



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from : General Secretariat

to : Coreper

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Subject : **PREPARATION OF THE COUNCIL MEETING (ENVIRONMENT) ON
23 OCTOBER 2006**

Climate change

- Preparation of the twelfth Conference of the Parties (COP 12) to the United Nations Framework Convention on Climate Change (UNFCCC) in conjunction with the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 2) (Nairobi, 6-17 November 2006)

= draft Council conclusions

- 1) The Presidency has drafted abovementioned Council conclusions to prepare for the twelfth Conference of the Parties (COP 12) to the United Nations Framework Convention on Climate Change (UNFCCC) and the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 2).

The Council conclusions focus on the mounting scientific evidence and the scale and urgency of the climate change challenge and the priorities for COP 12-COP/MOP 2, including adaptation, technology transfer and the various further action tracks.

2) The Working Party on International Environment Issues (Climate Change) examined the draft Council Conclusions on 13 September and 5-6 October and the Working Party on the Environment on 9 October 2006.

All delegations maintain a general scrutiny reservation.

3) The main outstanding issues relate to:

– The approach to the negotiations on the Adaptation Fund (paragraph 5):

While UK would like the text of the conclusions to focus on the criteria for the operationalisation of the Fund, DK underlines the need for a flexible and pragmatic negotiating approach by Annex I countries.

– New technologies, including carbon capture and storage (paragraph 7):

AT/CZ/DK/EL/HU/PL/SI/SK find it premature, either to have a reference to carbon capture and storage or an invitation to the Commission to submit a legislative proposal on a regulatory framework for this technology or both. Cion has signalled its intention to submit such a proposal in the second half of 2007. BE/DK would like to rebalance the text, adding a reference to energy efficiency and renewable energy sources.

– The European Union Emissions Trading Scheme (EU ETS) (paragraph 10):

Cion/UK/IT would like to indicate the importance of using the 2005 verified emission figures for the second national allocation plans under the EU ETS.

Cion/UK would like that the Commission be invited to explore options to strengthen the role of the EU ETS as a key instrument to achieve emission reductions consistent with the emission reduction pathways the 2005 Spring European Council asked to consider.

Other outstanding issues relate to:

- demonstrable progress reports (paragraph 3):
EL/IT/LU/PT are not in favour of requesting Member States which have not yet submitted their demonstrable progress reports to do so before the end of October 2006 in conclusions which are meant to serve as the negotiating guidelines for COP 12-COP/MOP 2.
 - Further work by the World Bank and Regional Development Banks (paragraph 6):
ES would like this work to include a further examination of options to broaden international carbon markets while AT is not in favour of mentioning the scope of this further work.
 - Strengthening of capacities to prepare and administer CDM projects (paragraph 9):
UK would like to stress the need for additional financial support for assisting Africa in this.
 - Review under Article 9 of the Kyoto Protocol (paragraph 14):
ES/FR would like the reference to "the importance of completing the work as early as possible and in time to ensure that there is no gap between the first and the second commitment periods" to be self-standing since it does not only relate to the review under Article 9 of the Protocol.
- 4) The Permanent Representatives Committee is asked to examine the text of the Council conclusions in view of its adoption at the (Environment) Council on 23 October 2006.

Preparation of the twelfth Conference of the Parties (COP 12) to the United Nations Framework Convention on Climate Change (UNFCCC) in conjunction with the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 2) (Nairobi, 6-17 November 2006)

- draft Council conclusions -

The Council of the European Union,

1. IS CONCERNED at the increasing scientific evidence of climate change and its adverse environmental, social, economic and security impacts; RECOGNISES with great concern the scale and urgency of the climate change challenge; LOOKS FORWARD to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change to be released in 2007 containing the most up-to-date understanding of the science of climate change and STRESSES the importance of a common analysis and understanding of future climate change as a basis for developing the international climate regime beyond 2012; REITERATES the urgency of taking action to meet the ultimate objective of the United Nations Framework Convention on Climate Change ("the Convention") of stabilising greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system; REAFFIRMS that, with a view to meeting this objective, overall global mean surface temperature increase should not exceed 2°C above pre-industrial levels;
2. EMPHASISES that a global shift to low greenhouse gas emitting economies [...] and the integration of climate protection goals in all sectors in all countries, in particular in the energy system, is required urgently in order to achieve the ultimate objective of the Convention and that this must be an integral part of and will actively contribute to the general endeavour to achieve sustainable development in its economic, social and environmental dimensions; IS MINDFUL OF the results of recent studies providing new information on the relative costs of action and inaction and also of the many opportunities provided by climate-friendly investments;

