Delegates met late morning for an informal high-level Plenary session to receive briefings on Wednesday night’s negotiations. This session was followed in the afternoon by bilateral and multi-lateral informal consultations. Shortly before 8:00 pm, a note by COP-6 President Pronk was distributed outlining proposals to assist in moving towards a “package deal” on outstanding issues, and early Friday morning, delegates reconvened for a short informal Plenary to be briefed by President Pronk.

**INFORMAL HIGH-LEVEL PLENARY – MORNING SESSION**

Delegates convened in the morning for an informal high-level Plenary session to hear reports by the facilitators on informal consultations that met on Wednesday night. President Pronk opened the meeting and invited the co-facilitators from the four groups formed around key issue “clusters” or “boxes” to report on progress made in negotiations.

**BOX A – CAPACITY BUILDING, TECHNOLOGY TRANSFER, ADVERSE EFFECTS AND GUIDANCE TO THE GEF:** Co-facilitators Ministers Mabudhafasi and Auken reported that there had been some progress on technology transfer and capacity building, while questions on the financial issue remained. On adverse effects, Minister Auken said there was deadlock on key issues, and that assistance from contact group co-chairs Salamat and Kjellén had been requested. He also said a separate EU proposal on financial issues had been presented and that, along with the proposal submitted by the Umbrella Group, there was substantial material on which to negotiate.

**BOX B – MECHANISMS:** Co-facilitator Minister Kawaguchi said there were too many issues to deal with. She said agreement was near on details relating to the CDM, including: financial additionality; fast track on small projects; use of share of proceeds from CDM for adaptation; environmental additionality; no list for project eligibility. Composition of the Executive Board and its relationship with the COP/MOP remained undecided. She noted that more time was needed, as not all the “crunch” issues had been discussed for discounting some elements, such as pre-1990 carbon uptake. On the latter, she reported a common view within the group on the need to address permanence, and that discussions had focused on the possibility for further SBSTA consideration, with IPCC input, on this matter. She said approaches for a first pilot phase of limited LULUCF projects had been considered. She said the LULUCF group had now reached its limits, and there was little prospect of convergence.

**BOX D – COMPLIANCE, POLICIES AND MEASURES, AND ACCOUNTING, REPORTING AND REVIEW UNDER PROTOCOL ARTICLES 5, 7, AND 8:** Minister Bjerke reported on the work carried out in the informal small groups. On Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information), she said text on reporting under Protocol Articles 10 (existing commitments) and 11 (financial mechanism) had been elaborated, and the only bracket remaining in the decision on Article 8 related to the composition of the expert review team. She said further brackets remained on issues that were dependent on the outcome of other groups.

On demonstrable progress, she said the group had converged around the idea that reporting should take place in 2005, as a report separate from national communications. Regarding compliance, she said discussions had focused on the establishment and structure of the compliance committee, the functions of the plenary, as well as on how principles could be reflected in the compliance text. She noted that more time was needed, as not all the “crunch” issues had been resolved.

President Pronk noted a greater divergence of opinion than he had expected, and said there were three elements in the reports – those issues that had been agreed, those close to agreement, and eligibility of Annex I Parties to use mechanisms, but disagreement on how to use share of proceeds, as well as on fungibility and supplementarity. On joint implementation (JI), Parties were still unable to agree on whether rules and guidelines should be identical to the CDM, and whether there should be a two-track approach.
those on which no agreement is currently foreseeable. He said he would summarize the issues in a paper that ministers would be invited to collect at his office, to ensure that he would also be able to conduct bilateral discussions with each group. Responding to President Pronk’s proposal, the G-77/CHINA noted that developing countries have the highest stakes in these negotiations, and that the total package, as in the Buenos Aires Plan of Action, would need to be reflected. On the Umbrella Group’s funding proposal and the alternative put forward by the EU, he said they represent a step forward but still require more negotiation. He stressed that “the ball is in the court of developed countries,” saying they have the economic resources and have caused the problem, and therefore it is their responsibility to resolve this. The EU highlighted its funding proposal, which focuses on the need to improve and increase funding for the GEF, especially taking into consideration the needs of least developed countries (LDCs), and suggests an “adaptation fund plus” within the existing GEF structure. She said funding should be derived not only from a CDM levy, but also from contributions, and added that assuring stable sources of funding was crucial.

On the way forward, President Pronk reassured delegates that the state of negotiations today did not represent a set-back, just “stagnation.” He noted the need for a break-through, and stressed the crucial role of ministers in the informal groups.

NOTE BY THE PRESIDENT OF COP-6

Shortly before 8:00 pm, a Note by the President of COP-6 was distributed to delegates. The note was presented as an attempt by President Pronk to provide a basis for further negotiations so as to generate momentum, which he believed had stalled.

INTRODUCTION: In the introduction, the note states that it addresses key unresolved issues contained in the documents transmitted to the COP by the subsidiary bodies at the close of their thirteenth sessions on 18 November. It also draws on ideas emerging during the course of negotiations, and takes into account the “state of play” at the conclusion of the four informal sub-groups launched on 21 November. The note does not address outstanding issues relating to Protocol Articles 5, 7 and 8, suggesting these can be resolved once other issues have been dealt with. It addresses outstanding issues in four sections based on the “clusters” or “boxes” that formed the basis for negotiations during the previous few days.

