



UNFCCC COP-7 HIGHLIGHTS

MONDAY, 5 NOVEMBER 2001

Delegates to COP-7 met in negotiating and drafting groups on the mechanisms, compliance and Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). In addition, the drafting group on LDCs continued its work, and informal groups met on a number of issues, including on the Consultative Group of Experts (CGE).

NEGOTIATING GROUPS AND INFORMAL CONSULTATIONS

MECHANISMS: Delegates met in morning and afternoon sessions of the mechanisms negotiating group to consider remaining issues relating to Protocol Articles 12 (CDM), 6 (joint implementation), 17 (emissions trading) and 7.4 (assigned amounts).

On the designated operational entities of the CDM, Parties approved the Co-Chairs' revised COP draft decision whereby host Parties, before the submission of a validation report to the Executive Board, should provide written support that projects fulfill host country sustainable development objectives. BRAZIL, with CHINA and SAMOA, urged reference to a formal letter of agreement. On alternate members to the Executive Board, Parties expressed divergent views on members' roles and responsibilities. The matter was referred to informal consultations.

Revisiting SAMOA's proposal for the consideration of stakeholders in the Executive Board's project reviews, CANADA and JAPAN, opposed by the EU and SWITZERLAND, proposed that it be the Board's responsibility to elaborate procedures for triggering reviews. NORWAY called for further consultations. On the election of the Board, SAMOA, with the EU and BULGARIA, called for consideration of gender balance.

On guidelines for implementation of Article 6, SAMOA and the G-77/CHINA expressed concern with the early start of projects and their eligibility for ERUs as of 2008. The RUSSIAN FEDERATION and EU said the decision was in line with the Protocol provisions. The issue was forwarded to informal consultations. On administrative costs of Article 6 activities, the EU opposed SAMOA's proposal that procedural costs be considered prior to the establishment of the JI Supervisory Committee. The discussion was referred to informal consultations.

On Article 17, Parties failed to reach agreement on several elements relating to the commitment period reserve, including whether to consider ERUs and CERs for the first commitment

period. Delegates agreed to revisit the draft decisions pending deliberations on Article 7.4. AUSTRALIA, JAPAN and CANADA said that Parties, upon establishment of their assigned amount and until expiration of the additional period for fulfilling commitments, "should" not make a transfer resulting in these holdings falling below the required commitment period reserve level. The EU, G-77/CHINA, SAMOA and SWITZERLAND supported the use of "shall." SWITZERLAND noted the need for mandatory requirements to maintain the integrity of the Bonn Agreements. The issue was forwarded to ministers. On the actions to be taken if calculations raise a Party's "required" level of commitment period reserve above the Party's holdings of ERUs, CERs and AAUs, AUSTRALIA and CANADA supported reference to "recommended" level. Co-Chair Chow, supported by the EU and G-77/CHINA, urged reference to "required." The issue was forwarded to ministers, noting that Co-Chair Chow's proposal enjoyed majority support.

On the draft COP decision on Article 17, AUSTRALIA, opposed by the G-77/CHINA, SAMOA and the EU, proposed deleting the recommendation that COP/MOP-1 adopt the decision on emissions trading, arguing that the principles, modalities, rules and guidelines for trading should be defined by the COP. The issue was referred to UN legal experts.

On the draft COP decision on principles, nature and scope of the mechanisms, CANADA and JAPAN, opposed by the EU, G-77/CHINA and SAMOA, proposed deleting text emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, strict principles and rules governing LULUCF, and a strong compliance regime. After some discussion, the original text was retained, with reference to "strict" being replaced with "sound and strong." Consideration of the related draft COP/MOP decision continued in an afternoon session, with Co-Chair Chow suggesting deleting a paragraph specifying that the provisions on the use of mechanisms shall apply individually for Parties acting under Article 4 (joint fulfillment), on the understanding that in Bonn the flexibility on supplementarity was given to some countries in exchange of the deletion of text on Article 4. AUSTRALIA, CANADA and JAPAN opposed the deletion, arguing, *inter alia*, that broader issues of transparency and good governance were involved. The paragraph was referred to the ministers.

The negotiating group then considered the Co-Chairs' Article 7.4 non-paper. Delegates exchanged views and articulated their respective positions on, *inter alia*: the fixed or dynamic nature of

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assigned amounts; the possibility to restrict the use of mechanisms depending on a Party's ratification of the Protocol; the definition of assigned amount as a level or a volume of units; the need for a new concept to identify units resulting from project activities under Protocol Article 3.3 (afforestation, reforestation, deforestation) and 3.4 (additional activities), or the possibility for transparency concerns to be covered by the existence of a unit serial number; the possibility of setting limits on the transferability of CERs, banking and carry-over; and the distinction, if any, between subtraction and transfer of units, and between acquisition and addition of units. The EU, SAMOA and AUSTRALIA suggested that differences in opinion could be bridged by moving the debate away from conceptual approaches and toward a discussion of their consequences.

Co-Chair Chow concluded by highlighting that the ultimate deadline was approaching and that despite the importance of Article 7.4, including for the resolution of issues in other negotiating groups, a "spirit of compromise" had not been in evidence. He said the Co-Chairs would conduct bilateral consultations with regional groups in an attempt to move things forward. The negotiating group reconvened late evening, continuing its work into the night.

