



SUMMARY OF THE EIGHTEENTH SESSIONS OF THE SUBSIDIARY BODIES OF THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE: 4-13 JUNE 2003

The eighteenth sessions of the Subsidiary Bodies (SB-18) to the United Nations Framework Convention on Climate Change (UNFCCC) were held from 4-13 June 2003, at the Maritim Hotel in Bonn, Germany. Over 1288 participants representing 137 Parties, one observer State, 107 observer organizations, and six media outlets were in attendance. At SB-18, delegates continued to address issues under negotiation since COP-8 and prepare for the Kyoto Protocol's entry into force. Throughout the meeting, Parties convened in contact groups, informal consultations, and plenary sessions of the Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA) to adopt draft conclusions and approve draft COP decisions on a number of issues, including: the Special Climate Change Fund (SCCF); implementation of UNFCCC Article 4.8 and 4.9 (adverse effects); capacity building; the programme budget for the biennium 2004-2005; definitions and modalities for including afforestation and reforestation activities under Protocol Article 12 (Clean Development Mechanism); "good practices" in policies and measures (P&Ms); the IPCC Third Assessment Report (TAR); and methodological issues.

Since the UNFCCC was adopted in 1992, negotiators have been busy constructing a Protocol strong enough to meet the challenge of climate change. With Russia's ratification, the Kyoto Protocol will enter into force. SB-18 may not have sent a stream of positive signals to Moscow or other Annex I Parties, but positive signs were perceptible in discussions on several issues that relate to the regime's effectiveness and the future direction of negotiations.

A BRIEF HISTORY OF THE UNFCCC AND THE KYOTO PROTOCOL

Climate change is considered one of the most serious threats to the global environment, with negative impacts expected on human health, food security, economic activity, water and other natural resources, and physical infrastructure. Global climate varies naturally, but scientists agree that rising concentrations of anthropogenically emitted greenhouse gases in the Earth's atmosphere are leading to a change in the climate. According to the Intergovern-

mental Panel on Climate Change (IPCC), the effects of climate change have already been observed, and a majority of scientists believe that precautionary and prompt action is necessary.

The international political response to climate change began with the adoption of the UNFCCC in 1992. The UNFCCC sets out a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases to avoid "dangerous interference" with the climate system. Controlled gases include methane, nitrous oxide and, in particular, carbon dioxide. The UNFCCC entered into force on 21 March 1994. It now has 188 Parties.

THE KYOTO PROTOCOL: In 1995, the first meeting of the Conference of the Parties (COP-1) established the *Ad Hoc* Group on the Berlin Mandate, and charged it with reaching agreement on strengthening efforts to combat climate change. Following intense negotiations culminating at COP-3 in Kyoto, Japan, in December 1997, delegates agreed to a Protocol to the UNFCCC that commits developed countries and countries with economies in transition to a market economy (EITs) to achieve quantified emissions reduction targets. These countries, known under the UNFCCC as Annex I Parties, agreed to reduce their overall emissions of six greenhouse gases by at least 5% below 1990 levels between 2008 and 2012 (the first commitment period), with specific targets varying from country to country. The Protocol also established three mechanisms to assist Annex I Parties in meeting their national targets cost-effectively – an emissions trading system, joint implementation (JI) of emissions-reduction projects between Annex I Parties, and a Clean Development Mechanism (CDM) that encourages projects in non-Annex I (developing country) Parties.

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At subsequent meetings, Parties negotiated most of the rules and operational details determining how countries will cut emissions and measure and assess emissions reductions. To enter into force, the Protocol must be ratified by 55 Parties to the UNFCCC, and by Annex I Parties representing at least 55% of the total carbon dioxide emissions for 1990. With Switzerland's announcement of its ratification on 3 June 2003, the Protocol now has 111 Parties, including 32 Annex I Parties, representing 44.2% of carbon dioxide emissions for 1990.

THE BUENOS AIRES PLAN OF ACTION: In November 1998, Parties met at COP-4 in Buenos Aires, Argentina, and agreed a decision known as the Buenos Aires Plan of Action (BAPA). The BAPA set COP-6 as the deadline for reaching agreement on the operational details of the Protocol and on strengthening implementation of the UNFCCC. Issues to be addressed include rules relating to the mechanisms, a regime for assessing Parties' compliance, accounting methods for national emissions and emissions reductions, and rules on crediting countries for carbon sinks. Issues under the UNFCCC requiring resolution included questions of capacity building, the development and transfer of technology, and assistance to those developing countries particularly vulnerable to the adverse effects of climate change or to actions taken by industrialized countries to combat climate change.

COP-6 PART I: COP-6 and the resumed SB-13 were held in The Hague, the Netherlands, in November 2000. Positions on the key issues remained entrenched, with little indication of willingness to compromise. During the second week of negotiations, COP-6 President Jan Pronk (Netherlands) attempted to facilitate negotiations on the many disputed political and technical issues by convening high-level informal plenary sessions. After almost 36 hours of intense talks in the final two days of COP-6, negotiators could not agree on a range of issues, particularly financial issues, supplementarity in the use of the mechanisms, compliance and land use, land-use change and forestry (LULUCF). On Saturday afternoon, 25 November, President Pronk announced that delegates had failed to reach agreement. Delegates agreed to suspend COP-6 and resume negotiations in 2001.

COP-6 PART II: In March 2001, the US repudiated the Protocol, stating that it considered the Protocol to be "fatally flawed," as it would damage its economy and exempt developing countries from emissions reduction targets. Parties reconvened at COP-6 Part II and SB-14, in July 2001, in Bonn, Germany. After protracted consultations, President Pronk presented his proposal for a draft political decision. Despite support from several Parties, disagreements surfaced over the nature of the compliance regime. After several days of consultations, ministers agreed to adopt President Pronk's political decision, with a revised section on compliance on 25 July 2001. The political decision – or "Bonn Agreements" – needed to be operationalized through COP decisions. These decisions were considered a "package," and since no agreement was reached on the mechanisms, compliance and LULUCF, all draft decisions were forwarded to COP-7.

COP-7: Delegates continued discussions on the Bonn Agreements at COP-7 and SB-15 in Marrakesh, Morocco, from 29 October to 10 November 2001. After lengthy negotiations, a package deal on LULUCF, mechanisms, Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information), and input to the World Summit on Sustainable Development (WSSD) was proposed on 8 November. Although the deal was accepted by most regional groups, some Annex I Parties, including Australia, Canada, Japan, New Zealand

and the Russian Federation, did not join the consensus. They disputed, among other things, eligibility requirements and credit banking under the mechanisms. However, following extensive negotiations, the "Marrakesh Accords" were agreed, with key features including consideration of LULUCF Principles and limited banking of units generated by sinks under the CDM.

SB-16: Parties met at SB-16 in Bonn from 5-14 June 2002. Participants considered several issues previously left off the agenda due to the pressing BAPA negotiations. Views on the direction of the climate process differed, with some Parties looking back to recent debates and others looking ahead toward the next commitment period. Many expressed their hopes the Protocol could enter into force by the WSSD in August 2002. The EU and Japan announced their Protocol ratifications just prior to the WSSD.

COP-8: Delegates to COP-8 and SB-17 met from 23 October to 1 November 2002, in New Delhi, India. On the final day of COP-8, they adopted the *Delhi Declaration on Climate Change and Sustainable Development*. The Declaration reaffirms development and poverty eradication as overriding priorities in developing countries, and recognizes Parties' common but differentiated responsibilities and national development priorities and circumstances in the implementation of UNFCCC commitments. Parties at COP-8 considered institutional and procedural issues under the Protocol and adopted several decisions, including on the rules and procedures for the CDM.

SB-18 REPORT

The Subsidiary Body for Scientific and Technological Advice (SBSTA) met from 4-13 June 2003. Parties convened in plenary meetings, contact groups, and informal consultations to consider various technical and methodological issues. As a result of these meetings, draft conclusions were adopted on a number of issues and draft COP and COP/MOP decisions were agreed to be recommended for adoption by COP-9. The conclusions and draft decisions addressed methodological issues, including: review of methodological work under the UNFCCC and Protocol; issues relating to Protocol Articles 5 (methodological issues), 7 (communication of information), and 8 (review of information); issues relating to reporting and review of Annex I greenhouse gas inventories; definitions and modalities for including afforestation and reforestation activities under Protocol Article 12 (CDM); good practice guidance and other information on land use, land-use change and forestry (LULUCF); and emissions resulting from fuel used in international aviation and maritime transportation. The conclusions and draft decisions also addressed: the IPCC Third Assessment Report (TAR); development and transfer of technologies; "good practices" in policies and measures (P&Ms); research and systematic observation (R&SO); cooperation with relevant international organizations; and other matters, including issues relating to cleaner or less greenhouse gas-emitting energy and issues relating to the implementation of Protocol Article 2.3 (adverse effects of P&Ms).

The Subsidiary Body for Implementation (SBI) met from 4-13 June. Delegates adopted draft conclusions and recommended draft decisions to be forwarded to COP-9 on: Annex I national communications; non-Annex I financial matters, including the Special Climate Change Fund (SCCF) and provision of financial and technical support; capacity building; matters relating to the least developed countries (LDCs) under UNFCCC Article 4.9; UNFCCC



Article 6 (education, training and public awareness); arrangements for intergovernmental meetings; and administrative and financial matters.

A request from countries of Central Asia, the Caucasus, Albania and Moldova (CACAM) on their status under the UNFCCC was forwarded to SB-19. Delegates also considered the implementation of decision 5/CP.7 on UNFCCC Article 4.8 and 4.9 (adverse effects), but failed to reach agreement on any conclusions.

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

On Wednesday, 4 June, SBSTA Chair Halldór Thorgeirsson (Iceland) welcomed delegates to SBSTA-18. UNFCCC Executive Secretary Joke Waller-Hunter said that SBSTA's discussions would shape its future work programme. Morocco, on behalf of the G-77/China, appealed for a focus on adaptation, and emphasized the need to operationalize the Funds created under the Protocol and UNFCCC. He also called for a reversal in the decline of funding for the participation of developing country delegations, and for the Protocol's entry into force. The EU said that work on methodologies should ensure the integrity of inventories. Tuvalu, on behalf of the Alliance of Small Island States (AOSIS), said that the IPCC TAR should inform discussions on the development of the climate regime. Switzerland announced that it had ratified the Kyoto Protocol on 2 June 2003.

SBSTA then adopted its agenda (FCCC/SBSTA/2003/1) without amendment.