BOX A: Funding mechanisms and guidance to the GEF:

President Pronk’s note proposes creating an Adaptation Fund, a Convention Fund, and a Climate Resources Committee, as well as increasing resources for climate change funding.

The Adaptation Fund would be a new fund under the GEF, created as a trust fund, with special consideration given to the needs of the LDCs and small island developing states (SIDs). This fund, to be managed by the CDM Executive Board under the guidance of the COP/MOP, would finance concrete adaptation projects in non-Annex I Parties with finances generated by the share of proceeds on the CDM and implemented by the UN implementing agencies.

The proposed Convention Fund would be a window under the GEF, with separate guidance and special consideration given to the needs of the LDCs and SIDs. It would be managed by the GEF Council and function under special guidance of, and be accountable to, the COP. Under this window, Annex II Parties would provide new and additional funds for activities in developing countries, including: technology transfer and technical support; capacity building relating to climate change; specific CDM capacity building; and assistance with economic diversification. It would also provide support to capacity building for economies in transition (EITs).

The note also proposes increasing resources through other channels, with the aim of reaching an annual level of one billion US dollars by 2005. If this level is not reached, a levy would be applied on JI and/or emissions trading. It also proposes the establishment of a Climate Resources Committee at COP-7 to give advice to existing financial channels and institutions - such as the GEF and regional development banks - on how to increase climate funding, on mainstreaming, and on monitoring and assessment.

Capacity building: The note proposes a framework to guide capacity building activities related to the UNFCCC and Protocol implementation, in order to assist non-Annex II Parties.

Technology transfer: On technology transfer, it proposes the establishment of an intergovernmental consultative group of technical and scientific experts under SBSTA on the basis of equal geographical distribution. This group would advise SBSTA on further actions, focus on means of addressing the identified barriers to technology transfer and facilitate information exchange and review by creating a clearinghouse and regional technology centers. SBSTA would review the group’s work on a regular basis and if necessary request the COP to take any further actions.

Adverse effects: On adverse effects, the note outlines actions to be taken by Annex II Parties, including: initiating pilot/demonstration adaptation projects; undertaking adaptation projects where sufficient information is available in specified areas; and strengthening and establishing national and regional centers, as well as information networks for rapid response to extreme weather events.

The note also proposes actions to address the impacts of response measures under Protocol Article 3.14. It suggests that Annex I and other Parties may report on their efforts to limit such impacts of their implemented or future policies and measures in their national communications, which will be reviewed under Protocol Article 8, allowing flexibility for EITs. The note further puts forward actions by Annex II Parties to address impacts of response measures on non-Annex I Parties under UNFCCC Article 4.8, through concrete actions based on, inter alia, further methodological work in economic diversification, increasing energy efficiency in fossil fuel production, and advanced fossil fuel technologies. These non-Annex I Parties should also report their specific needs and concerns in their national communications.

On the needs of LDCs, including SIDS, the note suggests: a separate work programme to be financed by the GEF which will focus on vulnerability and adaptation needs assessment, including technology transfer and capacity building; development of national adaptation programmes of action; implementation of concrete adaptation projects; and the establishment of an LDC group of experts. Also, in order to encourage a greater flow of CDM projects
to the LDCs, the note proposes that CDM projects in LDCs be exempt from the share of proceeds for adaptation, and that the implementation of “small scale CDM projects” be promoted.

**BOX B: Mechanisms:** The note proposes that the Executive Board comprise equal numbers from each UN regional group, plus one representative from the SIDS. Efforts shall be taken to reach agreement by consensus, with a three-fourths majority vote as a last resort. The Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP. The note advocates a prompt start for the CDM, with the Board to be elected at the next session of the subsidiary bodies.

On CDM project eligibility, the note recognizes the Party’s discretion to evaluate a project’s contribution to sustainable development. It proposes that Annex I Parties declare their intention to refrain from using nuclear facilities for generating CERs, and that expedited consideration be given to energy efficiency improvements and renewable energy. On supplementarity, it proposes that Annex I Parties meet their emission commitments primarily through domestic action, and that compliance be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information.

On trading modalities and liability, the note proposes that Annex I Parties retain a portion of their assigned amounts (AAs) in their national registries, specific to that commitment period, and that this portion shall be 70% of their AAs, or the portion determined on the basis of projected or recent emissions. This shall be recalculated and if necessary adjusted after the annual review of each Party’s emissions data.

On fungibility, the note proposes, _inter alia_, that emission reduction units and parts of assigned amounts may be exchanged according to rules and procedures to be established by the COP/MOP. The note advocates fostering of equitable distribution of CDM projects. Provision is made for fostering LDC participation in the CDM.

On JI, the note proposes that Parties apply the FAO definition of “forest” under Article 3.3, taking national circumstances into consideration, and apply the IPCC definition for afforestation, reforestation and deforestation. It suggests that the biome-specific approach to the forest definition be further investigated.

