



HIGHLIGHTS FROM FCCC SB-13 THURSDAY, 14 SEPTEMBER 2000

Contact groups met throughout the day to consider: the mechanisms; land use, land-use change and forestry (LULUCF); technology transfer; adverse effects; capacity building; and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). The Joint Working Group on Compliance convened to continue discussions on the Co-Chairs' text. A special meeting on LULUCF and the CDM was also held.

CONTACT GROUPS AND INFORMAL MEETINGS

MECHANISMS: Parties continued deliberations on the consolidated text, focusing on emissions trading. Regarding the draft decision, the EU, JAPAN and NORWAY questioned the need for text in the decision on principles. The G-77/CHINA, with BRAZIL, SAMOA and JAMAICA, and opposed by the US and CANADA, said assigned amounts (AAs) were fixed. The EU added that FCCC Article 3 (commitments) referred to "assigned amounts" not "initial assigned amounts". Chair Chow made a presentation on AAs that addressed, *inter alia*: the character of an AAs; what could be transferred and acquired; and an AAs' linkage with Protocol Articles 5, 7 and 8. SAMOA questioned whether parts of AAs (PAAs) could be held by allocated legal entities or only by sovereign states. She suggested that the issue of legal entities participating in emissions trading be addressed in the Appendix on domestic systems. She added that if legal entities were allowed to participate, the process must be transparent. NEW ZEALAND, with the US, said these were Party issues, and noted his support for full transparency. AUSTRALIA added that appropriate safeguards would be built into Articles 5, 7 and 8 and the provisions on registries.

On the modalities of operation, the G-77/CHINA, opposed by CANADA, questioned whether Parties could transfer PAAs that remained unused because of factors other than P&Ms, such as economic recession. CANADA, opposed by the G-77/CHINA and EU, suggested withdrawing the appendix on elaborating guidelines on national systems relating to AA units and/or PAAs. On the share of proceeds, the US proposed that this be addressed by the group on guidelines. On registries, the G-77/CHINA noted that this issue could be addressed within each of the Articles on mechanisms. COLOMBIA highlighted a policy document submitted by various Latin American Parties aimed at promoting more effective CDM mechanisms.

LULUCF: The contact group considered draft SBSTA conclusions. Delegates questioned the status of the documents noted in the conclusions, and how they would be developed by the Co-Chairs based on input by Parties. TUVALU said it would be premature to have conclusions on text that had yet to be discussed by the group.

Parties then continued consideration of Eligibility based on the Co-Chairs' text on elements related to Article 3.3 and 3.4. Several Parties drew attention to their submissions on the Co-Chairs' text as compiled in the new miscellaneous document. On Accounting, SWITZERLAND, for the ENVIRONMENTAL INTEGRITY GROUP, supported full carbon accounting. AUSTRALIA suggested specific provisions to deal with perverse incentives to deforest and impediments to new forestation activity prior to the first commitment period. Regarding text on carbon pools, TUVALU and the EU opposed inclusion of harvested wood products, while NORWAY supported their inclusion but noted that the issue would be discussed at SBSTA-14. SWITZERLAND, with the EU, TUVALU and NORWAY, and opposed by JAPAN, said natural uptake must be separated from human-induced effects. The EU highlighted the link between this issue and limited crediting during the first commitment period. On limitation of debits and credits, JAPAN said the option of no limitation of credits should be retained.

TECHNOLOGY TRANSFER: Delegates discussed the Co-Chairs' draft conclusions, noting that limited progress had been made in elaborating the elements for a draft framework to enhance the implementation of FCCC Article 4.5 (technology transfer).

The G-77/CHINA sought a reference to its proposal for a draft decision due to be discussed during the second half of SB-13. The US, EU and CANADA objected, as they had not yet seen the document. MALAYSIA said the reference could be made without a recommendation on how it would be addressed. The G-77/China proposal was distributed to the group.

Resuming discussions on the Co-Chairs' draft conclusions, the G-77/CHINA proposed deleting a paragraph inviting the SBSTA Chair, with the assistance of the Secretariat, to provide additional reports on the outcome of the regional workshop, noting the limited time at COP-6 for negotiations. She questioned the purpose of additional information and its input to the discussions. The UK said the workshop would inform negotiators new to the process. MALAYSIA noted that the SBSTA Chair had the discretion to decide if and when to organize informal meetings.

Co-Chair Cooper requested the US, G-77/China, and EU to consult informally to seek agreement on the outstanding paragraphs of the draft conclusions.



PROTOCOL ARTICLES 5, 7 & 8: Co-Chair Plume introduced Part IV of the guidelines under Article 8, Review of National Systems, based on submissions from the EU and Australia. She noted the conclusions forwarded from the contact group for adoption at the SBSTA plenary, and said they included as addenda four draft decisions for the COP and COP/MOP on Articles 5.1, 5.2, 7 and 8, and draft guidelines under Articles 7 and 8. She highlighted the informal consultations to be held in Bonn in October, and invited Parties to submit views on the guidelines under Articles 5.2, 7 and 8 to the Secretariat before 29 September. Co-Chair Plume thanked delegates for their work and closed the contact group.

ADVERSE EFFECTS: Participants met to consider sections of the Co-Chairs' revised text on Protocol Article 3.14 and the impact of response measures under FCCC Article 4.8 and 4.9. On Article 3.14, SAUDI ARABIA, supported by several other developing countries, said it referred only to actions by Annex I Parties and indicated that it was inappropriate to suggest that non-Annex I Parties had obligations under this Article. The US supported references to non-Annex I Parties, as Article 3.14 did not specify whether actions to be considered by the COP/MOP under this Article were exclusively those of Annex I Parties.