IPCC TAR

The agenda sub-items on scientific, technical and socioeconomic aspects of impacts of, and vulnerability and adaptation to, climate change, and scientific, technical and socioeconomic aspects of mitigation were considered together. The IPCC TAR was taken up by the SBSTA on Wednesday, 4 June, and subsequently addressed in a contact group co-chaired by David Warrilow (UK) and Walid Al-Malik (United Arab Emirates). After negotiations in four contact group meetings and numerous informal consultations held from 4-12 June, delegates reached agreement on the draft conclusions, which the SBSTA adopted on Friday, 13 June.

At the SBSTA Plenary on Wednesday, 4 June, the G-77/China, said the TAR's conclusions should be used cautiously. China noted the "widespread suspicion or disagreement" associated with some of the conclusions, and suggested that SBSTA request further comments from the IPCC regarding those conclusions. Switzerland said that the TAR should be routinely considered in all agenda items and, opposed by the G-77/China, suggested that future annotated agendas should reference the TAR. Australia, with Canada, the EU and AOSIS, supported discussions on the TAR as a separate agenda item. AOSIS also noted that SBSTA so far had failed to successfully integrate the TAR's findings into its work. Canada emphasized the need for discussions on cross-cutting issues relating to both adaptation and mitigation.

At the first contact group meeting on Thursday, 5 June, Parties debated whether the contact group should focus on the process for considering the TAR, or on substantive matters related to the TAR. China, supported by the EU and G-77/China, suggested focusing on the scientific, technical and socioeconomic aspects of adaptation and mitigation. Co-Chair Warrilow cautioned that participants may not be sufficiently prepared for an in-depth technical discussion. Saudi Arabia said adaptation should be addressed in the context of UNFCCC Article 4.8 and 4.9 (adverse effects).

On Friday, 6 June, Co-Chair Warrilow provided an overview of draft conclusions and elements of a draft decision. Following discussion, delegates agreed that they needed more time to consider the text.

On Saturday, 7 June, the contact group considered the Co-Chairs' draft conclusions. The G-77/China and the US opposed establishing a process for considering the TAR in COP and SB agenda items. Canada questioned the need to explicitly note that SBSTA consider documents other than the TAR when informing COP and SB agenda items. The G-77/China, the Russian Federation and the US objected to text requesting the Secretariat to develop a draft work programme on the TAR. The US, supported by Canada and New Zealand, and opposed by Saudi Arabia, proposed that the Secretariat produce an information paper on links between the TAR and other agenda items. The G-77/China preferred addressing mitigation and adaptation separately, and opposed considering integrated approaches to adaptation and mitigation. Canada, the US, EU, New Zealand, and Australia said that cross-cutting elements of mitigation and adaptation should be addressed and that a side event would be helpful in advancing knowledge on these elements.

On Tuesday, 10 June, the contact group continued deliberations on the Co-Chairs' draft conclusions. Several delegates opposed Co-Chair Warrilow's suggestion that Parties compile a list of provisional work-programme elements. They stressed that before considering text on a work programme, agreement was needed on whether to address scientific, technical and socioeconomic aspects of adaptation and mitigation in one or two SBSTA agenda items, and on the elements of the proposed work programme. The G-77/China, opposed by the EU, Japan and the US, questioned the utility of interessional consultations on the TAR prior to SBSTA-19. Australia, New Zealand and the US said adaptation and mitigation could be considered as separate agenda items. Canada, the EU, Japan and Switzerland, opposed by the G-77/China, preferred to consider adaptation and mitigation under one agenda item.

Following informal consultations in the afternoon on Wednesday, 11 June, Parties met informally in the evening to consider a revised version of the Co-Chairs' draft conclusions. Following further informal consultations, the contact group completed its work on Thursday, 12 June.

In the SBSTA Plenary on Friday, 13 June, contact group Co-Chair Warrilow introduced the draft conclusions, which the SBSTA adopted with a minor amendment.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.15), the SBSTA recalls that in general the TAR should be used routinely for providing information on deliberation of COP and SB agenda items. The SBSTA also:

- decides to initiate as two agenda items the scientific, technical and socioeconomic aspects of adaptation, and of mitigation;
- invites Parties to submit, by 30 October 2003, their views on the elements, scope and priorities of the work to be undertaken under these two agenda items;
- requests the Secretariat to organize a pre-sessional consultation prior to SBSTA-19 with participation of the IPCC and others; and
- agrees that, in considering the two new agenda items, it will take note of the possible links between the scientific, technical and socioeconomic aspects of adaptation and mitigation, and the objectives of the UNFCCC and sustainable development.



METHODOLOGICAL ISSUES

REVIEW OF METHODOLOGICAL WORK UNDER THE UNFCCC AND PROTOCOL: This issue was considered by the SBSTA on Wednesday, 4 June, and taken up in informal consultations facilitated by Harald Dovland (Norway), with the aim of identifying methodological work to be undertaken and considering elements of a possible work programme.

On Wednesday, 5 June, the IPCC reported on its work to revise the 1996 inventory guidelines, as requested at SBSTA-17. Delegates raised the need to, *inter alia*: identify methodological needs from thematic discussions; distinguish between methodologies for uniform application and those specific to national circumstances; and involve a broad range of scientists with expertise on different issues.

On Thursday, 12 June, Harald Dovland reported on the informal consultations, noting that the annex to the draft conclusions, containing initial proposals by Parties on elements of a possible future work programme, remains entirely bracketed. Parties then adopted the draft conclusions with the bracketed annex.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.8), the SBSTA notes: the importance of organizing methodological work in an effective and efficient manner; the need to prioritize its methodological work; and the importance of reliable information. The SBSTA requests the Secretariat to prepare a paper taking stock of the availability, accessibility and comparability of existing sources of emissions data and relevant socioeconomic data, and to develop options for the development, hosting and management of a data interface, for consideration at SBSTA-19.

The SBSTA also decides to continue considering proposals by Parties on provisional elements of a possible future work programme at SBSTA-19, and invites further submissions.

Regarding information provided by the IPCC on the planned revision of its 1996 inventory guidelines, the SBSTA invites the IPCC to report on the progress of this work at SBSTA-19, and possibly at future sessions.

ISSUES RELATING TO PROTOCOL ARTICLES 5, 7 AND 8: The matter of technical guidance on methodologies for adjustments under Article 5.2 (adjustments), and issues relating to the implementation of Article 8 (review of information), were considered by the SBSTA on Wednesday, 4 June, and in seven contact group meetings from 4-11 June. On Thursday, 12 June, the SBSTA recommended two draft decisions for adoption by COP-9, along with two draft decisions for the COP to forward to the COP/MOP. Informal consultations on registries under Article 7.4 were also held throughout SBSTA-18, and draft conclusions were adopted by the SBSTA on Thursday, 12 June.

On Wednesday, 4 June, Audun Rosland (Norway) reported on the workshop held on Article 5.2 from 7-9 April 2003, in Lisbon, Portugal. Chair Thorgeirsson requested Helen Plume (New Zealand) and Newton Paciornik (Brazil) to co-chair a contact group to consider the issue, as well as issues relating to the implementation of Article 8.

On Article 7.4 (registries), Murray Ward (New Zealand) summarized pre-session consultations on registries and the transaction log, held on 2 June 2003. He said that the consultations had focused on the elaboration of data-exchange standards and the sharing of experiences regarding the development of national registries. He underscored the need for sufficient funding to allow the Secretariat to continue its work on this issue. Chair Thor-

geirsson said Murray Ward would facilitate informal consultations on this matter. On Thursday, 12 June, Murray Ward reported on informal consultations, and Parties adopted the draft conclusions.

On Wednesday, 4 June, the contact group co-chaired by Helen Plume and Newton Paciornik, convened to address: criteria for selection of lead reviewers; training of expert review teams (ERTs); treatment of confidential information; the improvement of the performance and professionalism of ERTs; and completion of technical guidance on adjustments and discussions on Article 8. Delegates agreed that both Secretariat staff and ERT members shall be trained and tested in procedures to protect confidential information. On Friday, 6 June, delegates addressed disclosure of information during the review process, and questioned whether the Party being reviewed would be privy to information on the review. On training, delegates discussed the status of experts who fail examinations, and whether examinations should be mandatory and courses should have final seminars.

On Saturday, 7 June, the contact group deliberated the draft COP and COP/MOP decisions on training programmes for ERT members. Canada expressed interest in contributing resources to the basic course on review of inventories. The EU preferred prioritizing the LULUCF training module, if resources are limited. On Monday, 9 June, Parties debated desirable language requirements for lead reviewers, and agreed to the draft technical guidance on methodologies for adjustments under Article 5.2.

On Wednesday, 11 June, delegates discussed at length the code of practice for the treatment of confidential information, agreeing that the Agreement on Expert Review Services be based on the elements outlined in the code of practice, and any additional elements arising from consideration of consequences for breach of the agreement. Parties agreed to the outstanding draft COP and COP/MOP decisions and their annexes, apart from a paragraph on language requirements for lead reviewers. China and Japan agreed to discuss this outstanding issue informally.

In the SBSTA Plenary on Thursday, 12 June, contact group Co-Chair Helen Plume reported on outcomes of the group's work. Parties agreed to recommend draft COP and COP/MOP decisions on technical guidance on methodologies for adjustments under Article 5.2 and an addendum to these draft decisions. Following an amendment, Parties agreed to recommend draft COP and COP/MOP decisions on the implementation of Article 8, including the training programme for ERT members for the initial review under the guidelines for review under Article 8, and criteria for selecting lead reviewers.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.6), the SBSTA recommends COP-9 to adopt a decision on issues relating to the implementation of Article 8, namely:

- a training programme for ERT members participating in the initial review under Article 8;
- a code of practice for the treatment of confidential information in the review of inventories under Article 8;
- an agreement for expert review services for members of the ERTs participating in reviews under Article 8; and
- criteria for selecting lead reviewers participating in ERTs under Article 8.

The SBSTA also welcomes the results of the adjustments workshop, and takes note of the report on the intersessional consultations on registries. It also calls on Annex II Parties to make further contributions for work on the transaction log and the technical standards for data exchange.



COP and COP/MOP Draft Decisions: In the draft COP-9 decision on technical guidance on methodologies for adjustments (FCCC/SBSTA/2003/L.6/Add.2), the COP recommends that COP/MOP-1 adopt the draft decision on this matter and an addendum to these draft decisions (FCCC/SBSTA/2003/L.6/Add.3). The addendum includes three annexes on the list of inventory review resources relevant for the calculation of adjustments, provisions in the guidelines for review under Article 8 relating to adjustments, and a table of conservativeness factors. In the draft COP-9 decision on issues relating to the implementation of Article 8 (FCCC/SBSTA/2003/L.6/Add.1), the COP recommends a draft decision on the same matter for adoption by COP/MOP-1, including two annexes. The annexes include the training programme for ERT members for the initial review under the guidelines for review under Article 8, and criteria for selection of lead reviewers.