In terms of additional activities under Article 3.4 in the first commitment period, the note suggests that Parties be allowed to include grazing and cropland management, forest management, and revegetation. To address the problem of scale, an upper limit of credits amounting to 3% of a Party’s base year emissions would be set. Furthermore, Parties would receive full credits for Article 3.4 activities up to a level canceling out a possible Article 3.3 debit, as long as the total forest stock is growing. Above this level, 85% of the credit would be reduced from forest management activities, and 30% from other Article 3.4 activities, in order to discount for non-direct human induced effects and uncertainty. This “factoring out” process would be reviewed periodically. The COP/MOP would be requested to review the list of agreed Article 3.4 activities and accounting rules and guidelines prior to setting emissions commitments for the second and consecutive commitment periods.

On LULUCF under the CDM, the note proposes that Parties allow afforestation and reforestation. Conservation projects would not be allowed, but would be prioritized under the adaptation fund. A process would be established under SBSTA, with IPCC input, to develop rules and modalities to deal with issues such as non-permanence, social and environmental effects, leakage and uncertainty.

**BOX D: Policies and Measures (P&Ms):** The note proposes information exchange on P&Ms and submission of views on the meaning of demonstrable progress and the need for guidelines for reporting on this progress, with a view to having further consideration at COP-7.

**Compliance:** On consequences for non-compliance with Article 3.1 (assigned amounts - AAs), the note suggests that they be agreed in advance and consist of: subtraction of excess emissions from the AA of the subsequent commitment period against a penalty rate of 1.5 to 1.75; and submission of a compliance action plan. On differentiation between Annex I and non-Annex I Parties, it is proposed that: the mandate of the enforcement branch be limited to commitments incumbent on Annex I Parties; there are no eligibility requirements for non-Annex I Parties under the CDM; and facilitative consequences are not differentiated between these two groups of Parties. On the role of the COP/MOP, the note proposes limiting it to general policy guidance, and suggests having no appeals procedure. On the mandate, it proposes that the enforcement branch covers quantitative commitments and eligibility under Protocol Articles 6, 12 and 17, and that all other cases fall within the mandate of the facilitative branch. Moreover, the facilitative branch would provide advice, facilitate implementation and promote compliance.

On the composition of the Compliance Committee, both the facilitative and the enforcement branch would have 11 members nominated on the basis of the current UNFCCC practice. Under the enforcement branch, decisions would be adopted by a double majority - as a whole, and in Annex I and non-Annex I – if there was no consensus. Finally, the note suggests that the compliance system be adopted, with legally binding consequences, as an agreement supplementing the Protocol prior to its entry into force.

**INFORMAL HIGH-LEVEL PLENARY – NIGHT SESSION**

COP-6 President Pronk opened the meeting at 12:30 am Friday. He recalled that at the earlier meeting, the facilitators had reported on the ongoing consultations on the “crunch” issues and had noted that it was not possible to achieve further results in the present format of the negotiations. He said he had thus prepared a note to be used as the basis for further negotiations. He stressed that although this note drew on the work of the Parties, it was based on his personal assessment. He stated that not everyone would be pleased with the note, but reiterated the need for a balanced approach to the last stage of the negotiations, which takes into account the interests of all groups. He said this note represents the compromise needed for a political decision necessary for ratification, entry into force, and subsequent implementation of the Protocol. He stated that the
note was not supposed to be the outcome of the negotiating process, noting that it was no longer possible to aim to complete the work on all the detailed texts transmitted to the COP by the subsidiary bodies. He said the political consensus achieved at the meeting would enable Parties to decide on a method to transform it into the detailed language of COP-6 decisions, to be adopted at a later occasion. Noting that Parties would need more time to consult on the paper, he announced that informal consultations involving only high-level government officials will continue throughout Friday and into Saturday. He adjourned the meeting at 1:15 am.

IN THE CORRIDORS

With President Pronk’s new proposal on the table, and his call for careful reflection before making a judgment still fresh in delegates’ minds, many were cautious in their reactions late Thursday/early Friday. NGO observers expressed concern at text on issues such as additional activities and funding, suggesting that Umbrella Group positions were visible on a number of issues. However, one participant suggested President Pronk had summed-up his own proposal quite succinctly earlier in the day when he had said it attempted to achieve balance and could “cause pain,” but would share it as “fairly as possible.”

Another matter under discussion is the clear indication that there is now only enough time remaining at COP-6 to attempt to reach agreement on the major political decisions. Some participants are already speculating when any follow-up meeting to resolve outstanding issues might take place.

THINGS TO LOOK FOR TODAY

INFORMAL MINISTERIAL NEGOTIATIONS: High-level negotiations chaired by President Pronk are expected to take place throughout the day. Please check the electronic noticeboards for further details.

PLENARY: Delegates will meet at 12:00 pm in Prins Willem-Alexander Hall to consider some of the COP’s business as well as to hear a statement by President Miguel Angel Rodriguez of Costa Rica.

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