



UNFCCC COP-6 HIGHLIGHTS

THURSDAY, 16 NOVEMBER 2000

Delegates convened in contact groups to discuss text on: mechanisms; capacity building in countries with economies in transition; "best practices" in policies and measures; development and transfer of technologies; land use, land-use change and forestry (LULUCF); and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). The Joint Working Group on Compliance (JWG) also met to continue its work on negotiating text. In addition, negotiators met throughout the day and late into the night in closed "informal informal" consultations and drafting groups to advance negotiations on issues such as mechanisms, compliance, development and transfer of technologies, the financial mechanism, adverse effects and capacity building in developing countries.

JOINT WORKING GROUP ON COMPLIANCE

Delegates met in a formal meeting and heard a presentation by the G-77/CHINA on its views, contained in a new submission, on consequences under a compliance regime. On facilitative consequences, the G-77/CHINA reiterated that these should be differentiated between Annex I and non-Annex I Parties. On enforcement consequences, she said these should only apply to Annex I Parties. She then presented the proposed consequences, to be decided by the enforcement branch, in case of non-compliance with several provisions of the Protocol. In the case of non-compliance with Articles 5 and 7, the Party's eligibility to participate in the mechanisms would be suspended and it would be required to submit a plan including measures to remedy the non-compliance. One or more other measures, such as declaration of non-compliance and suspension of rights and privileges, would be decided. If a Party does not meet the eligibility requirements under Articles 6 (JI), 12 (CDM) and 17 (emissions trading), its eligibility to participate in the mechanisms would be suspended. If the Party concerned is an Article 4 (joint fulfillment) Party, the eligibility of the other Parties operating under that provision would be suspended as well.

In case of non-compliance with Article 3.1 (assigned amounts - AA), the G-77/CHINA said the strictest of measures should be applied. She called for the combination of three consequences for

the non-compliant Party in order to ensure effectiveness and avoid loopholes: a contribution to the Compliance Fund, to be established; the deduction from its AA in the subsequent commitment period with a penalty rate; and a submission of a Compliance Action Plan. Additional consequences could also be set. In the case of non-compliance with Article 3.14 (adverse effects), the Party concerned would be required to commit itself to an "Article 3.14 Plan" indicating the measures intended to be implemented in order to resolve the issue in question, and it could be subjected to the suspension of rights and privileges.

SAUDI ARABIA, on behalf of the ARABIAN COUNTRIES GROUP, said non-compliance with Article 3.14 should also lead to suspension of eligibility to participate in the mechanisms and a financial penalty paid to a compensation fund. NEW ZEALAND questioned the aspects of establishing an action plan as well as a compliance fund, since these would remove the stringency of the consequences by extending the period of non-compliance and adding complexity.

Participants then met in "informal informal" consultations in the evening and late in the night, in an attempt to make further progress. They worked on the basis of a revised Co-Chairs' text and the latest G-77/CHINA submission that contains proposals on a plenary, the submission of questions of implementation, appeal, COP/MOP and consequences. Based on the discussions, the Co-Chairs will develop a revised text by Friday 12.00 noon.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

CAPACITY BUILDING: Economies in Transition (EITs):

Delegates met briefly in a contact group to consider the remaining brackets in the draft decision on capacity building in EITs. They removed brackets around reference to Protocol Article 10 (existing commitments) in the preamble, noting that this Article refers to all Parties. However, they retained brackets around paragraphs addressing financial support for the implementation of the framework, pending the outcome of discussions in the group on the financial mechanism. The contact group agreed to forward the text with the remaining brackets to the subsidiary bodies.

Developing countries: Delegates met in "informal informal" consultations throughout the day to work on bracketed paragraphs in the draft decision and proposed framework text. They agreed to

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defer the paragraphs on financing and the role of the GEF to the contact group addressing the financial mechanism. They removed brackets on a number of paragraphs in the draft decision. However, differences remained over who would monitor and review progress of implementation of the decision, and at what intervals. "Informal informal" consultations continued late into the night.