ISSUES RELATING TO REPORTING AND REVIEW OF ANNEX I INVENTORIES: On Wednesday, 4 June, Chair Thorgerirsson said he would prepare draft conclusions on issues relating to reporting and review of greenhouse gas inventories under the UNFCCC. He said the related issues of training of ERT members for the initial review under the guidelines for review under Protocol Article 8 (review of information) and the treatment of confidential information reported under the Protocol would be addressed by the contact group on Protocol Articles 5, 7 and 8. On Thursday, 12 June, SBSTA adopted the draft conclusions, and agreed to recommend a draft decision for adoption by COP-9.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.7), the SBSTA takes note of the information on pilot training activities for ERT members for the technical reviews of inventories of Annex I Parties under the UNFCCC, and the information on treatment of confidential data in the technical review of inventories. The SBSTA requests the Secretariat to complete preparation of the basic course on the review of inventories with a view to implementing it in 2004.

The SBSTA also recommends that COP-9 adopt the draft decision relating to the technical review of greenhouse gas inventories for Annex I Parties under the UNFCCC.

COP Draft Decision: The draft COP decision (FCCC/SBSTA/2003/L.7/Add.1) on issues relating to the technical review of greenhouse gas inventories from Annex I Parties under the UNFCCC contains a training programme for ERT members for the technical reviews of inventories, a code of practice for the treatment of confidential information in the technical review of inventories, and elements for inclusion in the Agreement for Expert Review Services for members of ERTs.

SINKS IN THE CDM: This issue was first addressed in the SBSTA Plenary on Wednesday, 4 June. A contact group co-chaired by Karsten Sach (Germany) and Thelma Krug (Brazil) met five times from 4-12 June. A number of drafting groups also met. The group prepared draft conclusions, which were adopted by SBSTA on Friday, 13 June.

On Wednesday, 4 June, delegates considered the results of the workshops on modalities and definitions for including afforestation and reforestation (A&R) project activities under CDM, held in Foz do Iguaçu, Brazil, from 12-14 February 2003, which had helped to prepare draft consolidated text on modalities and definitions.

On Thursday, 5 June, Co-Chair Krug called attention to the proposed insurance and temporary units' approaches for addressing non-permanence. AOSIS recalled that the modalities under discussion are to apply in the first commitment period only, and, with the EU, did not support a stand-alone insurance approach.

Canada also addressed questions regarding its insurance approach and proposed new text requiring, *inter alia*, that Annex I Parties holding "flagged certified emissions reduction units" replace these units if insurers default on their replacement obligation.

On Saturday, 7 June, delegates exchanged views on proposed guidelines for socioeconomic and environmental impact assessments, contained in an annex to the consolidated negotiating text. The G-77/China suggested these issues be addressed in the body of the text, instead of the annex. The EU, G-77/China and Switzerland emphasized the need to design guidelines according to specific country needs. The Africa Group requested voluntary assistance and active stakeholder participation in A&R CDM project implementation.

On Wednesday, 11 June, New Zealand introduced a document on definitions, which combines Parties' submissions. Colombia indicated that carbon pools should be accounted for "within the project boundary" and the EU and AOSIS said the proposed definitions on the "project boundary" should be amended to differentiate between boundaries relevant to accounting methods and those exclusively geographical in nature. On project monitoring, Bolivia questioned how to estimate and control leakage. In the final contact group, on Thursday, 12 June, delegates discussed the Co-Chairs' draft conclusions and negotiating text. The G-77/China addressed the need to define non-permanence and consider uncertainty, while others noted the importance of developing modalities for small-scale CDM projects.

The SBSTA adopted the draft conclusions on Friday, 13 June.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.13), the SBSTA: notes that it made progress on definitions and modalities for including A&R project activities under the CDM in the first commitment period; requests the Secretariat to organize pre-session consultations to give further consideration to the draft negotiating text; and agrees to continue its work on the draft negotiating text at SBSTA-19.

The draft negotiating text also contains an annex on modalities and procedures for A&R project activities under the CDM. The annex contains a number of brackets on: definitions of forest, reforestation, and afforestation; carbon pools; project boundary; baseline net greenhouse gas removals by sinks; actual net greenhouse gas removals by sinks; leakage; temporary removal; insured Certified Emissions Reduction (CER); the role of the CDM Executive Board; accreditation and designation of operational entities; participation requirements; validation and registration; monitoring; verification and certification; issuance of various types of CERs; and non-permanence of projects. The annex also contains a bracketed appendix, providing guidance on the socioeconomic and environmental impacts of project design to facilitate the preparation of national guidelines.

GOOD PRACTICE GUIDANCE AND OTHER INFORMATION ON LULUCF: IPCC good practice guidance and other information on LULUCF were discussed in the SBSTA on Wednesday, 4 June, and draft conclusions were adopted on Thursday, 12 June. Informal consultations were facilitated by Margaret Mukahanana-Sangarwe (Zimbabwe) and Audun Rosland (Norway).

On Wednesday, 4 June, the IPCC reported on its work on LULUCF and the second-order drafts regarding good practice guidance, and definitions and methodological options to inventory emissions from direct human-induced degradation of forests and revegetation of other vegetation types. Reporting on the work of the Collaborative Partnership on Forests, the FAO noted the impor-



tance of, *inter alia*, consistent forest and carbon-related terminology and rationalized methods for assessing forest carbon stocks and their changes.

On Thursday, 12 June, the SBSTA adopted the draft conclusions, which are based on the three IPCC tasks, including: good practice guidance on LULUCF; definitions on degradation and revegetation; and the factoring out of natural and indirect human effects on carbon stock change.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.3), the SBSTA notes the possible inclusion of methods to estimate the change in carbon stored in harvested wood products as an annex or appendix to the IPCC report on good practice guidance for LULUCF, and requests the IPCC to submit a report on this subject for consideration by SBSTA-19, as well as to organize a side-event on good practice guidance for LULUCF during SBSTA-19. It also notes that issues related to harvested wood products will continue to be considered at SBSTA-19 and subsequent sessions. The SBSTA also requests the Secretariat, in consultation with the IPCC, to prepare draft common reporting formats for LULUCF for consideration at SBSTA-19, and invites the IPCC to report progress on the development of practicable methodologies and effects due to past practices in forests at SBSTA-19, including plans for a review process.

EMISSIONS RESULTING FROM FUEL USED IN INTERNATIONAL AVIATION AND MARITIME TRANSPORTATION: This issue was first addressed by the SBSTA on Wednesday, 4 June. Chair Thorgeirsson said Greg Terrill (Australia) would conduct informal consultations on the matter. Following informal consultations throughout SB-18, the SBSTA adopted draft conclusions on Thursday, 12 June.

On Wednesday, 4 June, the International Civil Aviation Organization (ICAO) stressed the need for more reliable aviation emissions inventories, and described its continuing work on: policy options to limit or reduce aviation emissions; the development of technology and related worldwide emissions standards; the reduction of fuel burn through improved operational measures; and the use of market-based mechanisms. The International Maritime Organization (IMO) discussed its work to improve the quality of reporting and comparability of greenhouse gas emissions from ships, and reported on the informal meeting between the UNFCCC and IMO Secretariats.

On Thursday, 12 June, Greg Terrill introduced the draft conclusions. Argentina expressed its concern that greenhouse gas emissions from international flights have increased by 50% within the period 1990-2000. The SBSTA then adopted the draft conclusions.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.2), the SBSTA invites the IMO, ICAO and UNFCCC Secretariats to set up two expert meetings before SBSTA-19 to discuss options to improve the methodologies for estimating and reporting emissions from international aviation and maritime transportation.

DEVELOPMENT AND TRANSFER OF TECHNOLOGIES

This agenda item was considered by SBSTA on Thursday, 5 June, and in informal consultations facilitated by Kishan Kumarsingh (Trinidad and Tobago) and Terry Carrington (UK). SBSTA considered and adopted the draft conclusions on Thursday, 12 June.

At the SBSTA Plenary on Thursday, 5 June, William Agyemang-Bonsu (Ghana), Chair of the Experts Group on Technology Transfer (EGTT) reported on the work of the EGTT. Delegates highlighted the need for: broad stakeholder participation and transparency in creating enabling environments for technology transfer;

concrete actions to implement the outcomes of the EGTT and the technology assessments; and attention to the broader issue of technology development. Informal consultations were conducted to consider the results of the workshop on enabling environments, held in Ghent, Belgium, from 9-10 April 2003, and to prepare draft conclusions on further guidance to the EGTT. On 12 June, the SBSTA adopted the draft conclusions on this matter.

SBSTA Conclusions: In these conclusions (FCCC/SBSTA/2003/L.5), the SBSTA notes the report of the EGTT, which concludes that the success of technology transfer is dependent on wide stakeholder involvement, and that governments have a crucial role in creating favorable conditions. It encourages business and industry NGOs and relevant international organizations to convene sector-specific workshops and activities to exchange experiences and lessons learned.

The SBSTA requests the EGTT to consider including activities on the development of environmentally sound technologies in its work activities, consider the outcomes of the workshop on synergies, and recommend further actions to SBSTA. It also requests the Secretariat to organize senior-level round-table discussions between governments, business and industry at COP-9, and a special meeting of the EGTT in conjunction with the technology events planned by the Government of India in November 2003; and continue its work on the development of links with relevant technology information systems and clearing houses, and existing national/regional technology centers as a way of showcasing potential opportunities for technology transfer identified through Parties' technology needs assessment. The Secretariat is requested to report on the outcomes of the activities to SBSTA at its subsequent sessions.

"GOOD PRACTICES" IN POLICIES AND MEASURES

This issue was first addressed by the SBSTA on Thursday, 5 June, and subsequently in a contact group co-chaired by Greg Terrill (Australia) and Richard Muyungi (Tanzania). Following four meetings of the contact group from 6-11 June, delegates agreed on draft conclusions, which the SBSTA adopted on Friday, 13 June.

At the SBSTA Plenary on Thursday, 5 June, Chair Thorgeirsson recalled that implementing decision 13/CP.7 (P&Ms) could include two pathways: strengthening web-based approaches for exchanging information; and engaging in further methodological work to develop and assess P&Ms. In the context of national circumstances, several delegates said that information exchange has been valuable in highlighting the effectiveness of P&Ms. In addition to inviting non-Annex I Parties to benefit from information sharing, Switzerland, with Australia and Canada, supported a standing agenda item on P&Ms. Saudi Arabia said that discussions should be limited to Annex I Parties. The EU called for additional workshops and web-based tools. Japan, with Australia, said that P&Ms should be self-assessed. A contact group was convened to develop draft conclusions and a draft COP decision focusing on information exchange.

