floor to inquiries and comments, stressing that the above mentioned processes are fundamental for negotiations on the future regime of climate change.

Regarding processes relating to the Kyoto Protocol, participants highlighted the importance of an agreement on the deadline to conclude the activities of AWG. The importance of implementing preparation activities, which facilitate a second examination of the Protocol and which are relevant for the identification of the "corresponding measures" was also considered. Finally, the need to coordinate the different processes was underlined (especially AWG and the review of the Protocol) and avoid conflicts in the future.

Greater emphasis was made on the subject of the dialogue process, taking into consideration the great interest of the governments in continuing the discussions that have taken place inside it. An agreement on the continuation of the dialogue will open the doors to negotiate a future and long-term regime to face climatic change. The Mexican delegate stressed on the need to center discussions on first, the level of formality of said continuation and second, the substantive topics that must be dealt with and resolved.

Concerning the level of formality, participants discussed the advantages and disadvantages of an informal process vis-à-vis a formal one, highlighting the fact that a formal process is the only means to achieve an effective agreement and which incentives global action. However, it was also mentioned that informal discussions allow open exchange, without the pressures generated by the need of achieving political agreements.

On the topic of substantive issues, also known as building blocks, the Secretariat referred to the report of the co-facilitators of the dialogue where four in total are identified: Adaptation, Mitigation, Technology and Financing. It was clarified that this list is not thorough and in no manner reflects consensus, but it is an attempt to compile common points of view among the governments. Making reference to the principle of differentiated responsibilities, participants noted the need for active participation at discussion, as well as action. The adaptation topic was identified as a critical component of the future; this topic was discussed with greater detail in session III.

On the subject of mitigation, it was proposed that the countries of the region quantify, in terms of emission reduction, all actions furthered in this field (energy efficiency, use of renewable energies, reduction of deforestation and others), which will allow the countries to show their real contributions towards mitigating climate change.

Other important points that were highlighted: the need for the negotiations in the scope of the Protocol and the Convention to timely converge. However, the participants recognized that it is still premature for this to happen.

### **Session III – Adaptation**

The session was moderated by Mr. Rene Lopez, delegate from the Republic of Panama.

First, Mr. Roberto Acosta made a presentation on Adaptation issues, specifically those referring to the Nairobi Work Programme on Impacts, Vulnerability and Adaptation and the reports from the Workshops carried out, stating four key elements on the topic for Bali: the Adaptation Fund, the possible constitution of the Group of Experts on Adaptation in the Nairobi Programme, the adoption in Bali of a decision on adaptation with immediate

implementation actions (1/CP.10), and finally, the need to continue advancing in the Nairobi Programme. Immediately, Mrs. June Budhooram, the representative from the UNFCCC Secretariat, referred to financing issues, and mentioned the principles, modalities and governance of the Adaptation Fund established in decisions 28/CMP.1 and 10/CP.7, and the agreements reached to date in regards to admissibility criteria, priority areas and the monetization of the funds coming from the CDM.

On the subject of the Adaptation Fund, it was considered that what is to be defined in Bali are institutional arrangements, and in this regard there are two proposals, one presented by the G77 and China and another that supports that GEF should be the body that should manage this fund. Practical and legal implications must be considered as well as the modalities of each option. The group coincided in the fact that regardless of who manages the fund, the process must be swift and expedient, with guidelines for prioritization and the decision process must be in the hands of developing countries, which are the ones that support the fund.

The key elements for a decision in COP13 are the definition of the ruling entity, its secretariat, and the arrangements for a temporary budget until the monetization of the funds coming from the CDM takes place as well as the establishment of a Work Plan for the first year of operation.

At the end of the session, two key or fundamental points were clearly identified for the advance of these topics in Bali, being these:

- To decide if it is necessary or not to establish a group of Experts on the subject of adaptation and in the center of NWP, and
- To define the structure and governance of the Adaptation fund.

It may be summarized that at the level of Latin America, currently there is no agreed position on any of the two topics, however, some countries did express a position on this issue of the establishment or not of a Group of Experts and these positions were supported.

Since this is not a workshop to agree or make decisions in regards to the positions on the issue, a decision was made to close the session and leave these two items as key issues to be discussed internally in each of our countries and take to the Conference of the Parties 13 (COP 13 MoP 3) a position on this subject.

Finally, Mr. Acosta recommended that paper FCCC/SBSTA/2007/MISC.25 be read, so that countries may have greater clarity on the positions presented by some parties in reference to the issue. The paper is a compilation made by the Climate Change Secretariat on the topic of the Adaptation Group.

