



# Earth Negotiations Bulletin

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## FCCC COP-5 HIGHLIGHTS SATURDAY, 30 OCTOBER 1999

Delegates met in an afternoon session of the Joint Working Group (JWG) on compliance to continue consideration of procedures and mechanisms relating to compliance under the Kyoto Protocol. Contact groups met to consider: adverse effects; activities implemented jointly (AIJ); Annex I communications; capacity building; land use, land-use change and forestry (LULUCF); non-Annex I communications; and the Protocol mechanisms.

### JOINT WORKING GROUP ON COMPLIANCE

Co-Chair Espen Rønneberg (Marshall Islands) said the JWG had to report on its progress to COP-5 and request the COP to take further steps including, if necessary, the establishment of an *ad hoc* working group on compliance. He said consultations had revealed that the JWG should continue its work until COP-6. He presented the Co-Chairs' draft conclusions, as well as a draft decision on the future work of the JWG.

The draft conclusions state that, *inter alia*: much work needs to be done and the JWG must move progressively toward negotiation; the Co-Chairs should further develop the elements of a compliance procedure, incorporating Parties' proposals; and this paper will receive Parties' full consideration at SB-12 and serve as a basis for negotiation. Several delegates said the draft conclusions provided a useful text to work on. SAUDI ARABIA, CHINA, the US, NIGERIA and BRAZIL said the paper developed by the Co-Chairs should be based on more sources of information. Delegates suggested that additional sources of information could be drawn from existing and further submissions by Parties, as well as discussions held during the session of the JWG and during a possible forthcoming workshop. CHINA, IRAN and SAUDI ARABIA, opposed by the EU and AUSTRALIA, suggested that the paper serve as a basis for "consideration" of compliance. NIGERIA added that nothing in the Buenos Aires Plan of Action (BAPA) required the JWG to finish its work by COP-6. The UK, opposed by the US, proposed that the paper serve as "the" basis for negotiations on compliance at the next session of the JWG.

The operative paragraphs of the draft decision on the future work of the JWG on compliance requires the JWG to "continue its work" beyond COP-5 and "complete its work" before COP-6. NEW ZEALAND, with AUSTRALIA, ARGENTINA, the US, the EU, BAHAMAS, CHILE and the FEDERATED STATES OF MICRONESIA, sought to retain the phrase "complete its work," as Parties had a responsibility to achieve the objectives of the BAPA and it would be difficult to justify a less ambitious goal. CHINA, NIGERIA and SAUDI ARABIA sought alternative language

supporting substantial progress by COP-6. A revised Co-Chairs' draft conclusions and decision based on Parties' suggestions will be available on Monday.

### CONTACT GROUPS

**AIJ:** Chair de Boer (Netherlands) introduced draft conclusions on "learning by doing" and capacity building, geographic distribution, and additional project incentives. He reported contact with regional co-ordinators and invited Parties to commence a paragraph-by-paragraph reading of his draft decision. A preambular paragraph was amended to specify that AIJ under the pilot phase are undertaken within the FCCC framework. Two preambular paragraphs were merged after discussion on geographic distribution. The new paragraph acknowledges the importance of "learning by doing" under the pilot phase and of providing new AIJ opportunities to Parties that have not experienced them. On the paragraph on continuation of AIJ, the Chair noted Parties' interest in what will happen under the mechanisms. His draft compromise text, placed in brackets, records a decision by the Parties to conclude the review process and, without prejudice to future decisions regarding project eligibility, continue the AIJ pilot phase.

**ADVERSE EFFECTS:** Co-Chair Salamat (Iran) presented the Co-Chairs' draft decision on the implementation of FCCC Articles 4.8 and 4.9. He outlined the text's operative paragraphs, including: a process to address information gathering; the convening of two distinct workshops on the effects of climate change and response measures; examination of actions relating to funding, insurance and the transfer of technology; and a request to the subsidiary bodies to continue consideration of these Articles. Delegates discussed the preambular paragraphs and agreed to introduce a new paragraph "acknowledging the efforts already made by country Parties towards meeting the specific needs and concerns of developing country Parties, in particular least developing countries, with regard to adaptation." The Co-Chairs will present a clean preambular text on Monday.

**ANNEX I COMMUNICATIONS:** This joint contact group concluded its work and agreed to forward the following documents, as amended, to the relevant subsidiary bodies: SBI draft conclusions and a draft decision and annex on guidelines for the technical review of greenhouse gas (GHG) inventories from Annex I Parties; SBSTA draft conclusions and a draft decision; Part II of the guidelines on national communications; and FCCC reporting guidelines on global climate observing systems.

**CAPACITY BUILDING:** This contact group continued consideration of the Co-Chairs' proposal for a draft decision on capacity building. The group worked through the operative paragraphs and discussed, *inter alia*: how financial and technical capacity building should be provided; whether to have a comprehensive assessment of capacity building activities to determine

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their effectiveness, gaps and weaknesses; and whether to elaborate on activities to support national capacity-building activities for FCCC implementation or on the particulars for a comprehensive assessment. They bracketed a number of paragraphs and agreed to reconvene in a Friends of the Chairs' meeting on Monday to draft the proposal for a decision.

