



UNFCCC COP-6 PART II HIGHLIGHTS FRIDAY, 20 JULY 2001

Delegates to the resumed COP-6 met in a morning Plenary to address organizational matters. In the afternoon, Ministers and other high-level officials began substantive negotiations behind closed doors, focusing on financial issues, the mechanisms and land use, land-use change and forestry (LULUCF). Late in the evening, President Pronk convened a brief Plenary session to update participants on progress.

PLENARY

Delegates met late morning in a Plenary session to receive information on the process for the high-level segment. President Pronk reported on five decisions taken by the extended Bureau. He said the Bureau had decided that the substantive negotiations would take place on the basis of a Note by the Co-Chairs of the negotiating groups (FCCC/CP/2001/CRP.8), a "streamlined document" that outlines clear options on all the key outstanding political issues. Negotiations would take place in a closed main negotiating group, chaired by President Pronk and guided by the Plenary. The group is to report to Plenary on a daily basis, and be composed of: one representative from the Environmental Integrity Group; three from CG-11; one from Central Asia and Moldova; five from the EU; six from the "Umbrella Group"; and nineteen from non-Annex I Parties. Each representative may be assisted by two delegates. Various spin-off negotiating groups may be established if required, and the groups will be chaired by persons designated by the main group.

President Pronk explained that negotiations on technical issues would continue Friday and Saturday in the four negotiating groups that were established on Monday 16 July. In addition, a new technical negotiating group, chaired by Harald Dovland, was established to address Protocol Articles 5 (methodological issues), 7 (communication of information), and 8 (review of information).

President Pronk emphasized that there was clear agreement to avoid any further discussion on procedural issues. The G-77/CHINA called for a flexible approach on process, noting the possible need to modify the size, format or functioning of the group. He urged against having parallel political and technical negotiations. President Pronk emphasized that no parallel negotiations would occur if this might hamper the work of the group.

MAIN NEGOTIATING GROUP

The main negotiating group of ministers and other high-level officials began their work early afternoon, discussing the options for key issues set out under the Note by the Co-Chairs of the negotiating groups. This document sets out the key issues under four sections: funding, technology transfer and adverse effects; mechanisms; LULUCF; and compliance. Delegates discussed elements of the first three sections, and will take up compliance issues on Saturday morning.

FINANCE: Participants began by discussing the finance section of the Co-Chairs' Note. On funding and resource levels, delegates discussed the questions addressing President Pronk's proposed Adaptation and Special Climate Change funds. Options include whether contributions to the funds should be voluntary or mandatory and who should contribute; whether non-payment should have consequences; and whether the GEF should establish and manage the Special Climate Change fund. Questions on the Special Climate Change fund also address: whether activities related to economic diversification and measures for mitigation should be included, and whether non-Annex I Parties would be required to implement national strategies for mitigation and sequestration as a condition for accessing new and additional funding from the fund.

General agreement was achieved on some aspects, and a consultation group facilitated by Philippe Roch (Switzerland) was convened to consider the questions further. This consultation group will report back to the main negotiating group tomorrow. Remaining issues to be discussed include technology transfer and adverse effects.

MECHANISMS: Negotiations commenced mid-afternoon on the fourteen issues relating to mechanisms outlined in the Co-Chairs' Note. On equity, two options are provided to describe the objective of reducing differences in per capita emissions between developing and developed country Parties: the first recognizes that the share of global emissions originating in developing countries will grow to meet their developmental needs, and affirms that developed country Parties shall continue to reduce their emissions through domestic [policies and measures] [actions] with a view to reducing per capita inequities in emissions; the second emphasizes, *inter alia*, that Annex I Parties shall implement and/or further elaborate policies and measures in accordance with national circumstances and with a view to reducing inequities in per capita emissions.

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On the issue of supplementarity, delegates considered four options: no elaboration; Annex I Parties to meet commitments “primarily” through domestic action since 1990, with each Party’s use of the mechanisms not exceeding 9% of its assigned amount; Annex I Parties to meet commitments “primarily” through domestic action, with use of the mechanisms not exceeding reductions achieved through domestic actions as reported in national communications, and as assessed by the enforcement branch of the compliance committee; or “chiefly” through domestic action, with implementation and/or elaboration of policies and measures, the provision of relevant information, and with the facilitative branch of the compliance committee addressing relevant questions of implementation.

On whether emission reduction units (ERUs) and certified emission reductions (CERs) can be generated by nuclear power projects, the options are no mention of nuclear, or that Annex I Parties “refrain from” using nuclear. Regarding the establishment of a supervisory committee for verification of ERUs, the options are: no committee, with verification being performed by teams constituted by the Secretariat; or a committee, the composition of which has to be agreed separately.