At the first meeting of the contact group on Friday, 6 June, the EU, supported by the US, suggested holding workshops to share information on sector or sub-sector specific activities. The G-77/China said information sharing should focus on the adverse effects of P&Ms on developing countries. The US, supported by Samoa, suggested that the Secretariat develop terms of reference (TOR), referring to adverse effects, for future workshops in accordance with decision 13/CP.7. The G-77/China opposed additional work-



shops, regardless of their TOR, citing budgetary constraints and the need for “a total discussion” on the implementation of decision 13/CP.7. Japan suggested further enhancing web-based information exchange.

On Monday, 9 June, Co-Chair Terrill introduced a proposal for draft conclusions. The G-77/China said the text should refer only to Annex I Parties and should not directly or indirectly encourage non-Annex I Parties to share information. Samoa said all Parties could benefit from information sharing, even if actions to share information are only taken by Annex I Parties. The US said information sharing between Annex I and non-Annex I Parties would facilitate capacity-building and technology-transfer activities. The G-77/China, opposed by Australia, the EU, Japan, and the US, requested that text referring to information sharing at side events be deleted. Regarding web-based approaches to information sharing, the US expressed concern that the need to update a website might create a new type of reporting requirement.

On Tuesday, 10 June, Co-Chair Muyungi introduced new draft conclusions. Saudi Arabia, on behalf of the G-77/China, objected to text referring to information exchange among “all Parties,” and to text “inviting Annex I Parties and other interested Parties” to share information during informal round-tables. He also said that the Co-Chairs’ proposal to hold informal round-tables during session time seemed unworkable. Samoa said it did not share all of the concerns expressed by Saudi Arabia. Following a short break for consultations, the G-77/China was unable to agree on a united position on the text. The EU and Japan requested the deletion of a sentence calling for information exchange on ways to minimize adverse effects of response measures. With the US, they encouraged further discussion on the option of holding round-tables.

On Wednesday, 11 June, Parties discussed the Co-Chairs’ draft conclusions paragraph-by-paragraph. The EU and Japan, opposed by the G-77/China, reiterated their request to delete the sentence calling for information exchange on ways to minimize the adverse effects of response measures. Following discussions, the EU suggested replacing the sentence with a general reference to decision 13/CP.7. Following informal discussions, Co-Chair Terrill proposed new conclusions, noting the continued importance of implementing decision 13/CP.7, and agreeing to reconsider this agenda item at SBSTA-19. Parties agreed to the draft conclusions, which the SBSTA adopted on Friday, 13 June.

SBSTA Conclusions: In the conclusions on P&Ms (FCCC/SBSTA/2003/L.12), the SBSTA welcomes the progress made in implementing decision 13/CP.7, notes that Parties agreed on the continuing importance of implementing this decision, and agrees to consider further this agenda item at SBSTA-19.

RESEARCH AND SYSTEMATIC OBSERVATION

This issue was taken up by SBSTA on Thursday, 5 June, and considered in a contact group co-chaired by Stefan Rösner (Germany) and S.N. Sok Appadu (Mauritius). The contact group met once to finalize consideration of draft conclusions and a draft COP decision, which were adopted by SBSTA on Thursday, 12 June.

On Thursday, 5 June, Chair Thorgeirsson introduced the pre-session event on R&SO, held on 2 June, which considered the Global Climate Observing System (GCOS) Second Adequacy Report. GCOS outlined the Report’s main recommendations, including the need to: improve standards for climate observing systems, data and products; make available products relevant to UNFCCC needs; and build capacity and improve observing

systems in developing countries by establishing a voluntary donor fund. Canada, with the EU and G-77/China, said governments must respond to the observation needs of the UNFCCC. The G-77/China, with China, Uruguay and Uganda, underscored developing countries’ need for financial support to carry out R&SO.

On Thursday, 12 June, the SBSTA adopted the draft conclusions and agreed to forward the draft decision to the COP.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.4), the SBSTA: notes the recommendations developed by the GCOS Second Adequacy Report; identifies the Report as an opportunity to build momentum among governments to improve the global observing systems for climate; and notes the incomplete implementation of the terrestrial ocean networks. The SBSTA also invites the GCOS Secretariat to prepare, in consultation with the WMO, an analysis of problems and options to removing barriers to the receipt of data from atmospheric and hydrological networks at global data centers, and requests Parties to submit views on priorities for actions.

COP Draft Decision: In the draft decision (FCCC/SBSTA/2003/L.4/Add.1), the COP urges Parties to support high priority needs by contributing to relevant funding mechanisms, invites the GCOS sponsoring agencies to develop a framework for the preparation of reporting guidelines for terrestrial climate observing systems, and requests the GCOS Secretariat to coordinate the development of a phased five- to ten-year implementation plan for integrated global climate observing systems.

COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS

This item was first addressed by the SBSTA on Friday, 6 June. Following informal consultations throughout the meeting, Parties adopted the Chair’s draft conclusions in the SBSTA Plenary on Thursday, 12 June, and recommended a draft decision for adoption by COP-9.

On Friday, 6 June, statements were heard from relevant international organizations and Parties. The Convention to Combat Desertification (CCD) Secretariat recommended that synergies between conventions take place at the field level. The Ramsar Convention Secretariat noted that governments may face challenges in simultaneously meeting their commitments under the UNFCCC and Ramsar Convention. The IPCC provided an update on its activities. The FAO reviewed its capacity-building work on forests and climate change, and the IUCN noted its technical and legal support to several developing countries on definitions and modalities for sinks in the CDM. The Russian Federation announced its ratification of the CCD. Switzerland, with the EU, proposed that the UNFCCC Secretariat regularly report on relevant World Trade Organization (WTO) activities. Canada, Colombia and the US supported Chair Thorgeirsson’s suggestion that such reporting activities be undertaken at the national level instead. Colombia, opposed by Kuwait and Saudi Arabia, suggested using the Secretariat’s Note on the WTO for future discussion on this issue.

On Thursday, 12 June, the SBSTA adopted the draft conclusions, with a minor amendment.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.9), the SBSTA: agrees to continue discussing cooperation with other conventions at SBSTA-19; welcomes the IPCC decision to undertake its Fourth Assessment Report; and encourages Parties to coordinate issues relevant to the UNFCCC and the WTO at the national level.

**OTHER MATTERS**

ISSUES RELATING TO CLEANER OR LESS GREENHOUSE GAS-EMITTING ENERGY: This issue was addressed in the SBSTA Plenary on Friday, 6 June, and then in informal consultations. At the SBSTA Plenary on Friday, 6 June, Canada, supported by the Russian Federation, and opposed by the EU and G-77/China, requested that SBSTA's conclusions take note of Canada's proposal for a study on the role of trade in cleaner energy in meeting the objectives of the UNFCCC and the Protocol. Chair Thorgeirsson said he would hold informal consultations and prepare draft conclusions on this issue. The SBSTA adopted draft conclusions on Friday, 13 June.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.11), the SBSTA takes note of Canada's submission contained in FCCC/SBSTA/2003/MISC.7, and agrees to continue consideration of this issue at SBSTA-19.

ISSUES RELATING TO THE IMPLEMENTATION OF PROTOCOL ARTICLE 2.3: The SBSTA addressed the issue of implementation of Article 2.3 (adverse effects of P&Ms) in Plenary on Friday, 6 June, and then in informal consultations, undertaken by Chair Thorgeirsson. The SBSTA adopted draft conclusions on Friday, 13 June.

At the SBSTA Plenary on Friday, 6 June, the G-77/China requested, *inter alia*, that this issue be a regular agenda item, and that SBSTA consider a draft decision on initial actions. Canada and the EU argued that this issue is adequately addressed by previous decisions. Chair Thorgeirsson held informal consultations and prepared draft conclusions on this issue. On Friday, 13 June, Chair Thorgeirsson noted that a submission on this issue had been received from the G-77/China (FCCC/SBSTA/2003/MISC.8), and the SBSTA then adopted the draft conclusions.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.10), the SBSTA agrees to continue consideration of the issues under this agenda item at SBSTA-19.

OTHER MATTERS: The SBSTA addressed any other matters in Plenary on Friday, 6 June. Several Parties suggested SBSTA express support for the World Conference on Climate Change to be held in Moscow from 29 September to 3 October 2003. Chair Thorgeirsson said he would hold informal consultations on this issue and prepare draft conclusions. The SBSTA adopted draft conclusions with a minor amendment on Friday, 13 June.

SBSTA Conclusions: In the conclusions (FCCC/SBSTA/2003/L.14), the SBSTA, *inter alia*, invites Parties and the Secretariat to cooperate to achieve a successful outcome at the World Climate Change Conference, to be held in Moscow, Russian Federation, from 29 September to 3 October 2003; welcomes the announcement by India about a technology bazaar to be held in New Delhi from 10-13 November 2003, and a high-level round-table on "The CDM: opportunities for international cooperation" to be held on 10 November; and notes that, subject to the availability of financial resources, a special meeting of the EGTT and a workshop on adaptation will take place in Delhi during the technology bazaar.

CLOSING PLENARY

On Friday morning, 13 June, SBSTA Rapporteur Tatyana Ososkova (Uzbekistan) introduced the report of SBSTA-18 (FCCC/SBSTA/2003/L.1), which was subsequently adopted. Chair Thorgeirsson thanked delegates, Co-Chairs and the Secretariat, and said that he looked forward to SBSTA-19 in Milan. He gavelled the meeting to a close at 11:58 am.

SUBSIDIARY BODY FOR IMPLEMENTATION

SBI Chair Daniela Stoycheva (Bulgaria) opened the first meeting of SBI-18 on Wednesday, 4 June, and introduced the agenda for adoption (FCCC/SBI/2003/1). Switzerland, supported by the G-77/China, proposed the inclusion of non-Annex I national communications on the agenda. The US, supported by Canada and Australia, and opposed by the G-77/China, proposed that this item address the submission of second and subsequent national communications. Chair Stoycheva agreed to suspend the adoption of the agenda to allow the G-77/China to consider the US proposal.

On Thursday, 5 June, Chair Stoycheva said Parties agreed to consider the issue of non-Annex I national communications under other matters, and the SBI adopted the agenda without amendment.

ANNEX I NATIONAL COMMUNICATIONS

The SBI addressed Annex I national communications on Friday, 6 June, and adopted the Chair's draft conclusions on Friday, 13 June.

