



## UNFCCC COP-6 PART II HIGHLIGHTS TUESDAY, 17 JULY 2001

Delegates to the resumed Sixth Conference of the Parties to the UNFCCC met in negotiating groups in the morning, afternoon and evening to discuss: compliance; mechanisms; financial issues; and land use, land-use change and forestry (LULUCF).

### NEGOTIATING GROUPS

**COMPLIANCE:** Co-Chair Slade suggested that delegates focus on five issues: consequences applied by the enforcement branch; composition; appeal; relationship between the Compliance Committee and the COP/MOP; and principles. Developing countries also stated that unresolved matters include the operation of the facilitative branch, as proposed in Pronk's text.

On consequences, delegates discussed their nature and whether they would be legally binding. A group of Annex I Parties favored a legally binding system with "rather tough" consequences to deter Parties from becoming free-riders. Non-Annex I countries, with others, said legally binding consequences are necessary to address legally binding commitments. They said the consequences should be tailored to achieve three objectives: deterrence, restoration, and ensuring that Parties continue meeting their responsibilities over the next commitment periods. Some developed countries supported politically-agreed consequences of a non-punitive nature, while others favored a legally binding regime with a facilitative, non-punitive approach. One delegate explained that what is "punitive" reflects Parties' own perceptions of consequences. One developed country, opposed by several developing countries, argued against restricting the right to transfer assigned amount units, and suggested that the restoration rate of excess tonnes be one for one. A consultation group, chaired by José Romero (Switzerland), was established to follow up on this matter. This group met from late afternoon, and established a list of unresolved issues with possible options for consideration by Ministers. It will report back to the Co-Chairs by Wednesday, 17 July, 12:00 pm.

On the composition of compliance bodies, numerous Parties opposed the single type of formula proposed in Pronk's text. Developing country Parties said the composition criterion should be the equitable geographic representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau. One developing country explained that this composition would reflect the fact that the whole community of states had an interest in ensuring compliance. A number of Annex I Parties said the composition should be tailored to the mandate of the branch and to the type of commitments under consideration. One developed country suggested that, given the quasi-judicial functions of the enforcement branch, there was a very strong case to move away from drawing analogies with political bodies, and that only Annex I Parties should sit on this branch. Another developed country said it would submit a proposal on this issue at a later stage.

On principles, non-Annex I Parties expressed their opposition to the approach taken in the Pronk text. They said the facilitative branch should treat Annex I and non-Annex I Parties differently and apply different consequences to these two groups. A number of Annex I Parties supported Pronk's text, with some arguing that the principle of common but differentiated responsibilities does not only apply between Annex I and non-Annex I Parties.

On appeal, delegates expressed diverging views. On the relationship between the Compliance Committee and the COP/MOP, developing countries said the issue was closely related to the possibility of an appeal and of a panel to consider the reports of experts review teams.

**MECHANISMS:** The negotiating group on mechanisms met in the morning, and completed its first consideration of the negotiating texts. Delegates compared Pronk's text with the negotiating text carried forward from The Hague, and identified contentious issues for consideration in the High Level Ministerial Segment. During the discussions, a number of delegates expressed their general support for Pronk's text, subject to further clarification on technical issues.

Regarding participation in project activities under the Clean Development Mechanism (CDM), several developing countries welcomed the removal from Pronk's text of the requirement to submit national communications. On the issuance of certified emission reductions (CERs), a developing country questioned the involvement of CDM institutions in distribution activities, and said 15 days was too short for issuing CERs. A developing country expressed concern with the provisions in the Pronk text on the adaptation fund. On supplementarity and environmental integrity, a developing country called for new proposals, and noted an earlier proposal by one Annex I Party on dealing with surplus assigned amounts.

On Joint Implementation (JI), most Annex I Parties supported the two-track approach adopted in the Pronk text, but differed on the establishment of a supervisory committee for verifying emissions reduction units. A number of countries with economies in transition, opposed by various developing countries, called for the development of appendices on the procedural elements for JI during this meeting. On emissions trading, delegates failed to agree on the level of the commitment period reserve. Developing countries underlined their concerns with supplementarity and the adaptation levy, and with the unequal rules governing CDM and trading. On supplementarity, a grouping of Annex I Parties indicated a possible willingness to compromise in favor of the Pronk proposal.

The Co-Chairs said they would develop a new negotiating text with clearly defined options for consideration during the High Level Ministerial Segment. The negotiating group will consider a draft of this text on Wednesday.

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**LULUCF:** This group met in afternoon and evening sessions. During the afternoon, delegates were presented with a joint proposal from Canada, Australia and Japan on the issue of scale in Article 3.4 forest management, and a proposal by New Zealand addressing scale and additionality in this context. The former proposal relies on negotiated maximum levels of allowable forest management credits for individual countries, as opposed to the formula approach taken in the Pronk text, which includes caps and discount rates. It was presented as a clear and transparent approach, with levels set that account for: the Party's national circumstances; the degree of effort required by the Party to achieve its emissions limitation; forest management measures the Party is implementing or planning to implement; and whether it incurs a net source of emissions under Article 3.3. It was noted that the proposal seeks to replace only parts of the Pronk text and should be viewed in concert with it. It applies to the first commitment period only. One country with an economy in transition joined in supporting the proposal.