**LULUCF:** Co-Chairs Thorgeirsson (Iceland) and Gwage (Uganda) informed the group of a draft decision they had prepared on LULUCF-related methodological issues, including aspects relating to submissions by Parties on: definitions and activities on Protocol Article 3.3 (net changes in emissions and removals); a list of activities that each individual Party is seeking to include under Article 3.4 (additional human-induced activities relating to changes in emissions and removals); views on possible modalities, rules and guidelines on additional activities under Protocol Article 3.4; and a request for the Secretariat to compile a list of guiding principles and criteria for the identification and selection of additional activities under Article 3.4. The G-77/CHINA said it had prepared a draft decision covering similar aspects and including others such as guidance on the scope of the workshop on the IPCC Special Report. Many delegations noted similarities between the two texts, and agreed to follow the sequencing of paragraphs in the G-77/CHINA proposal as a basis for discussions. The group read through the text and established a drafting group to work on it. Differing views focused on, *inter alia*: the sequence of activities in the lead-up to SBSTA-12 and how they interrelate; presentation and transmission of the IPCC Special Report to SBSTA-12; timing for submissions and consideration of criteria and guiding principles for data on additional activities; timing for submissions and proposals for definitions on activities under Article 3.3; and timing for and types of country-specific data. The contact group reconvened to consider progress made by the drafting group, working late into the night.

**MECHANISMS:** Delegates considered the project cycle of the CDM. The G-77/CHINA stressed the need to address the CDM's driving force, nature and scope. AUSTRALIA said the CDM should be largely private sector driven. He added that investors needed to know that credits will be forthcoming.

Several Parties agreed that the host country is the best judge of its sustainable development needs. NORWAY inquired about the role of operational entities in the validation and pre-registration of project proposals, noting that the Executive Board may not be able to carry out this task.

SOUTH AFRICA, the SUDAN, BOLIVIA, MEXICO and MAURITANIA suggested that the CDM include the concept of emissions avoidance. BOLIVIA proposed including forest protection initiatives under emissions avoidance. MEXICO said he looked forward to using the CDM to supplement national efforts to shift from slash-and-burn techniques, which are responsible for loss of forest cover, to sustainable technologies that would have a positive impact on climate change. MAURITANIA objected to the inclusion of forest protection within the CDM, as Parties would seek to protect their forests regardless of its inclusion. IRAN said the CDM should include projects related to both sinks and sources. On the issue of baselines for emissions avoidance projects, NEW ZEALAND suggested that, to minimize transaction costs, the commercial contract-bidding process should be used to identify the baseline. The EU said the baselines should be determined on a project-by-project basis.

SWITZERLAND said that in considering the types of projects that are eligible, possible negative spillover effects into other multi-lateral domains should be taken into consideration. MOROCCO stressed the need to certify that reduced or avoided emissions are real, measurable and contribute to sustainable development in the

host country. With SWITZERLAND, she said CDM projects should be subjected to rigorous impact assessment studies that take into account the socio-economic aspects of the host country.

On the financing of CDM projects, Chair Chow (Malaysia) queried whether the funding will be bilateral, multilateral or unilateral; if ODA and the FCCC's financial mechanisms could fund CDM activities; or if CDM funds will be managed by the Executive Board, so as to ensure equitable distribution. MAURITANIA asked how transparency of and accountability for the investment will be ensured.

On unilateral funding of CDM projects, JAPAN asked whether unilaterally-funded projects were consistent with the concept of CDM. The REPUBLIC OF KOREA said unilateral funding for CDM would provide incentives for non-Annex I Parties to implement measures to reduce GHGs. COLOMBIA highlighted the potential of indigenous private sector projects. He said that as long as CDM projects demonstrate additionality and lead to real and measurable long-term reductions, there should be flexibility in financing the projects. On unilateral CDM, NEW ZEALAND noted that additionality would require careful judgments.

Regarding the use of ODA and GEF funds, the EU said CDM funding should not compete with these sources but that we would be open to discussion of all options as long as conditions for validation and certification are met. The G-77/CHINA emphasized that CDM funding should be over and above ODA, GEF and other financial commitments. JAPAN said there were no provisions requiring financial additionality and none that preclude the use of ODA as a source of funding. He said the CDM should be mainly funded by the private sector. The G-77/CHINA said funding additionality flows from the fact that the purpose of the CDM is to assist Annex I Parties in attaining their commitments

**NON-ANNEX I COMMUNICATIONS:** Chair El Ghaouth (Mauritania) suggested that work on a draft decision on matters related to the consideration of non-Annex I communications continue in the drafting group. The G-77/CHINA said it was clear from the agreement at COP-4 that second national communications would be funded without further guidelines. El Ghaouth said the costs related to this draft decision would be met by extra budgetary sources. He added that SBI would consider on Monday the decision currently being discussed in the drafting group, the issue of the contingency budget for non-Annex I communications, and a decision on the compilation and synthesis of initial communications.

### IN THE CORRIDORS

A draft decision being prepared by developing countries has stirred some concern in the corridors. The draft proposal would limit the decision on capacity building to climate change considerations. Supporters of an all-encompassing approach to capacity building argue that their approach would be cost effective and more consistent with the associated benefits of sustainable development. However, those in support of focusing capacity building on climate change stress that it must follow the mandate of the FCCC if the limited pot of funding is to be used effectively and produce tangible results. They say decisions on comprehensive capacity building must await a maturing of linkages across Convention institutions.

### THINGS TO LOOK FOR TODAY

**SBSTA:** SBSTA is scheduled to meet at 10:00 am.

**SBI:** SBI is scheduled to meet at 4:00 pm.

**JWG:** The JWG on compliance is expected to meet at 8:00 pm. Consult the announcement board for further details.