On Friday, 6 June, the US reaffirmed its commitment to reduce its emissions intensity and opposed the creation of new bodies to review the communications. Australia said that while it did not intend to ratify the Protocol, it was still committed to achieving its emissions target under the Protocol. The G-77/China and AOSIS expressed concern that emissions could continue to rise despite mitigation measures, and urged Annex I Parties to implement more rigorous policies and measures. Chair Stoycheva prepared draft conclusions on this issue, which delegates adopted on Friday, 13 June.

SBI Conclusions: In the conclusions (FCCC/SBI/2003/L.8), the SBI: requests the Secretariat to continue presenting information based on Annex I national communications in a manner accessible and useful to Parties; concludes that the compilation and synthesis of third national communications from Annex I Parties merits further consideration by COP-9; and urges Parties that have not yet submitted their national communications to do so as soon as possible.

FINANCIAL MATTERS RELATING TO NON-ANNEX I PARTIES

SPECIAL CLIMATE CHANGE FUND: Issues regarding the SCCF were taken up by the SBI on Thursday, 4 June, and in five contact group meetings, held from 7-12 June and co-chaired by Rawleston Moore (Barbados) and Jaap Rooimans (Netherlands). On Thursday, 11 June, delegates held informal consultations in the morning, and approved the draft conclusions in a contact group meeting in the evening. The SBI adopted the draft conclusions on Friday 13 June.

In the opening SBI Plenary on Thursday, 4 June, AOSIS and the G-77/China emphasized the need for the SCCF to support adaptation activities, and with the EU and Ghana, underscored the importance of providing finance to countries that are not eligible for support under existing UNFCCC funds. Saudi Arabia underscored the importance of financing adaptation activities to address the adverse impacts of response measures and economic diversification activities.

A contact group was convened to define and prioritize the activities, programmes and measures to be financed under the SCCF, and provide operational guidance to the Global Environment Facility (GEF). On Saturday, 7 June, delegates discussed the prioritization of SCCF-funded activities. Several Parties identified adaptation as the priority activity for the SCCF and suggested that activities be based on priorities identified in national communica-



tions, and national strategies for sustainable development. Parties discussed the inclusion of mitigation activities, with Canada and the EU calling for a balance between adaptation and mitigation measures.

In the contact group on Monday, 9 June, the GEF highlighted the importance of the COP providing clear and specific guidance in order to avoid duplication with existing GEF activities. Delegates discussed the need for guiding principles for the SCCF, in particular the need to mainstream climate change into development processes, provide for a catalytic function, and build on existing GEF arrangements. Noting the importance of guiding principles, AOSIS and the LDCs noted that the SCCF's principles should not create obstacles in accessing financing.

On Tuesday, 10 June, the contact group began discussions on the Co-Chairs' draft conclusions. On the SCCF's guiding principles, the G-77/China said that the Fund should be complementary to the GEF climate focal areas, the Least Developed Country (LDC) Fund, and bilateral and multilateral funding, and maximize adaptation funding opportunities for non-Annex I Parties not eligible for support from the LDC Fund. Delegates also discussed the further elaboration of views on the SCCF, with the EU reiterating its support for a process allowing for the further submission of Parties' views.

In the contact group meeting on Wednesday, 11 June, the G-77/China presented its amendments to the Co-Chairs' draft conclusions, and proposed that its text serve as the basis for negotiation (FCCC/SBI/2003/MISC.1/Add.1). Co-Chair Moore adjourned the contact group for informal consultations on this issue. The informal consultations agreed to base the contact group's deliberations on the Co-Chairs' text. Delegates then continued discussing the prioritization of the SCCF's activities, but were unable to agree on the inclusion of mitigation activities. They agreed to delete text requesting further submission of views and calling for intersessional informal consultation on the SCCF prior to SBI-19.

Following informal consultations on Thursday morning, 12 June, delegates reconvened in the contact group to approve the draft Co-Chairs' conclusions, with a minor amendment.

SBI Conclusions: In the conclusions (FCCC/SBI/2003/L.13), the SBI notes that activities to be supported by the SCCF should be country-driven, cost effective, and integrated into national sustainable development and poverty reduction strategies. Regarding priorities for the SCCF, the SBI notes that Parties identified adaptation activities to address the adverse impacts of climate change as the highest priority, and that technology transfer and its associated capacity-building activities should also be supported. The SBI also emphasizes that SCCF activities should be complementary to the LDC Fund and the climate change focal areas of the GEF, and requests SBI-19 to provide further guidance to the GEF for the operation of the SCCF and to recommend a draft decision at COP-9 in this regard.

PROVISION OF FINANCIAL AND TECHNICAL

SUPPORT: In the SBI Plenary on Friday, 6 June, the GEF reported on the outcomes of its May 2003 Council meeting, highlighting relevant decisions regarding its support for national communications from non-Annex I Parties. Several Parties underscored the need for the timely disbursement of financial resources, and for holding regional and subregional workshops on guidelines for the second national communications. SBI Chair Stoycheva said she would prepare draft conclusions on this issue. On Friday, 13 June, the SBI adopted the draft conclusions.

SBI Conclusions: In the conclusions (FCCC/SBI/2003/L.10), the SBI notes that the frequency of the submission of second, and where appropriate, third national communications shall be determined at COP-9, and invites Parties to submit their views on the frequency and timing of these submissions. The SBI also invites Parties' views on their experience with the GEF or its implementing agencies in preparing national communications.

CAPACITY BUILDING

This agenda item was considered by the SBI on Friday, 6 June, and in a contact group. The contact group, chaired by Dechen Tsering (Bhutan), met four times from 6-11 June, and completed the terms of reference (TOR) for the comprehensive review of the implementation of decision 2/CP.7 (capacity building in developing countries).

During the SBI meeting on Friday, 6 June, the Secretariat presented delegates with an overview of the synthesis of information provided by Parties relating to the comprehensive review of decisions 2/CP.7 and 3/CP.7 (capacity building in EITs), the views on actions by developing countries and EITs on their priority needs, and views on actions by Annex II Parties to implement these decisions.

On the review process, the G-77/China stressed that it should contain an analysis of current project and programme implementation in response to decision 2/CP.7, identify gaps and possible areas for further improvement in implementation, and outline steps to be undertaken by the SBI in monitoring capacity-building activities. Canada said that the review should also include activities undertaken prior to COP-7.

During the first meeting of the contact group on Friday, 6 June, delegates exchanged views on their expectations and on the process of the comprehensive review of capacity-building activities in developing countries. Based on these views, Chair Tsering circulated a proposal for draft conclusions on Saturday, 7 June. In discussing this proposal, delegates agreed to request the Secretariat to prepare a compilation paper on progress in implementing decision 2/CP.7. They discussed the inclusion of information from other sources, such as the GEF and bilateral and multilateral organizations. The US stressed the importance of taking into account country-driven approaches. Given the time constraints, delegates agreed to request COP-9 to adopt a decision extending the review until COP-10. They also agreed to request the COP to adopt a decision to review implementation of capacity building in EITs.

On the TOR for the review process, Parties discussed the period under review. The G-77/China preferred focusing on the period after COP-7, while Canada and others noted that capacity building was a long-term process. The contact group completed its work on Wednesday, 11 June. The SBI adopted the draft conclusions and TOR for the comprehensive review on Friday, 13 June.

SBI Conclusions: In the conclusions (FCCC/SBI/2003/L.4), the SBI endorses the TOR for the comprehensive review and requests the Secretariat to prepare a paper that would support the review process, using information from the GEF, relevant international organizations and bilateral and multilateral agencies, to support the review process for consideration at SBI-19. It recommends that COP-9 decide on the actions necessary to complete the review by COP-10 and on guidance for the review of decision 3/CP.7. The SBI also requests the Secretariat to prepare a compilation paper to facilitate the first review of the effectiveness of the implementation of the decision.



IMPLEMENTATION OF UNFCCC ARTICLE 4.8 AND 4.9 PROGRESS ON IMPLEMENTATION OF ACTIVITIES

UNDER DECISION 5/CP.7: This agenda item was considered by the SBI on Wednesday, 4 June. A contact group co-chaired by Fadhel Lari (Kuwait) and Robert Mason (UK) was convened to consider how to further the implementation of decision 5/CP.7 (implementation of Articles 4.8 and 4.9 on adverse effects) and met six times from 6-12 June. The SBI adopted draft conclusions on Friday, 13 June.

On Wednesday, 4 June, the Secretariat announced a workshop mandated by decision 5/CP.7 on possible synergies with other multilateral environmental conventions and agreements scheduled for 2-4 July, in Espoo, Finland. Chair Stoycheva provided an oral report on the recent workshops on insurance-related matters, noting that the written report was not yet ready. Delegates discussed the outcomes of the workshops and highlighted: the need for long-term international solutions to minimizing the adverse effects of response measures; the importance of acceding the insurance industry observer status in the climate process to enhance their understanding of the issue; and the guidance provided by the Marrakesh Accords for the implementation of decision 5/CP.7.

During the first meeting of the contact group, there was divergence over whether progress had been made in implementing decision 5/CP.7. The EU, US, Canada, Australia and New Zealand highlighted progress made, including the GEF's third replenishment, the establishment of the LDC Fund, and development of guidelines for National Adaptation Programmes of Action (NAPAs). The G-77/China opposed this, stating that the progress to date was insufficient, and called for concrete actions to follow up on the recommendations of the recent risk assessment and insurance workshops.

Following requests by New Zealand, Australia, the US and the EU, informal consultations were held on the agenda of the upcoming workshop on synergies. Saudi Arabia preferred not to consider this workshop's TOR until a date was specified for the workshop on economic diversification, also mandated by decision 5/CP.7 to be organized before COP-9.

On Saturday, 7 June, the Co-Chairs circulated a proposal for draft conclusions on this agenda item. Since the G-77/China had not consulted on the proposed draft conclusions, the meeting was adjourned.

On Monday, 9 June, the G-77/China and EU presented their proposals for draft conclusions. After a lengthy debate over which document to use as the basis for discussion, delegates agreed to proceed on the basis of the Co-Chairs' draft. Divergence remained over language regarding the progress made. On the reports of the workshops on insurance and risk assessment, delegates could not agree on whether to address them in one, or in separate paragraphs.

They also discussed how to elaborate on the TOR for the workshop on economic diversification, with the G-77/China opposing a process of submissions, noting that this could delay the workshop. The Secretariat revised the Co-Chairs' proposal integrating the G-77/China and EU suggestions to reflect amendments made during the discussion.