#### **Session IV – Clean Development Mechanism**

The session was moderated by Mrs. Mariana Kasprzyk, delegate from Uruguay. Mrs. June Budhooram introduced the topic by presenting information in regards to the amount of projects registered to date (which in the region amount to 295, most of these in Brazil, representing 36.29 % of the world total). Similarly, she referred to the status of the mandates of the COP/MoP, including the adoption of the guidelines for programs CDM, the approval of a methodology for the verification and analysis of the addition ability, the adoption of new procedures to prove the eligibility of lands for afforestation and reforestation, the development of methodologies for energy efficient projects and transportation, regional distribution of projects, among other advances.

The items included in the agenda of the next OSACT were mentioned: the consequences of the implementation of HFC23 destruction projects, the modification of the limits for small

scale afforestation and reforestation projects, and the consideration of projects to capture and store carbon in the framework of the CDM.

Immediately this was followed by the exchange of opinions on the difficulties faced by the countries of the region to further projects that are viable and that are in the portfolio, but which do not find a financing mechanism. There are also issues that are due to the requirements themselves are too complex for the situation of the countries of the region, including issues such as the tenure of the land in the case of small scale forestry projects.

The delegate from Venezuela stated the position of her country on the CDM and her opposition towards the participation in this mechanism, stating that the redesign and reformulation thereof must be promoted, that it truly contributes towards sustainable development, transfer of technologies and the strengthening of capacities and that a decline in gases [should] be seen by the countries of Annex I.

At the end of this session an agreement was reached that the CDM should not lose one of its fundamental premises, which is the contribution towards the sustainable development of the projects' host countries and support developed countries in complying with their quantified commitments in reducing emissions.

### **Session V – Transfer of Technologies and Capacity Building and Strengthening**

The session was moderated by Mr. Carlos Fuller, delegate from Belize, and began with a presentation by Mr. Roberto Acosta, who referred to priority topics on the issue stating that technology receives much attention in IPCC IE4, in international forums and it is considered one of the key blocks for future actions to fight climate change. This underscores the need to reach in COP13 an agreement on the activities that are to be carried out in the short-term until 2012.

In the debate that immediately followed, it was recognized that the countries of the region have not actively participated in the discussions on the issue. Taking into consideration the importance of the issue, a recommendation was made to the effect that this participation implemented in the future.

Mrs. June Budhooam, referred to the manner in which the topic of the creation and strengthening of capacities will be dealt with in COP13, focusing on capacity building for developing countries. The consideration of the topic will be broad and will include the possibility of writing an annual report to monitor the issue on the basis of papers and national reports and similarly the report from the expert's Workshops will be considered (Antigua, 5 - 6 November 2007).

It was also mentioned that for the countries of the region it is very difficult to provide follow-up on these issues. The need for coordination was stressed once again, as well as the convenience of making effective soon the institutionalization proposed in Session I.

### **Session VI – National Communications and Financing of Activities on Climatic Change**

This session was moderated by Mrs. Lilian Portillo, delegate of the Republic of Paraguay, and began with a presentation made by Mrs. June Budhooam, and she explained the topics that would be discussed under the agenda item corresponding to National Communications from non-Annex I Countries, the work of the Communications Group of Experts (CGE), the analysis of the information contained in national communications and the financial support for the preparation of national communications.

Different aspects of topic 4.a related to the work of the CGE and the renewal of the group's mandate was presented. In this regard, an explanation was given on which could be the possible elements to be contained in the future mandate, membership and activities to be carried out, based on the work already performed by the group in its previous work plans.

When analyzing the activities of the CGE and the implications of contributing new activities to the current mandate, specifically the implications of the review or examination of National Communications or the examination thereof, the Group highlighted the importance of assigning additional resources.

In relation to the mandate of the CGE there are key issues for the future: if the review/examination of national communications should be done in the individual or regional context, the resources to execute this, the group's composition and the Group's Role in training activities.

On the subject of item 4.b of the Bali agenda, the analysis of the information contained in National Communications has been adopted by the SBI (Subsidiary Body for Implementation) and is pending. If this issue is adopted in the agenda, it must be defined if it is done with information contained in the NC – it will be done by the CGE in its future mandate or it will be done by the Secretariat of the Convention, or if another modality is identified, issues may be resolved in the Conference of the Parties. In this regard CGE has been working on the methodological arrangement of the information.

On the topic of financing for national communications, item 4.c of the agenda, there is no clarity in regards to the provision of Financing for third or subsequent national Communications, therefore some countries have established in the assignment framework of their resources funds for the focal area of climate change.

In the scope of national communications the role of national communications has also been discussed to include the topic of climate change in national planning.