On the impact of implementation of response measures, JAPAN, supported by the US but opposed by CHINA, stressed that non-Annex II Parties able to support developing countries should be encouraged to do so. Text on the process of information analysis was bracketed. The G-77/CHINA, KUWAIT and VENEZUELA stressed the importance of technological development relating to fossil fuels for diversification of economies in oil exporting developing countries.

CAPACITY BUILDING: Economies in Transition (EITs): Delegates met to discuss the draft framework for capacity building in EITs and a proposed draft decision, which had been revised following informal consultations conducted by Slovenia. A number of paragraphs in the draft framework were bracketed, including several references to the Protocol. Co-Chair Ashe said Parties' comments and amendments would be taken into consideration when reviewing the framework and draft decision.

Developing Countries: VANUATU, on behalf of the LDCs, urged explicit reference to the group's submissions in the revised text as a separate section, to ensure that it provides for the needs of the LDCs. Due to the lack of time, consideration of the framework for capacity building in developing countries was deferred to the next contact group meeting.

JOINT WORKING GROUP ON COMPLIANCE

Parties discussed sections in the Co-Chairs' text addressing general provisions, outcomes and consequences, and other provisions. On general provisions, Parties differed on the need for text on principles, and agreed that the text on functions was superfluous, given subsequent elaboration of functions. On adoption, JAPAN said COP-6 could recommend that the COP/MOP adopt a decision. The EU presented two options: adoption of a decision by COP-6 that would have immediate interim effect, accompanied by a recommendation to COP/MOP-1 to adopt an identical instrument; and adoption of a legal instrument that would enter into force at the same time as the Protocol. Parties supported different options based on their positions on the need for binding consequences.

On consequences of non-compliance, the G-77/CHINA expressed interest in the EU proposal on financial penalties linked to a compliance fund. The EU emphasized the role of P&Ms in compliance action plans and, opposed by AUSTRALIA and CHILE, advocated an open-ended list of facilitation consequences. The US said the facilitation branch should not apply mandatory outcomes. The RUSSIAN FEDERATION highlighted concerns

relating to, *inter alia*: publication of potential non-compliance, initiation by the facilitation branch of the enforcement procedure; and the calculation of excess tonnes to be deducted from a Party's assigned amount. SWITZERLAND, for the ENVIRONMENTAL INTEGRITY GROUP, supported the following consequences: a compliance action plan, restrictions on the use of mechanisms, and a compliance fund. AUSTRALIA opposed financial penalties and the issuing of cautions.

SPECIAL SESSION ON LULUCF AND THE CDM

In a special session, delegates considered the issue of including LULUCF projects within the CDM. BRAZIL, PERU, CHILE, COLOMBIA, NEW ZEALAND, COSTA RICA, BOLIVIA, AUSTRALIA, the US, JAPAN, URUGUAY, CANADA, NORWAY and the ENVIRONMENTAL INTEGRITY GROUP argued in favor of its inclusion, citing a variety of motivations and preconditions. The EU, TUVALU, SAMOA, CHINA and JAMAICA urged that the CDM exclude provision for sinks.

Concerns with the inclusion of LULUCF CDM projects included: uncertainty; leakage; non-permanence; methodological issues in determining baselines; the potential for promoting inappropriate forestry; geographic and inter-generational inequity; and the potential size of LULUCF CDM credits enabling avoidance of emissions reductions.

Arguments in favor of CDM projects included: their potential contribution to sustainable development in developing countries, and the importance of carbon sequestration. Proponents of LULUCF projects argued that many of the technical concerns are not unique to sinks projects, and that they may be addressed through appropriate project design. They suggested that the key distinguishing feature of sinks projects is permanence, and argued that this may be addressed, citing a recent position paper by Colombia.

Preconditions for LULUCF CDM projects included: agreeing on sound methodologies for baselines and accounting; ensuring coherence with international conventions relating to biodiversity, forests, and wetlands; protection of the rights and concerns of indigenous people; ensuring that first-time methodologies for baseline crediting for sinks are approved by the Executive Board; and agreeing on CDM rules to address leakage and permanence.

IN THE CORRIDORS

Some observers expressed concern Thursday regarding the process used in formulating and presenting some conclusions and decisions in the contact groups. They alleged that some text that had not been discussed previously was "slipped in surreptitiously," while in other cases Parties' submissions appeared to have been "conveniently ignored." However, others noted that it was an arduous task to cope with the various group texts and proposals emerging.

THINGS TO LOOK FOR TODAY

CONTACT GROUPS: Final meetings of the contact groups on compliance and adverse effects are expected to convene at 10:00 am. The group on capacity building will meet at 10:00 am and again at 4:00 pm. Informal consultations on the financial mechanism are expected to take place at 3:00 pm.

SBSTA: SBSTA is expected to meet from 12:00 pm - 2:00 pm and from 3:00 pm - 6:00 pm to conclude its consideration of outstanding agenda items. .

SBI: SBI is expected to meet at 5:30 pm to conclude its work.

SBI/SBSTA: SBI/SBSTA is expected to meet at 7:00 pm to conclude its work for this session.

INTERNET BROADCAST: Today's plenary sessions will be broadcast live over the Internet at: <http://www.canalnews.fr/unfccc>