MECHANISMS: The contact group on mechanisms met to receive feedback from Chair Chow on "informal informal" discussions that had focused on Article 12 (CDM). Revised text was circulated on: the role of the COP/MOP, the Executive Board, the accreditation body, designated operational entities, participation, financing, monitoring, verification, certification, issuance of CERs, standards and procedures for the accreditation of operational entities, a CDM reference manual, and a project design document. Emphasizing that negotiations need to be completed by midnight on Friday, 17 November, he urged the group to show leadership in completing their discussions in a timely manner.

The "informal informal" discussions, comprising representatives from approximately 30 Parties, continued throughout the afternoon and late into the night, with the aim of seeking as much convergence as possible on the remaining text relating to the CDM, JI, emissions trading and registries. It is understood that while progress has been made in reaching some agreement, fundamental differences on a number of core issues remain.

DEVELOPMENT & TRANSFER OF TECHNOLOGIES: Delegates met in two drafting groups and a contact group to work on developing consensus text on the framework for meaningful and effective actions to enhance the implementation of UNFCCC Article 4.5 (development and transfer of technologies).

In a morning session of the second drafting group, which worked on the themes of capacity building and mechanisms for technology transfer, a smaller group was convened to discuss and propose text on the implementation of capacity building in the context of technology transfer.

The contact group then convened in the afternoon to consider and adopt the consensus text from the first group working on the three themes of technology needs and needs assessment, technology information, and enabling environment. Rather than singling out developing country Parties or countries with economies in transition, the contact group decided to make reference to "Parties other than developed country Parties and other developed Parties not included in Annex II, particularly developing country Parties." The three sections were then agreed upon.

Co-Chair Cooper noted that consultations were ongoing on the framework text in order to achieve consensus language. She then introduced a Co-Chairs' proposal for a draft decision to which the framework would be annexed for consideration by the group.

The contact group then reconvened in a closed evening session and focused on the remaining sections on capacity building and mechanisms for technology transfer. Delegates debated whether language used in the framework should be obligatory, that is, whether to use "shall" or "are encouraged to." The group then considered the mechanisms for technology transfer. There was divergence over the need for, and composition and functions of, the proposed intergovernmental panel of experts or advisory group of

experts. The group continued its work late into the night. It was expected that on completion of the work on the framework, delegates would begin considering a Co-Chairs' proposal for a draft decision on technology transfer.

POLICIES AND MEASURES (P&Ms): Delegates convened in this contact group to continue discussions on the elements for a draft decision on P&Ms. The group agreed to delete text on a draft decision that the task on P&Ms required under the Buenos Aires Plan of Action has been completed. On the decision that future work should take place through initiatives involving all Parties and should include the exchange of information on P&Ms, SAUDI ARABIA, opposed by CANADA, emphasized that the information should relate to the P&Ms of Annex I Parties. Other text that was bracketed included: SAUDI ARABIA's proposed reference to methodological issues related to assessing the effectiveness "and impact" of P&Ms; a reference proposed by the US to "assessing/characterizing" the effectiveness of P&Ms; and the EU's reference to the future "structured" work on P&Ms.

On text requesting the Secretariat to make available information on P&Ms related to the future work on P&Ms as reported in the national communications by Annex I Parties, SAUDI ARABIA, opposed by the US, JAPAN and CANADA, urged reference to information on P&Ms implemented and planned "under the Convention and its Protocol." This was bracketed. On the decision requesting the Secretariat to organize the first workshop and report the results to COP-7, AUSTRALIA included reference to "side events."

Regarding text requesting the SBSTA to consider the results obtained from the actions taken and to report them to COP-7, with a view to taking a decision in the lead-up to the COP/MOP, the US urged that the entire decision be bracketed. Delegates agreed to further consult on the text. On the draft decision inviting Parties to provide the necessary financial support for the workshops and other activities, the G-77/CHINA said this refers to Annex I Parties. The US proposed also inviting "interested international organizations." Both proposals were bracketed.

Regarding the decision that future work should enable an assessment of demonstrable progress of Annex I Parties in achieving their Protocol commitments, the G-77/CHINA, SAUDI ARABIA and the EU underlined the importance of this issue. The US stated that it was unable to continue discussion on this issue pending the outcome of deliberations in other contact groups. CANADA proposed deleting the decision. Delegates agreed to defer discussion on this issue. On the chapeau, the US, CANADA, AUSTRALIA and JAPAN, opposed by SAUDI ARABIA, proposed deleting reference to specific provisions of the UNFCCC.