On Tuesday, 10 June, the group met again to consider new draft conclusions. Once again divergence emerged over whether and how to address the outcomes of the workshops on modeling, insurance and adverse effects and related matters. Parties revisited the amendments and options proposed, and discussed their placement in the draft text. During this meeting, the G-77/China proposed a new paragraph requesting the Secretariat to compile a synthesis

report on information regarding the specific needs and concerns of developing countries arising from the adverse effects of climate change and response measures, and the support required to address these. Australia, Canada, New Zealand, and the US proposed alternative text listing activities relating to implementation of decision 5/CP.7 to reflect that progress had been made. The G-77/China said that this was an unrelated proposal that did not constitute alternative text.

On the outcomes of the modeling workshop, AOSIS proposed a paragraph calling on SBSTA to note the need to improve support for capacity building to developing country experts and to increase their participation in the modeling process. The G-77/China maintained its support for text on actions relating to the workshop's results that could be recommended by the SBI and SBSTA. The EU favored text noting that SBI-18 had considered the workshop's outcomes. The G-77/China proposed text on the outcomes of the workshops on insurance and risk assessment and on related actions, which the EU and US opposed, citing the unavailability of the written reports for consideration at SBI-18. AOSIS proposed language calling on the SBI to invite further views from Parties on the workshop outcomes for consideration by the COP with the aim of agreeing on a decision. The US, Canada, Australia and New Zealand supported the invitation for views but said the SBI should not prejudge the outcome of the COP's deliberations.

After the Secretariat revised the draft conclusions, delegates could not agree to delete some of the options. The EU, US, Australia and AOSIS expressed disappointment over the lack of agreement and proposed that the draft conclusions include paragraphs on which there was some agreement. The G-77/China preferred to state in the conclusions that there was no agreement, or to transmit the bracketed text to SBI-19. After brief consultations with the delegates, Co-Chair Robert Mason reported that there was still a willingness to try and agree on some text and said consultations would continue on Thursday.

The contact group met again on Thursday, 12 June, following informal consultations held in the morning to try and reach agreement on draft conclusions. Another proposal for draft conclusions was circulated. These conclusions included the partially agreed paragraphs. The EU, Canada, Australia, Japan, the US, AOSIS, and New Zealand noted that while the text did not serve all their interests, they supported its use as the basis for negotiation. They said that if there was no agreement on the use of this text, they would prefer stating this in the conclusions and not forward any text to SBI-19. Saudi Arabia, Libya (on behalf of the Africa Group), Kuwait, Venezuela, and Nigeria opposed the use of this text, and proposed using the last version of the draft conclusions or conclude that there was no agreement. Saudi Arabia cautioned against setting a precedent by not forwarding any draft texts to the next session. Recalling previous instances where Parties have "agreed to disagree," the US objected stating that Parties were not obliged to forward the penultimate text.

Co-Chair Lari noted that Parties were unable to agree and proposed that the draft conclusions state that the SBI did not complete its work on the agenda item and agreed to continue at the next session. On Friday, 13 June, the SBI adopted its draft conclusions. SBI Chair Stoycheva expressed her disappointment and welcomed Parties to a pre-session meeting to consider how to continue with this agenda item.

SBI Conclusions: The conclusions (FCCC/SBI/2003/L.12) state that the SBI did not complete its consideration of this issue.



MATTERS RELATING TO THE LDCs: The SBI considered this agenda sub-item on Wednesday, 4 June, and in informal consultations. It adopted draft conclusions on Friday, 13 June.

On Wednesday, 4 June, LDC Expert Group (LEG) Chair Laavasa Malua (Samoa) reported on the work of the LEG. Delegates highlighted the need to operationalize the LDC Fund in the short term to support immediate and urgent needs, and to ensure that the implementation of NAPAs enhance the synergies with other UN conventions.

On Thursday, 5 June, during the consideration of non-Annex I financial matters, Tanzania, on behalf of the LDCs, proposed that the matters relating to LDC Fund be addressed separately from the SCCF. Chair Stoycheva decided to convene informal consultations on LDC matters. These were facilitated by Mamadou Honadia (Burkina Faso) and José Romero (Switzerland) and focused on the results of the LEG's work and on further guidance to the LEG as well as the LDC Fund. The draft conclusions on this item were adopted on Friday, 13 June.

SBI Conclusions: In these conclusions (FCCC/SBI/2003/L.9), the SBI notes the need for further discussions to address modalities relating to the implementation of the NAPAs. It agrees that in addressing other elements of the LDC work programme, attention should be given to critical activities such as awareness raising and capacity building. It also notes that NAPA implementation should promote the integration of adaptation concerns into the development process of LDCs and that the LDC Fund needs to be complemented by other funding sources, such as development assistance. The SBI decides to consider further guidance for the operation of the LDC Fund at SBI-19 with a view to recommending a decision to COP-9.

UNFCCC ARTICLE 6

UNFCCC Article 6 (education, training and public awareness) was taken up by the SBI Plenary on Friday, 6 June. On Friday, 13 June, the SBI adopted the Chair's draft conclusions.

At the SBI Plenary, on Friday, 6 June, Jean-Pascal van Ypersele (Belgium) reported on the UN Economic Commission for Europe (UNECE) regional workshop on education, training, and public awareness. Participants at the workshop made recommendations on aspects of the national and international-level implementation of Article 6, including formal and non-formal education and the need for public awareness. Several Parties, UNEP, UNESCO and the International Strategy for Disaster Reduction (ISDR), supported the development of an information network clearing house. Botswana, Thailand, and Uruguay offered to host regional workshops.

On Friday, 13 June, the SBI adopted draft conclusions with a minor amendment.

SBSTA Conclusions: In the conclusions (FCCC/SBI/2003/L.5), the SBI welcomes the Secretariat's proposal for an Article 6 information network clearing house (FCCC/SBI/2003/4) and invites the Secretariat to: continue work on the development of the clearing house project; report to SBI-19 on progress of work; compile information received from non-Annex I Parties in their national communications on Article 6 related activities; and develop a prototype of the clearing house by SBI-21. The SBI also invites Parties to submit to the Secretariat, by 15 August 2003, their views on possible ways to improve reporting in their national communications on activities aimed at implementing the New Delhi Article 6 work programme.

REQUEST FROM THE CACAM GROUP OF COUNTRIES

The status of the request from a group of countries of Central Asia and the Caucasus, Albania and the Republic of Moldova (CACAM), regarding their status under the UNFCCC was addressed in the SBI Plenary on Friday, 6 June, and Friday, 13 June.

On Friday, 6 June, Chair Stoycheva said she would consult informally. On Friday, 13 June, she reported that no conclusions had been agreed, that she would continue with informal consultations, and report on their outcomes at SBI-19. Uzbekistan, on behalf of the CACAM group, supported by Qatar, emphasized the importance of ensuring equal representation of these countries on the Consultative Group of Experts on Non-Annex I National Communications (CGE).

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS

This issue was considered by the SBI on Thursday, 5 June, and subsequently discussed in two contact group meetings chaired by Karsten Sach (Germany). Delegates considered the draft conclusions on this agenda item on Friday, 13 June.

During the SBI Plenary on Thursday, 5 June, delegates considered the agenda sub-items on the COP-9 programme of work, the arrangements for the first session of the COP/MOP, future sessional periods, and effective participation in the UNFCCC process. The Secretariat presented, *inter alia*, two scenarios for the programme of work: one for COP-9 and one for COP/MOP-1 in the event of entry into force of the Protocol by COP-9.

On the organization of the COP's work, delegates discussed the high-level round table discussions to be held at COP-9. Several delegates underscored the need to separate work on the UNFCCC and the Protocol. The US, with Australia, Slovenia, Norway, and Canada, supported the consideration of a multi-year work programme, and the streamlining of each session's agenda.

On effective participation, the US objected to the manner in which the CDM Executive Board was implementing the rules relating to the participation of observers. The G-77/China, with Saudi Arabia, Burkina Faso, and the EU, called for increased funding for the participation of delegates from developing countries. Several delegations called for a systematic approach to ensure broad and balanced participation in all bodies, expert groups and workshops.

During the first meeting of the contact group on Thursday, 5 June, delegates discussed the arrangements for the intersessional meetings and the work programme for COP-9 and COP/MOP-1. On the organization of COP/MOP-1, delegates discussed whether to integrate or maintain the distinction between the UNFCCC and the Protocol. The US emphasized the need for an approach that would not merge UNFCCC and Protocol issues, since this would have an impact on the rights of the Parties to the UNFCCC that are not members of the Protocol. With Saudi Arabia, he stressed the need to prioritize the UNFCCC over the Protocol. Norway favored as much integration as possible.

On the effective participation in the UNFCCC process, delegates discussed how to improve observers' access to the process. Argentina stressed the need to facilitate participation of Parties as well as observers.

Regarding the organization of work at COP-9, there was agreement on the need to determine the topics of the roundtable sessions, and delegates prepared a list of themes. Delegates also discussed how to refer to the different capacities of the SBSTA and SBI acting under the UNFCCC and the Protocol, and the possibility for joint meetings of the COP and COP/MOP.



On Friday, 13 June, the SBI considered the draft conclusions, including a draft decision to be recommended to the COP. Chair Stoycheva informed delegates that Miklós Persányi, Minister of Environment and Water, Hungary, was nominated president of COP-9. Hungary affirmed its commitment to maintain close cooperation with all Parties in order to achieve progress in meeting the objective of the UNFCCC.

SBI Conclusions: The conclusions (FCCC/SBI/2003/L.3 and Add. 1) address preparations for COP-9, the arrangements for COP/MOP-1, future sessional periods, and effective participation in the UNFCCC process.

On the arrangements for COP-9, the SBI decides that round table discussions will be the mode of exchange during the high-level segment. In the event that the COP would be held in conjunction with the COP/MOP, political statements will be the mode of exchanges during a joint high-level segment.

On the arrangements for COP/MOP-1, the SBI recommends that it convene in conjunction with the first session of the COP scheduled after the date of entry into force. The SBI also decides to: organize meetings of the COP and COP/MOP to ensure that similar or related items on their agendas are dealt with in proximity, or jointly if the Parties to the UNFCCC and Protocol so decide, and forward a draft decision on the arrangements for COP/MOP-1 for adoption by the COP.

Regarding future sessions, the SBI notes the proposed dates for the 2008 sessional periods (2-13 June and 1-12 December 2008). It also notes the increasing difficulties faced by the UNFCCC process with regard to agenda management, and invites the SBI and SBSTA Chairs to further consider the organization of future sessions in order to handle the workload effectively and efficiently.

Regarding effective participation in the UNFCCC process, the SBI underlines the importance of facilitating the participation of Parties and recognizes that participation of observers is a fundamental feature of the UNFCCC process. It invites the Chairs of the Subsidiary Bodies and other bodies with limited membership and the Secretariat to continue efforts to facilitate effective participation and promote transparency in the process and report back at SBI-20.