3. REAFFIRMS the resolve of the European Community and its Member States to meeting their Kyoto Protocol commitments; RECALLS that the European Community and [most of its/its] * Member States have reported on demonstrable progress through actions already taken; [URGES Member States that have not yet done so to submit their reports on demonstrable progress before the end of October 2006] *; UNDERLINES the importance of the immediate and effective implementation of agreed policies and measures; RECOGNIZES also that the implementation of planned additional policies and measures is needed;
4. LOOKS FORWARD to COP 12 and COP/MOP 2 and considers it important that this first meeting in Sub-Saharan Africa should bring special focus on issues which are of particular importance to developing countries; NOTES that many of these countries, including the Least Developed Countries (LDCs) and Small Island Developing States (SIDS), are particularly vulnerable to climate change;
5. NOTES that since climate change is already occurring, adaptation to unavoidable climate change is a necessary complement to mitigation efforts; UNDERLINES the need to finalise the five-year programme of work on impacts, vulnerability and adaptation to climate change to enable early implementation of agreed activities; EMPHASISES the importance of reaching agreement on the governance of the Adaptation Fund and of making it operational as soon as possible in supporting concrete adaptation projects and programmes; strongly UNDERLINES the need for a pragmatic approach to an efficient, effective and transparent governance and operational structure for this innovative funding mechanism;
- 5a. LOOKS FORWARD to the discussions at the 15th session of the Commission on Sustainable Development on energy for sustainable development, industrial development, air pollution/atmosphere and climate change;

* To be checked at the Council meeting on 23 October 2006.

6. REITERATES the central role of technology in reducing greenhouse gas emissions and adapting to climate change; RECOGNISES that both "push" and "pull" factors need to be considered when addressing the full chain of research and development, deployment, diffusion and transfer of technologies in the short and long term; NOTES the useful recommendations of the Expert Group on Technology Transfer (EGTT) regarding the technology transfer framework and the continuation of its own work; SUPPORTS a strengthened structure that will promote and enhance technology transfer; BEARING IN MIND the key role of private sector investment in technology development and transfer, and the enabling role of governments, WELCOMES existing and new forms of [...] cooperation and NOTES with interest new initiatives such as the World Bank's progress report "An Investment Framework for Clean Energy and Development" which emphasise the need to focus on changing key investment decisions in favour of energy efficiency and low greenhouse gas emitting technologies over the coming decades; LOOKS FORWARD to further work by the World Bank and Regional Development Banks, in co-operation with other parties, to maximise the use of existing instruments and to further explore financing options to support investment in clean energy for development;
7. STRESSES the importance of fully exploiting opportunities provided by deployment of existing technologies [...]; SUPPORTS the Commission's initiative to establish a new Global Energy Efficiency and Renewable Energy Fund, establishing a public/private partnership to provide equity finance for energy efficiency and renewable energy investments in developing countries and invites other donors, including the EIB, EBRD and other international financial institutions and investors to join this initiative; RECOGNISES the emergence of promising technologies such as carbon capture and geological storage which need to be developed as part of the full range of mitigation technologies in a way that addresses relevant technical, legal and accounting issues and minimises environmental risks; INVITES the Commission to submit a legislative proposal containing a regulatory framework to enable the safe use of this technology in the EU;