ADVERSE EFFECTS: The Friends of the Chair met twice to continue discussing the draft decision. Delegates accepted a proposal by the Least Developed Countries (LDCs) to integrate text on special treatment for LDCs into the adverse effects section of the draft decision. Discussion on the proposed adaptation fund and the fund supporting specific concerns of LDCs was referred to the financial mechanisms group.



PROTOCOL ARTICLES 5, 7 & 8: Co-Chair Plume introduced a working paper proposed by the Co-Chairs and explained the changes made to the previous version of the guidelines under Articles 5, 7 and 8. She suggested that Parties present their views on the new text and then focus on the draft decisions. Following a question by the US on the way to proceed, she said COP-6 President Pronk had made clear that there would be no contact groups the following week.

Delegates welcomed the efforts made by the Co-Chairs in preparing the working paper. However, they highlighted a number of issues with which they had some concerns, including: reporting on domestic programmes; reporting on Articles 10 (existing commitments), and 11 (financial mechanisms); the lifting of brackets around Article 3.3 and 3.4; reference to "initial AA"; review of information on Article 3.14; and institutional arrangements for expert review teams.

On elements related to good practice guidance and adjustments under Article 5.2 (adjustments), the G-77/CHINA suggested bracketing text on estimates of emissions and removals from LULUCF as the discussions in the group on LULUCF had not been concluded. NEW ZEALAND, with the EU, US and JAPAN, emphasized that such estimates from all sectors should be prepared under good practice guidance, and be adjusted when they are not prepared according to the agreed methodologies. In elements for a draft COP/MOP-1 decision on this matter, the EU, SWITZERLAND and NORWAY disagreed over a US proposal, supported by SAUDI ARABIA, NEW ZEALAND and AUSTRALIA, to include text on ensuring that adjustment procedures are conservative so that Parties would not be unduly penalised. The Co-Chairs requested interested Parties to meet to further discuss the unresolved paragraphs.

LULUCF: Co-Chair Thorgeirsson said this contact group meeting would be devoted to providing technical advice on inclusion of sinks under the mechanisms, and stressed that the actual decision on inclusion would be taken by the mechanisms group.

COLOMBIA presented their proposal on Expiring Certified Emissions Reductions (CERs). Noting that permanence is the main problem related to LULUCF activities, he suggested all LULUCF projects be treated as potentially non-permanent, and said that associated CERs should expire after a specific time period, after which they would be replaced by permanent CERs or new expiring CERs. The project proponent would be fully liable for the CERs.

TUVALU highlighted recent research results from the Hadley Centre suggesting that the terrestrial biosphere may shift from being a sink to a source. He stressed problems related to reversibility of carbon sequestration, leakage, uncertainty related to accounting methodologies, and negative environmental and social impacts including perverse incentives for conversion of native systems to plantation forestry. He cautioned that the potential scale of LULUCF activities could undermine any incentives to find long-term solutions to emissions reductions.

Noting the large share of global emissions resulting from deforestation, BOLIVIA supported conservation of existing forests under the CDM. He cautioned against perverse incentives to cut

forests, and said that for many countries forest conservation would be the main way to participate in efforts to stabilize the global climate.

Expressing concern with the interventions of delegates, Co-Chairs Thorgeirsson and Gwage appealed to delegates to focus on technical aspects with a view to providing advice to the contact group on mechanisms. The G-77/CHINA urged no prejudgement on the issue of sinks in the CDM. He drew attention to the Group's principle on permanence, underlining that sinks provide temporary removal only. The EU expressed surprise at the Co-Chair's request to provide solutions, saying that he was not convinced that solutions exist. He argued that inclusion of sinks would reduce the transfer of emission reduction technology to developing countries. COSTA RICA argued that global leakage would be a significant problem should LULUCF activities not be allowed under the CDM, as timber stocks in different parts of the world are linked through the global market, and a small shift of logging activities from Annex I countries to non-Annex I countries would lead to a proportionally larger increase in loss of carbon.