On the composition of the Executive Board, three options are presented: four persons from each UN regional grouping and one to represent small island developing States (SIDS); ten Parties, with one from each regional group plus a SIDS representative, and two each from an Annex I and non-Annex I Party; or eight Annex I Parties and eight non-Annex I Parties, including one SIDS representative. While delegates reportedly made some progress on a number of options, significant disagreements remain on several key issues.

The remaining issues to be discussed are: the application and level of share of proceeds; the commitment period reserve level; the compliance agreement as an eligibility requirement; the unilateral CDM; Article 4 (joint fulfillment); special needs of developing country parties; financial additionality; and equitable geographic distribution of CDM projects.

LULUCF: Delegates began discussing this issue Friday evening. The key questions they addressed related to whether or not there should be credits under Protocol Article 3.4 (additional activities) during the first commitment period. If crediting is allowed, a decision needs to be made on the extent of crediting for forest management and agricultural activities (cropland management, grazing land management, and revegetation). Options for limiting credits from forest management include: the use of individual Party negotiated caps; demonstrated additionality of activities since 1990 against a baseline using approved methodologies as well as negotiated caps; an overall cap divided between Parties; and a formula-based approach with a discount and a cap. During discussions, delegates focused on options for including forest management, with some indication of compromise emerging in favor of the option of an overall cap divided among Parties. Remaining issues to be discussed are the inclusion of LULUCF activities under the Protocol project-based mechanisms, joint implementation and the CDM.

LATE NIGHT PLENARY

Shortly after midnight Friday night, President Pronk reported back to participants, noting that some good work had been done during the day’s ministerial negotiations. He said discussions on the finance text were “fruitful” on a number of issues. There was consensus on the need for resources for adaptation and capacity building. He noted support for the proposed Adaptation fund and a Special Climate Change fund. However there were diverging views

on whether the funding related to the UNFCCC or Protocol, although a compromise had been suggested. He noted discussion on the option of sharing financial contributions on the basis of criteria to be determined. However, many questions remained unanswered, with negotiations set to continue Saturday in the consultation group.

Regarding discussions on the mechanisms, he said these had not yet reached the “fruitful” stage. However, he noted lengthy discussions on several issues, including equity, supplementarity and nuclear. He said Minister Pete Hodgson of New Zealand would convene further talks on this issue.

On LULUCF, he said negotiators had focused on Article 3.4, and that there had been “movement.” He noted agreement on the need for a set of common principles and environmental credibility and predictability. He said Ambassador Estrada of Argentina would convene discussions on LULUCF, and Minister Valli Moosa of South Africa would facilitate the group on compliance.

President Pronk concluded the meeting stating that there is progress and he remains hopeful that Parties will be able to reach a compromise on the package as a whole in the two remaining days.

INFORMAL DRAFTING GROUP ON CDM TECHNICAL ISSUES

The informal drafting group on CDM technical issues, chaired by Jose Domingos Gonzales Miguez (Brazil), completed its discussions Friday. The group was established on Wednesday, 18 July, to agree text on the following issues: baselines and additionality; small-scale CDM project activities; environmental impact assessments; public participation; review by the executive board; and transaction of CERs. Text was agreed on the issues on the basis that once a decision on the inclusion of sinks in the CDM has been taken, this would need to be revisited. On small scale CDM project activities, agreement has not been reached on the scales relating to renewable energy project activities, energy efficiency improvement project activities, or other project activities that both reduce anthropogenic emissions by sources and that directly emit less than a certain amount of kilo tons of carbon dioxide equivalent annually. A request has been made that experts from Parties may put forward some examples of project activities to the Secretariat that illustrate the quoted figures. The full text on all the issues will be revisited next week when negotiations resume at the diplomatic level.

IN THE CORRIDORS

The corridors were humming Friday as talks entered the substantive phase of the critical ministerial segment of COP-6 Part II. Participants have been discussing proceedings from the main negotiating group for Ministers held behind closed doors throughout Friday. The general feeling seems to be that the Co-Chairs’ text presents the options very clearly, although they also demonstrate significant differences between Parties on many issues. The verdict at the end of the first day of substantive talks was cautiously optimistic, with observers noting what appeared to be an important compromise involving sinks. The prevailing mood was that a “partial outcome” was a strong prospect, with agreement in Bonn on some key issues, but with some matters left to be resolved in Marrakech.

THINGS TO LOOK FOR TODAY

MAIN NEGOTIATING GROUP: Ministers and high-level officials will be meeting throughout the day to continue substantive negotiations in closed meetings. They are scheduled to start with the text on compliance at 10:00 am in the Liszt Room. Check the notice boards for further details.