COP Draft Decision: In the draft decision (FCCC/SBI/2003/L.3 Add.1), the COP is called on to recommend that COP/MOP-1 adopt a draft decision on the arrangements for its first session, which provides guidance on the application of the draft rules of procedure.

ADMINISTRATIVE AND FINANCIAL MATTERS **INTERIM FINANCIAL PERFORMANCE FOR THE**

BIENNIUM 2002-2003: On Wednesday, 4 June, Chair Stoycheva presented the interim financial performance for the biennium 2002-2003, which notes outstanding arrears of US\$8.5 million. It also indicates that two-thirds of member States have not made their contributions for 2003. The Secretariat noted that the UN regular budget, instead of Parties' contributions, funded conference servicing costs for the 2002-2003 biennium and that Parties would be credited as appropriate. Morocco expressed concern about the shortfall of the Trust Fund for Participation, and requested the Secretariat to explore the replenishment of the Trust Fund. On Friday, June 13, SBI adopted the draft conclusions.

SBI Conclusions: In the conclusions (FCCC/SBI/2003/L.2), the SBI expresses appreciation to the Parties who paid their contribution to the core budget on time and urges Parties with outstanding contributions to pay these. It also notes the concern

shared by Parties about the shortfall in the Trust Fund for Participation and requests the Executive Secretary to explore the possibility of the Trust Fund's replenishment.

PROGRAMME BUDGET FOR THE BIENNIUM 2004-2005: This issue was addressed by the SBI on Wednesday, 4 June, and Thursday, 5 June. A contact group chaired by John Ashe (Antigua and Barbuda) met three times from 6-10 June. Informal consultations were also held. The SBI adopted the draft conclusions, containing a draft COP decision, on Friday evening, 13 June.

On Wednesday, 4 June, Executive Secretary Joke Waller-Hunter presented the draft programme budget, which contained a 29% budget increase for the 2003-2004 biennium. In its proposed budget, the Secretariat estimated that US\$3.2 million will be required for Protocol activities, should it enter into force during the 2004-2005 biennium. Saudi Arabia emphasized the need for balanced funding in the biennial budget for items such as workshops, while the US requested more detail on the Secretariat's budget and expressed concern over the proposed apportionment between UNFCCC and Protocol activities. Canada supported a "one-time jump" in the budget.

On Thursday, 5 June, the EU suggested that the budget be more predictable and sustainable for future periods, and expressed surprise over the distinction between Protocol and UNFCCC activities in the budget. Australia emphasized that budget priorities need to be clarified, and, with Brazil, China, the EU, Japan, Norway, and the Russian Federation, said the budget increase is too high. The Russian Federation said it favored a zero-growth budget, but would accept budget increases for inflation, and requested clear indication of how its contribution to the budget would be affected by its ratification of the Protocol.

At the first contact group meeting on Friday, 6 June, Chair Ashe presented a draft COP-9 decision containing three options on the draft budget and indicative scales of assessment that separated financing for UNFCCC and Protocol activities to differing degrees. The first option was based on an assumption that the UNFCCC budget has two components and that Parties would adopt two scales at the next COP; the second would approve a contingency budget for Protocol activities at the next COP, and would approve Protocol funding on an indicative scale, which would be activated after the Protocol enters into force; and the third option would leave the actual adoption of the Protocol budget and indicative scale to the COP/MOP.

On Monday, 9 June, Chair Ashe presented a revised draft decision and detailed breakdown of costs associated with Protocol activities. Parties agreed on text that requests the Executive Secretary to indicate the administrative and financial implications, rather than actual costs, of proposed COP decisions.

Regarding a possible draft decision on adopting two indicative scales of assessment, the EU said, if adopted, this decision would set a negative precedent for other multilateral environmental agreements (MEAs), since it would require Parties to pay for selected activities related to a MEA, and offer a perverse incentive for those Parties who have not yet ratified the Protocol. Opposed by the US, the EU then proposed two new options, which requested Parties to decide on only one instead of two indicative scales. Under the first option, Parties would approve the budget for the UNFCCC, including the preparatory activities related to the Protocol, at the COP. Under the second option, Parties would approve the budget for the UNFCCC at the COP, and adopt the budget for preparatory activities relating to the Protocol at the COP/MOP. The US proposed that Parties decide only on the biennial costs of the



UNFCCC, and not preparatory and operational costs associated with the Protocol. The G-77/China, Argentina, and Brazil noted that the new UN General Assembly scale of assessments should not be applied automatically.

On Tuesday, 10 June, the EU and the US continued to disagree over the issue of indicative scales. Honduras noted its concern about the amount of funding budgeted for CDM activities. Chair Ashe continued informal consultations on the budget in an attempt to break the deadlock between the US and the EU.

On Friday, 13 June, Parties continued informal consultations throughout the day, and agreed on draft conclusions and a draft COP decision based on these consultations. The SBI then adopted the draft conclusions on Friday evening.

SBI Conclusions: In the draft conclusions (FCCC/2003/SBI/L.14), the SBI invites the Secretariat to inform Parties that COP-9 will be requested to consider a total programme budget of 1) US\$32.84 million; 2) US\$35.79 million; or 3) any other amount. It also proposes a contingency budget for conference servicing amounting to US\$5.96 million, in case the UN General Assembly decides not to provide resources for these activities from the UN regular budget. In addition, the SBI: requests the Executive Secretary to propose a revised programme budget including a revised staffing table on budget options 1 and 2; recommends a draft decision on the programme budget for the biennium for further consideration at SB-19; and notes the views expressed by some Parties on the use of the UN scale of assessments, as a basis for the indicative scale of contributions.

In the draft COP decision, contained in the annex of the conclusions, the COP: notes the level of the working capital reserve; authorizes the Executive Secretary to make limited transfers between budget line items; and requests the Executive Secretary to report on income and budget performance, and propose any adjustments that might be needed in the biennial budget at the next COP.

IMPLEMENTATION OF THE HEADQUARTERS

AGREEMENT: In the SBI Plenary on Monday, 4 June, Karsten Sach (Germany) indicated that the German Government had recently agreed to support and accommodate all Bonn-based UN agencies at one site. On Friday, 13 June, Chair Stoycheva expressed appreciation for the implementation of the headquarters agreement. She noted a meeting between UN organizations and the German Government scheduled for the last week of June.

OTHER MATTERS

THE USE OF GUIDELINES FOR THE PREPARATION OF NON-ANNEX I NATIONAL COMMUNICATIONS: The report of the workshop on the use of guidelines for the preparation of national communications from non-Annex I Parties was addressed by the SBI on Friday, 6 June, and again on Friday, 13 June. On Friday, 6 June, the G-77/China and Tuvalu said the implementation of the guidelines will require additional financial resources and capacity building, and, with the EU, emphasized the need to focus on vulnerability and adaptation, and greenhouse gas inventories. On Friday, 13 June, Parties adopted draft conclusions prepared by Chair Stoycheva.

SBI Conclusions: In the conclusions (FCCC/SBI/2003/L.11), the SBI requests the Secretariat to develop, in consultation with the CGE, a template to further facilitate the use of the UNFCCC guidelines and the development of a website dedicated to disseminating

information on assistance provided by bilateral and multilateral support programmes for the preparation of national communications.

PROPOSAL BY CROATIA ON LULUCF AND SPECIAL CIRCUMSTANCES OF CROATIA UNDER UNFCCC

ARTICLE 4.6: The agenda items on the proposal by Croatia on LULUCF and its special circumstances under UNFCCC Article 4.6 (special circumstances of EITs) were considered jointly, and addressed by the SBI on Wednesday, 4 June. The EU encouraged Croatia to submit a consistent time series of emissions data using consistent methodologies for 1990-2001. Bosnia and Herzegovina, and Serbia and Montenegro opposed Croatia's greenhouse gas emissions inventory adjustments for the 1990 base year.

Following informal consultations facilitated by Jim Penman (UK), on Friday, 13 June, the SBI adopted the draft conclusions on LULUCF and on Article 4.6.

SBI Conclusions: In the conclusions on LULUCF (FCCC/SBI/2003/L.6), the SBI notes the provision by Croatia of country-specific data and information on its proposed forest management value. In the conclusions on Article 4.6 (FCCC/SBI/2003/L.7), the SBI invites Croatia to submit, by 30 September 2003, inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol using IPCC revised guidelines and UNFCCC guidelines on national communications. It notes that the SBI will continue its consideration of this issue at SBI-19.

CLOSING PLENARY

Following a speech by Executive Secretary Joke Waller-Hunter, a number of Parties made statements of farewell to Deputy Executive Secretary Tahar Hadj-Sadok, who is retiring.

The SBI then adopted the draft report of the session (FCCC/SBI/2003/L.1), introduced by SBI Rapporteur Emily Ojoo-Massawa (Kenya). In her closing statement, Chair Stoycheva said she had been invited by the SBSTA Chair to participate in SBSTA expert group consultations on cross-cutting issues. On the relationship between SBSTA and SBI expert groups, she noted that requests for input by the groups will be channeled through the respective subsidiary bodies. She thanked participants and expressed hope that the rest of the world would recognize the work completed at SB-18 as a reflection of the participants' sense of global responsibility. She adjourned SBI-18 at 8:05 pm.

A BRIEF ANALYSIS OF SB-18

A VIEW FROM THE CROW'S NEST

Since the UNFCCC was adopted in 1992, negotiators have been busy building a Protocol seaworthy enough to meet the challenge of climate change. With Russia's ratification, it will set sail. This brief analysis examines the significance of discussions at SB-18 within the context of the climate regime's development. In particular, it questions whether this meeting has brought us closer to the Protocol's launch by sending the right signals to Moscow. It also assesses discussions relating to the regime's seaworthiness, and the future course of the negotiations.

SIGNALING MOSCOW

Since COP-6, the need to get Parties on board the Protocol has been an underlying current in the negotiations. At the conclusion of the Bonn Agreements, the lead EU negotiator said that "to bring the US on board, we first needed a boat. Now we have a boat." But at SB-18, Parties were not focused on when, or if the US might ratify.



Instead they were focused on when Russia would get on board and launch the Protocol, since its ratification will trigger entry into force. As a result, throughout the session, negotiators speculated on the signals being sent to Moscow.