SENEGAL, BHUTAN, AUSTRALIA, INDONESIA and MEXICO, opposed by the EU and CHINA, outlined arguments in favor of the Colombian proposal. CHINA underlined that there was no unified G-77/CHINA position on this proposal.

AUSTRALIA expressed concern with the unbalanced use by delegates of the IPCC report on LULUCF, and noted that the report shows that methodologies exist or are being developed regarding leakage, additionality, permanence and measurement uncertainty. With JAPAN, she questioned why the issue of scale is specifically raised in the context of LULUCF projects, arguing that the institutional infrastructure will ensure that LULUCF projects are additional, measurable and verifiable. COLOMBIA emphasized that the aim of its proposal is not to transfer Annex I commitments. He underlined the value of procedures being proposed in the mechanisms group to ensure stakeholder participation within forestry projects.

CANADA said there are solutions to the problem of permanence, highlighting risk management options. The US pointed out that projects differ in terms of how prone they are to leakage, and stressed that the scale of actual LULUCF projects implemented is constrained by institutional and economic barriers.

In addition, the Indigenous Peoples Caucus on Climate Change gave a statement stressing the need to consider indigenous peoples and their needs and rights on the lands being discussed in the LULUCF contact group, and condemning the inclusion of sinks under the CDM.

FINANCIAL MECHANISM: Participants met in closed "informal informal" consultations to continue discussing text providing additional guidance to the operating entity of the financial mechanism. Delegates agreed to remove brackets from some text. However, disagreement remained over text relating to the provision of GEF resources for country-driven Stage II adaptation activities, particularly the extent to which such activities are based on assessments reported in national communications. In addition, some text that has linkages to issues under consideration in the adverse effects contact group remain bracketed.



IN THE CORRIDORS

With less than one day remaining before President Pronk's strictly mandated deadline for agreeing on "technical" matters, observers speculated whether the issues that would be forwarded to ministers next week would be predominately political, or whether many technical issues would remain. They suggest key issues likely to require high-level decisions include Protocol Article 3.14, the adoption of the compliance regime, supplementarity, and sinks issues, such as the limitation of credits, the question of sinks under the mechanisms, and additional activities under Protocol Article 3.4. The amount of funding and methods for channeling such funding is also likely to feature highly on next week's agenda.

THINGS TO LOOK FOR TODAY

The COP Plenary, SBI and SBSTA will not be meeting today. However, the JWG and the following contact groups are scheduled to continue consideration of negotiating texts:

JOINT WORKING GROUP ON COMPLIANCE (JWG):

The JWG will meet at 4:30 pm in Van Gogh Hall. It is expected that the continue Co-Chairs' text will be available at 12:00 pm.

POLICIES AND MEASURES: This contact group will meet at 10:00 am and again at 6:00 pm in Mondriaan Hall to work on outstanding brackets in the text. They are expected to focus discussions on the issue of demonstrable progress.

PROTOCOL ARTICLES 5, 7 & 8: This contact group will meet at 10:00 am and also at 8:00 pm in Escher Hall, to resume discussions on the draft decisions and guidelines.

LULUCF: This contact group will meet in Van Gogh Hall at 3:00 pm and will reconvene at 10:00 pm to work on the Co-Chairs' text, starting with accounting issues.

TECHNOLOGY TRANSFER: The contact group will meet at 3:00 pm in Mondriaan Hall and is expected to continue consideration of the Co-Chairs' revised draft text.

FINANCIAL ISSUES GROUP: This joint contact group will meet at 4:00 pm in Escher Hall, and is expected to begin discussions on the wider issues relating to financing.

CAPACITY BUILDING: This group meets at 6:00 pm in Van Gogh Hall, and is expected to resume work on the framework for developing countries.

FINANCIAL MECHANISM: This group will convene at 7:00 pm in Breitner 2 to take up the outstanding bracketed text, including a sub-paragraph relating to the extent to which Stage II adaptation activities are based on national communications.

ADVERSE EFFECTS: The joint contact group will meet from 8:00 pm in Rembrandt Hall to resume talks on the text.

MECHANISMS: This contact group will meet at 10:00 pm in Van Gogh to continue working though the text.

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