PROTOCOL ARTICLES 5, 7 AND 8: The negotiating group on Articles 5, 7 and 8 met in an evening session to take stock of the work of the drafting groups, which had met throughout the day. Drafting group Chair Plume reported from the LULUCF group, noting three areas of contention: issues linked to outcomes from the mechanisms and Article 7.4 groups; reporting on area of land; and incorporation of LULUCF principles into the texts. She said she had prepared a Chair's proposal, and that the new text would be distributed Tuesday morning.

Regarding work on non-LULUCF matters, drafting group Chair Luboyera noted some progress, but said work had not been completed in the time available. He said a number of issues related to the Expert Review Teams had been resolved, although disagreements remained over their composition. Regarding thresholds, he stated that the issue was being considered as a package, and was not yet resolved. He said more consultations on Article 3.14 (adverse effects) were needed among some regional groups, and some outstanding issues remained on mandatory aspects. On confidentiality, he said a decision paragraph had been suggested requesting SBSTA-17 to consider views from Parties on the matter.

CHINA indicated that it had prepared a proposal on complementarity under Article 7.2 (national communications). SAUDI ARABIA highlighted a proposal on the commitment period reserve, BRAZIL proposed language on the final review report of the ERTs, and JAPAN said it had a new proposal on a new procedure for the final compilation report. These proposals were not discussed further due to time constraints.

COMPLIANCE: Delegates met throughout the day in a series of informal consultations between regional groups in an attempt to resolve outstanding issues on applicable consequences and the draft COP decision, with little progress reported by Monday evening. The negotiating group convened for a late night session in order to take stock of advances made in informal consultations and in an effort to resolve outstanding issues.

CGE: The CGE contact group met in a brief morning and a longer evening session to discuss and agree on two revised draft decisions. The evening session was co-chaired by SBI Chair Ashe and Chair Ojoo-Massawa. Parties first discussed the draft decision on improving the guidelines for the preparation of non-Annex I national communications. They addressed at length the timing for three issues: the improvement and adoption of the guidelines; the

preparation of draft improved guidelines and a workshop to be held on this; and the submission by Parties of proposals on the draft guidelines to the Secretariat. UGANDA, for the LDCs, supported adopting the improved guidelines at COP-10, while the G-77/CHINA preferred COP-9. The US, with AUSTRALIA, supported doing this at COP-8, underscoring the relevant COP-5 decision that had scheduled this for COP-7, and stressed that it was not acceptable to postpone this for longer than one year. SBI Chair Ashe proposed COP-8 for the adoption of the improved guidelines, that the workshop be held prior to the 16th session of the subsidiary bodies, and that proposals on these guidelines by Parties be submitted by 5 August 2002 for consideration at SBI-17. Delegates agreed.

Chair Ojoo-Massawa then presented the draft decision on the CGE, noting that all reference to LDCs and NAPAs remains bracketed pending the decision taken in the LDC consultations on whether mention of LDCs and NAPAs would be included in the CGE decision. The G-77/CHINA stressed the importance of a paragraph on evaluating the real cost of preparing national communications. The EU, with AUSTRALIA, highlighted that this skill-set was not present in the CGE, and supported deleting the paragraph. Parties agreed. Outstanding issues then related to dates for workshops to be held, and the review of the terms of reference for the CGE. The G-77/CHINA proposed two workshops be held in 2002, and that the terms of reference be reviewed at COP-8, to which delegates agreed.

LDCS: The LDC drafting group continued its work, addressing the draft negotiating text on the establishment of an LDC expert group. No movement was reported on the operation of the LDC Fund. Discussions continued throughout the day and into the night.

IN THE CORRIDORS

Several delegates were expressing concern Monday evening as a "stock-taking" Plenary was canceled due to the pressing need to continue talks in negotiating and drafting groups. Although the Bureau seemed confident that substantial progress could be made overnight, some observers were skeptical that major breakthroughs would occur on the remaining big issues, suggesting that delegates would hold on to "negotiating capital" until closer to the high-level segment due to start Wednesday. As the COP-7 countdown continued, several participants appeared anxious at the number of issues still to be resolved. Key areas of contention include eligibility criteria on the mechanisms, the commitment period reserve under Article 17, applicable consequences in relation to compliance, and reporting on LULUCF and complementarity. In addition, Article 7.4 is a cross-cutting issue that many feel has not yet entered a substantive negotiating stage. In spite of this heavy agenda, however, optimists point out that all these outstanding issues could be resolved by the end of the conference.

THINGS TO LOOK FOR TODAY

PLENARY: Delegates are expected to convene in Plenary I at a time to be announced to hear progress reports by the co-chairs of the negotiating groups and by the COP-7 President on his consultations.

SBI/SBSTA: SBI and SBSTA will meet separately at 3:00 pm in Plenary I and Plenary II respectively to adopt draft conclusions and decisions on outstanding agenda items.

NEGOTIATING GROUPS: The group on Articles 5, 7 and 8 is expected to convene at 10:00 am in Fez 1 to continue its work. Other groups are also likely to meet. Consult the monitors for details.