Negative signals emerged from discussions on many issues, including those on the UNFCCC Secretariat's budget and arrangements for meetings of the COP and COP/MOP. Reflecting its unwillingness to participate in the Protocol's launch, the US demanded that the budget be divided in two, so that contributions to the Secretariat's budget from non-Parties to the Protocol would not be used to fund Protocol activities. Although the US position is understandable, dividing the budget could hinder the Secretariat's operation, and create a distinct separation between two complementary legal instruments. More broadly, a divided budget could undermine future work programmes and set a precedent for other MEAs, as could the US insistence on separate arrangements for meetings of the COP and COP/MOP.

On other issues, negative signals were sent about the regime's long-term future. Annex I Parties floated proposals throughout SB-18 with implications for developing country participation in the second commitment period. Proposals on the Special Climate Change Fund (SCCF), P&Ms and adverse effects, for instance, insisted on a link between mitigation and adaptation. OPEC countries refused to accept such a link, and blocked any indication of flexibility on the part of developing countries particularly concerned about the adverse effects of climate change. Some observers noted that OPEC's arguments in this regard served other members of the G-77/China that are equally concerned about any emphasis on the need for mitigation in developing countries.

SB-18 may not have sent a stream of positive signals to Moscow or other Annex I Parties, but positive signs were perceptible in discussions on several issues that relate to the regime's effectiveness, and the future direction of negotiations.

SEAWORTHINESS

How the international climate change regime fares once the Protocol is launched will of course depend on the rules and procedures governing the regime's implementation. Parties continued to discuss several issues relating to the UNFCCC and Protocol implementation at SB-18, including the SCCF, sinks in the CDM and Protocol Articles 5, 7 and 8.

Given that the Protocol has not entered into force and discussions on the Adaptation Fund are not yet on the horizon, non-Annex I countries sought to ensure that adaptation activities would be prioritized under the SCCF. Annex I countries, meanwhile, demanded that the SCCF fund mitigation projects as well as adaptation activities, arguing that early action in this regard would strengthen the global response to climate change. While achieving a compromise on this issue will be difficult, an outcome satisfying both donor and recipient countries will facilitate non-Annex I Parties' role in the regime's journey.

The final task in operationalizing the CDM – deciding on definitions and modalities for sinks projects – is another important issue related to the participation of developing countries in the climate regime. If the CDM is to enhance sustainable development, a system of “checks and balances” needs to be designed that addresses issues like non-permanence and the potential socioeconomic and environmental impacts of projects. Regarding non-permanence, discussions at this session centered on insurance versus temporary crediting approaches. At least one Annex I Party and several Latin American countries would prefer using insurance

to guarantee the integrity of sinks projects for at least ten years after the commitment period. Other countries, including AOSIS, favor temporary crediting approaches that would ensure that credits from sinks projects are ultimately replaced by credits from emissions reductions. Parties clarified the options for dealing with non-permanence, but did not agree on any text, and found themselves similarly divided on the extent to which socioeconomic and environmental impacts assessments should influence project design and approval. How these and other issues are resolved will, in the eyes of many observers, determine the legitimacy of sinks projects undertaken in developing countries.

Compared to negotiations on the SCCF and sinks in the CDM, issues relating to Protocol Articles 5, 7 and 8 were not particularly contentious. Parties agreed to conclusions and unbracketed draft COP and COP/MOP decisions relating to the training of Expert Review Team (ERT) leaders, a code of conduct for ERT members, the treatment of confidential information and adjustments to greenhouse gas inventories. Once adopted, these decisions will reinforce the functioning of two unique aspects of Protocol – the market mechanisms and compliance system. In this regard, SB-18 has prepared the Protocol for its upcoming launch.

CHARTING A COURSE

Although Parties agree on the regime's ultimate objective, SB-18 provided an important opportunity for Parties to continue discussions on several issues with the potential to affect the regime's future direction. These included adverse effects, P&Ms and the IPCC TAR.

Agreeing to a common course of action on adverse effects and on P&Ms was not an easy task and Parties failed to reach substantive conclusions. General differences in the perspectives of developed and developing countries were only one reason for the lack of progress. Another was the G-77/China's frequent inability to develop and present unified positions.

Discussions on adverse effects began as expected, with developed country Parties arguing that significant progress has been made in addressing adverse effects, and developing countries arguing the opposite. As discussions wore on, OPEC countries used their usual tactic of insisting on the link between adaptation to climate change and adaptation to response measures. Many observers interpret OPEC's demand for compensation for the adverse effects of response measures as akin to “penalizing compliance” with emissions mitigation commitments. Other developing countries argued specifically for action regarding adaptation to climate change, seemingly concerned that OPEC's tactic would prevent progress and perpetuate the longstanding impasse on adverse effects. Developed countries certainly continued to resist any link between the two kinds of adverse effects, and were unwilling to use the reports of recent workshops on these issues as a basis for further action. As a consequence, the next steps on adaptation remain obscure.

With respect to P&Ms, several Annex I Parties suggested that information exchange could benefit all Parties, and facilitate capacity building and technology transfer. Saudi Arabia, speaking for the G-77/China, argued that text should not directly or indirectly encourage non-Annex I Parties to share information. However, at least one member of the G-77/China said that it did not share Saudi Arabia's perspective.

Ultimately, negotiations broke down when Saudi Arabia, again on behalf of the G-77/China, refused the EU and Japan's demand that a sentence explicitly requiring information exchange on ways



to minimize the adverse effects of response measures be deleted. One observer speculated that the US was largely silent on this matter because it is not planning to implement policies and measures with significant adverse effects. Parties agreed only to discuss P&Ms again at SB-19, and although the Saudi Arabian delegate said he looked forward to "a new era of cooperation" on the issue, another delegate described P&Ms as a "dead end."

Discussions on next steps in the consideration of the IPCC TAR, meanwhile, did result in substantive conclusions. Although developing countries were united on this issue, for a while developed countries were split on whether to address, at future SBSTA sessions, aspects of mitigation and of adaptation as one or two distinct agenda items. Developing countries were opposed to a single agenda item, which would link the consideration of adaptation and of mitigation, because they believe that mitigation is the sole responsibility of Annex I Parties. Parties agreed a delicate compromise to establish two new agenda items, but also to take note of "possible links" in future discussions. Annex I Parties, including Russia, were reportedly satisfied, even though it is not clearly specified that the possible links to be taken note of refer to those between mitigation and adaptation.

ON THE HORIZON

In the agreed conclusions at SB-18, Parties' expressed their support for the World Conference on Climate Change (WCCC), which will be held in Moscow in September, prior to COP-9. Some observers suggest that support was not, however, as universal as it appears in the text. Apparently, the EU may make its high-level participation in the WCCC somewhat conditional on the steps Russia takes towards ratification over the next few months. This direct indication of the importance the EU places on Russia's ratification will compliment some of the positive signals sent by discussions at SB-18 on IPCC TAR and Articles 5, 7 and 8, and may counteract some of the negative signals. In any event, while Russia's ratification will allow the Protocol to enter into force, it will by no means resolve outstanding issues relating to the Protocol's seaworthiness and the regime's course. It seems clear that the regime will soon be tested by the Protocol's implementation and the review of demonstrable progress, with a dialogue on developing country participation looming on the horizon.

THINGS TO LOOK FOR BEFORE COP-9

OPEN-ENDED WORKING GROUP OF THE PARTIES TO THE MONTREAL PROTOCOL: The 23rd meeting of the Open-Ended Working Group will be held from 7-11 July 2003, in Montreal, Canada. For more information, contact: Ozone Secretariat; tel: +254-20-62-3850; fax: +254-20-62-3601; e-mail: Marco.Gonzalez@unep.org; Internet: <http://www.unep.org/ozone/oewg/23oewg/23oewg.shtml>

WORKSHOP ON SYNERGIES AND COOPERATION WITH OTHER CONVENTIONS: This workshop will be held from 2-4 July 2003, in Espoo, Finland. It will address possible synergies and joint action with other multilateral environmental conventions and agreements. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; Internet: <http://www.unfccc.int>

INTERNATIONAL CONFERENCE ON EARTH SYSTEM MODELING: This conference will meet from 15-19 September 2003, in Hamburg, Germany, and will address global, regional and reduced-complexity modeling. For more information,

contact: Max Planck Institute for Meteorology; tel: +49-40-41173-311; fax: +49-40-41173-366; e-mail: mpi-conference2003@dkrz.de; Internet: <http://www.mpimet.mpg.de>

THE THIRD WORLD CONFERENCE ON CLIMATE CHANGE: This conference will be held from 29 September to 3 October 2003, in Moscow, Russian Federation. The conference will address key scientific issues and policy responses to the problem of climate change. For more information, contact: Organizing Committee; tel: +7-95-255-2143; fax: +7-95-255-1707; e-mail: wccc2003@mecom.ru; Internet: http://www.wccc2003.org/index_e.htm

21ST PLENARY SESSION OF THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC): The 21st IPCC Plenary session will be held on 3, 6, and 7 November 2003, in Vienna, Austria. Sessions of IPCC Working Group I, II, and III will meet from 4-5 November in Vienna. For more information, contact: IPCC Secretariat; tel: +41-22-730-8208; fax: +41-22-730-8025; e-mail: ipcc_sec@gateway.wmo.ch; Internet: <http://www.ipcc.ch>

15TH MEETING OF THE PARTIES TO THE MONTREAL PROTOCOL (MOP-15): MOP-15 will be held from 10-14 November 2003, in Nairobi, Kenya. For more information, contact: Ozone Secretariat; tel: +254-20-62-3850; fax: +254-20-62-3601; e-mail: Marco.Gonzalez@unep.org; Internet: <http://www.unep.org/ozone/meet2003.shtml>

COUNCIL MEETING OF THE GLOBAL ENVIRONMENT FACILITY: The GEF Council meeting will be convened from 19-21 November 2003, in Washington, DC, US. NGO consultations will precede the Council meeting. For more information, contact: GEF Secretariat; tel +1-202-473-0508; fax: +1-202-522-3240; email: secretariatgef@worldbank.org; Internet: <http://www.gefweb.org>

SECOND WORLD WIND ENERGY CONFERENCE - RENEWABLE ENERGY EXHIBITION 2003: This conference will convene from 23-26 November 2003, in Cape Town, South Africa. This conference will address technological issues associated with wind energy, in addition to its policy and regulatory aspects, funding, return on investment and environmental impact of wind energy. For more information, contact: the Registrar; tel: +27-21-914-2888; fax: +27-21-914-2890; e-mail: registrar@sbs.co.za; Internet: <http://www.sbs.co.za/wwec2003>

NINTH CONFERENCE OF THE PARTIES TO THE UNFCCC: COP-9 will be held from 1-12 December 2003, in Milan, Italy. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; email: secretariat@unfccc.int; Internet: <http://www.unfccc.int> and <http://www.minambiente.it/cop9>