On the subject of Financing, Mrs. June Budhooram stated that the World Environment Fund (WEF/GEF) will present in Bali a report on the actions carried out and the WEF/GEF guidelines on different negotiation topics will be discussed. A fourth review of the financing mechanism and the critical path for the definition of financing needs. It was reported that a fourth review of the financing mechanism of the Convention and this may serve as an input for the fifth replenishment of GEF.

The UNFCCC Secretariat also reported in the investments and financial flow document which was presented during the Dialogue in Vienna, and a seminar will be held next week on this subject in Bonn.

The parties made comments and exchanged opinions on the issue, highlighting that the relevant documents are: the evaluation of the necessary funds to help developing countries comply with their commitments in regards to the replenishment of funds of the WEF/GEF (FCCC/SBI/2007/21), the review of the experience of the international funds, multilateral financial institutions and other sources of financing for the current and future financial needs of the countries (FCCC/TP/2007/4), the WEF/GEF (FCCC/2007/3) report which is the basis of all discussions on the funds of the GEF, and which comprises the points of view and recommendations of the parties on the financing available (SBI/2007/MISC11).

The importance of clearly separating in the negotiation strategy, the improvement of the current financial mechanism, within its limits and on the other the need to discuss schemes allowing to increase substantially the mobilization of financial resources, including private resources, as part of the long-term regime.

## **Session VII – Reducing Emissions Caused by Deforestation**

This session was moderated by Mrs. Mirza Castro, delegate from the Republic of Honduras, it began with the presentation made by Mr. Roberto Acosta, who reported on the process, from the prior history, Workshops held to date on the issue and analyzed the different proposals made by the parties and received by the UNFCCC Secretariat at 15 August 2007.

It was stated that the Process of Reducing Emissions Caused by Deforestation begins in Montreal with the proposal made by Papua New Guinea and Costa Rica. Two official workshops have been held on the issue in Rome and Australia, and two funds have been created in parallel, the World Bank fund and the Australia fund which purpose is to finance pilot projects on the topic and methods and Tools have been identified which will allow to calculate the reduction of emissions on the basis of the IPCC guides. On the subject of the methodology only verifiable reductions must be financed.

In this regard, the need to have funds to be able to implement actions to reduce deforestation is noted. The national definitions of forests are required in this topic.

The most relevant issues of the parties' proposals include the following options:

- Deforestation or Conservation
- Baselines: national or project (methodologies and as from when).
- Solve areas of disagreement
- Market or No Market
- Early credit or not

A proposal is made to discuss at Bali the topic of capacity building and pilot projects with the World Bank Fund.

The Group considers that is highly important to continue working actively on the topic of the reduction of emissions caused by deforestation in the understanding that one of the successes of the Bali Conference is the degree of advance that may be achieved.

In a further debate, there was agreement on the topic that markets must play an important role in financially supporting deforestation actions; similarly, early actions must be considered in these negotiations to not generate reverse incentives which generate the lack of action in stopping deforestation.

On the subject of the discussion of the baselines, Costa Rica proposed to use historical baselines, instead of projected baselines, since these would include early activities as well as those developed in his country, since this has positive results in increasing forest areas.

The delegate from Ecuador presented the ITT Initiative: Conserve Crude Oil on Earth, which purpose is to conserve heavy crude oil in the Yasuni Ecological Reserve in exchange for 50% international compensation which is what the Government of Ecuador would receive for the oil extraction; in this manner compliance with the objectives of the Conventions on Climate Change and Biodiversity are supported.

Finally, regarding Monitoring and the follow-up of the initiatives of the pilot projects the guidelines and methodologies to do so must be established.

## **Final Conclusions**

- The preparatory regional scope must be formalized for negotiations on Climate Change; therefore facilitation by UNEP as well as by the UNFCCC Secretariat is important.
- It is necessary that GRULAC participate more actively in negotiations, this requires prior coordination;
- There are topics of agreement among the countries of the region, which joint negotiation will strengthen the possibilities of considering the interests of the region.
- Regarding the different processes opened for thematic discussion, it is deemed timely to ratify that the official setting is the United Nations Framework Convention on Climate Change.
- A request is made to the Dominican Republic as the presidency of GRULAC during the month of November and UNEP as the Secretariat of the Forum of Ministers of the Environment of Latin America and the Caribbean to put forward this Report to be acknowledged and considered by the Sixteenth Meeting of the Forum.
- Request Belize, Cuba and the Dominican Republic to submit this Report to the preparatory meeting of the Small Island Developing States (SIDS).

## **Closing of the Meeting**

After the presentation of this Report, the meeting was adjourned on Tuesday, 23 October 2007 at 17:30 hours.