A number of developing countries stated that no additional activities should be pursued under Article 3.4 during the first commitment period. One delegate said the proposal constitutes a renegotiation of the Protocol targets. Another Party stressed the need to retain the credibility of the process and assure long-run effective climate protection, and asked what the scale of the allowed credits might be. One delegate noted that negotiations on allowable credits should take place during the ministerial segment in order to pave the way for ratification. Some Parties stressed a compromise on Article 3.4 as a key to ratification.

The New Zealand proposal was presented as retaining market-based incentives for improved forest management and CDM activities. It suggests that a Party including Article 3.4 activities during the first commitment period either: demonstrates, in accordance with specific criteria, that additional or improved practices since 1990 have caused a marginal benefit to the atmosphere in comparison to what would have otherwise occurred; or accounts for net increases in carbon stocks and net anthropogenic greenhouse gas removals by sinks up to a level to be negotiated on a country by country basis. In addition, a preliminary EU proposal was presented, supporting the Pronk text but reducing the scale of Article 3.4 activities.

In an evening session, delegates heard initial reactions to the three new proposals. Non-Annex I Parties, supported by several other Parties, highlighted a number of technical and legal deficiencies and said the Article 3.4 activities must meet all their proposed Principles, as outlined in The Hague text, in order to ensure the integrity of the Protocol.

Several Parties underscored the need for a practical and pragmatic first step as an essential part of a successful outcome of COP-6 Part II, paving the way for Protocol ratification. Co-Chair Dovland said the Secretariat would draft a conceptual paper for ministers with regard to activities under Article 3.4 during the first commitment period, reflecting options ranging from no activities to options reflecting the Pronk text and the new proposals including negotiated credits. This would be discussed by delegates on Wednesday. The group then had a first reading of the Article 3.3 and 3.4 definitions.

**FINANCIAL ISSUES:** This group met in afternoon and evening sessions. In the afternoon, delegates discussed the development and transfer of technologies. Participants discussed the Annex, clearing a number of outstanding brackets. In the section of the Annex on capacity building, delegates discussed language on steps by developed country Parties relating to implementation of capacity building. After brief consultations, they agreed to a compromise whereby the bracketed word "additional" was replaced with "adequate" in relation to the provision of financial and technical resources.

On the preambular paragraphs of the draft decision, Parties agreed to use the three paragraphs proposed in President Pronk's text. At the urging of developing countries, they added a fourth paragraph from The Hague text noting that the COP has considered the recommended framework, presented by the SBSTA Chair as

part of the consultative process, for meaningful and effective actions to enhance the implementation of UNFCCC Article 4.5 (technology transfer).

Late afternoon, Parties met in a smaller drafting group to consider the institutional arrangements for technology transfer. Delegates agreed to refer to a "group" rather than a "panel" of experts. They expressed diverging views on whether this group would be advisory or intergovernmental, on its composition, and whether it should "assess and evaluate" or merely "facilitate" the progress of technology transfer.

The negotiating group reconvened in the evening to discuss text relating to UNFCCC Article 4.8 and 4.9 and Protocol Articles 2.3 and 3.14 (adverse effects). Proceeding through the text carried forward from The Hague, delegates were able to remove a number of brackets, including several in the section on the adverse effects of climate change. Agreements included text on timing for a request to the SBSTA and SBI to review the progress of activities on adverse effects outlined under this section, which delegates agreed should result in recommendations at COP-8. A number of brackets remained, however.

Delegates then discussed the specific needs and special situations of the Least Developed Countries (LDCs), including text on the establishment of an LDC climate change development fund/programme. After lengthy discussion, delegates agreed to a suggestion by Co-Chair Dechen Tsering (Bhutan) that they consult informally on this and on some other funding-related language.

On the impact of the implementation of response measures, several Annex I Parties expressed reservations on developing countries' preference for deleting language stating that the identification of initial actions needs to be based on sufficient information and analysis within a clearly-defined process. Parties also differed on the appropriate placement of this text, and on whether to use Pronk's text. This paragraph, and two others on information and methodologies, remain bracketed.

### **IN THE CORRIDORS**

With the arrival of Ministers on Thursday, delegates have been feeling the pressure to show concrete results from the first three days of work. Although many delegates welcomed the initial progress in the negotiating groups Tuesday and forecast that Ministers will be able to consider a clear set of options limited to the key issues, others have expressed caution that the process may still culminate in the same logjam that occurred during the Ministerial discussions at The Hague.

### **THINGS TO LOOK FOR TODAY**

**NEGOTIATING GROUPS:** Negotiating groups are scheduled to be held during morning, afternoon and evening sessions. Meeting times and rooms are subject to change. Check the notice boards for confirmation.

**Finance:** This group is scheduled to meet from 10:00 am – 1:00 pm in the Schumann Room and from 7:00-9:00 pm in Plenary I. In the morning session it is likely to focus on finance issues, while in the evening it is expected to discuss UNFCCC Article 4.8 and 4.9. An informal group may also meet from 3:00-6:00 pm in Salon Mann to address Protocol Article 3.14.

**Mechanisms:** Parties will convene from 10:00 am – 1:00 pm and 3:00-6:00 pm in Plenary 2, and are expected to consider the new text from Co-Chairs.

**Compliance:** This group is meeting from 3:00 pm in Schumann to consider the Co-Chairs' text for Ministers, outlining options on the important outstanding issues.

**LULUCF:** Delegates will meet from 7:00-9:00 pm in Plenary II. Earlier in the day, the Co-Chairs will provide a conceptual paper setting out options for Ministers, which will be discussed during this evening session.