8. STRESSES its commitment to exploring options to reduce emissions from deforestation in developing countries, in synergy with efforts undertaken in other fora; RECOGNISES that developing countries could play an important role in mitigating climate change through reducing emissions from deforestation and enhancing sustainable forest management; NOTES that such efforts would also help those countries to adapt to climate change;
9. STRESSES the importance of using project-based mechanisms during the first commitment period and beyond in a global framework and that such mechanisms rely in particular on the continued existence of binding quantified emission limitation or reduction commitments beyond 2012; UNDERLINES that the Clean Development Mechanism (CDM) provides important opportunities for supporting sustainable development in developing countries and for achieving cost-effective emission reductions; NOTES with satisfaction the rapid expansion of the CDM market after the decisions adopted at COP/MOP 1 and the provision of additional financial support [...]; CALLS upon all Parties that have made financial pledges to the CDM at COP/MOP 1 to provide this funding as soon as possible; STRESSES the need to ensure the strengthening of the capacities of [...] less developed countries, particularly in Africa, to prepare and administer CDM projects, including through learning-by-doing project implementation [...]; UNDERLINES that further efforts may be required in order to enhance the efficient functioning of the CDM Executive Board; WELCOMES the progress made by the Joint Implementation Supervisory Committee (JISC); RECOGNISES the need for additional financial support for the work of the JISC; STRESSES the urgent need for potential host countries to put in place the necessary institutional structures for JI projects; UNDERLINES the need for the International Transaction Log, a prerequisite for proper functioning of the mechanisms, to be rendered operational in a timely manner;

10. RECOGNISES the important role market-based instruments, in particular emissions trading, together with project-based mechanisms have and should have in a future arrangement to reduce global greenhouse gas emissions; NOTES the rapid expansion of the emerging global carbon market over the last 18 months, demonstrating its important potential for leveraging funding for technology development and transfer; NOTES that the EU Emissions Trading Scheme (EU ETS) is the nucleus of this market and a key driver of its expansion; RECALLS its intention to consider establishing links with other mandatory emission trading schemes so as to develop an efficient global emissions trading market; UNDERLINES that a continued recognition of the credits from the project-based mechanisms (JI and CDM) is already foreseen in the EU ETS; EMPHASISES the contribution of the EU ETS to achieving emission reductions in a cost-efficient manner; UNDERLINES the need to deliver a clear and strong signal to investors concerning the continuity of the scheme and its regulatory stability; LOOKS FORWARD to the forthcoming review report on the application of Directive 2003/87/EC establishing a scheme for greenhouse gas emissions allowance trading within the Community and amending Council Directive 96/61/EC and STRESSES the need for a legislative proposal to be submitted in 2007; LOOKS FORWARD to the forthcoming Commission proposal on the inclusion of aviation in the EU ETS;
11. WELCOMES the successful start on implementing the Montreal Action Plan and LOOKS FORWARD to making progress in further developing the basis for the common global effort to address the challenge of climate change; BEARING IN MIND the need for the widest possible cooperation by all countries, and their participation in an effective and appropriate response, IS ENCOURAGED by the commitment to promote the Montreal Action Plan shown in the EU's recent summits and other meetings with third countries;

12. IS PLEASED that the first workshop of the Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention provided a valuable first exchange of views, information and ideas on actions; LOOKS FORWARD to exchanging views in the second workshop on actions to advance development goals in a sustainable way and to capture the full potential of market-based opportunities; STRESSES the opportunity thereby afforded to explore new strategies for tackling climate change in ways that reflect the urgency of the problem, the scale of the action required, and the overarching goal of sustainable development;
13. [...]; LOOKS FORWARD to the second session of the Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG) on the basis of the constructive work and outcome of the first session in Bonn; WELCOMES the decision to hold an in-session workshop as an introductory step towards examining a number of topics which should inform the work of the AWG; LOOKS FORWARD to making progress in building a common view on the level of ambition required [...];
14. STRESSES the importance of the Article 9 review of the Kyoto Protocol in providing the COP/MOP with information on how best to further enhance the Protocol and its global environmental effectiveness; EMPHASISES that due to the number of provisions and elements of the Kyoto Protocol needing to be updated and reviewed in light of experience, this work should start immediately and an adequate forum should be found in which to carry it out in a complete, thorough and efficient manner; also STRESSES the importance of completing this work as early as possible and in time to ensure that there is no gap between the first and second commitment periods.