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HIGHLIGHTS OF FCCC COP-2 TUESDAY, 16 JULY 1996

The seventh day of the Second Conference of the Parties (COP-2) to the Framework Convention on Climate Change (FCCC) commenced with meetings of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the *Ad Hoc* Group on the Berlin Mandate (AGBM). The Subsidiary Body for Implementation (SBI) and AGBM met in the afternoon.

AD HOC GROUP ON THE BERLIN MANDATE

The third meeting of the AGBM convened to consider Agenda Item 3 (strengthening commitments) on Articles 4.2(a) (national policies) and (b) (communications) of the FCCC. Kilaparti Ramakrishna (Woods Hole Research Center) reported on a Round Table concerning impacts on developing countries of new commitments by Annex I Parties.

The Chair summarized discussion under the agenda item. He regretted that very little was done to narrow down policies and measures issues. Outstanding issues on QELROs include emission levels, whether commitments should be binding, multiparty obligations, and base and target years. Some delegations believe the SAR provides the basis for ambitious QELROs. Several supported QELROs in the AOSIS protocol. Uncertainties remain about costs and impacts of GHG reductions. A number stressed flexibility and differentiation of commitments, possibly including different base years to take account of national circumstances. Some questioned the possibility of agreeing differentiated policies in time. The Chair will include a request for a follow-up meeting and the view that non-action is not an option in his report. SAUDI ARABIA requested that an assessment of impacts be annexed to a protocol. Reports from the three Round Table Chairs will be annexed to the Report of the AGBM Session.

Under Agenda Item 6 (taking stock, report to COP), the Chair said that one year remains to complete the work. Assessment and analysis has not been concluded and little has been done on the negotiations. The AGBM will meet three times before COP-3. A number of proposals are on the table and the Chair hopes further proposals will follow. He adopted an EU proposal inviting governments to send new suggestions or proposals until October 1996. SAUDI ARABIA said a mechanism must be found to keep non-Annex I Parties informed about discussion in Annex I Parties. The EU noted its concern that the process is not advancing as intended. A first draft protocol should be under negotiation at AGBM-6.

The AGBM Chair invited comments on his Draft Conclusions (FCCC/AGBM/1996/L.2). The EU and Saudi Arabia objected to a reference to an "equation" to express linkage between policies and measures and QELROs. In a paragraph on elaboration of policies and measures the US, supported by AUSTRALIA, objected to the inclusion of "a menu approach." FRANCE qualified a reference to harmonized policies and measures by prefacing the reference with "and/or". GERMANY replaced mandatory with "required" approach to policies and measures. AUSTRALIA incorporated sentences from the fourth paragraph, which notes the argument that no set of policies and measures may be appropriate for all Annex I Parties and concerns about competition.

On the paragraph concerning the adoption of policies and measures, SAUDI ARABIA called for language noting the need for further studies. The EU proposed that action be "coordinated" rather than "common or harmonized". KUWAIT said policies and measures should be assessed in terms of their "economic" costs and their impact on developing countries. GERMANY and the US recommended that "environmental" costs and benefits be considered and EGYPT said their role in enhancing carbon sinks should also be noted. The paragraph was adopted to reflect that several criteria were identified for assessing policies and measures including their: potential to limit GHG emissions and enhance carbon sinks; economic costs and benefits; long and short term impact on economic growth in developing countries; and political feasibility as well as the need for coordinated action.

In a paragraph dealing with outstanding issues on QELROs, KENYA, supported by the US, FRANCE and GERMANY, noted that it was left open whether the level of emission reductions should be politically or scientifically based. KUWAIT proposed that QELROs' impact on the economic and social structure of developing countries as well as their effect on atmospheric GHG concentrations be recognized. These proposals were adopted.

The paragraph relating to the SAR was adopted without amendment in recognition of SBSTA's administration of the issue. After CHINA, supported by SAUDI ARABIA, KUWAIT, VENEZUELA and COLOMBIA, objected to joint implementation and tradable emission permits in a paragraph on mechanisms to promote flexibility, the US inserted an additional reference to specify Annex I Parties. In a paragraph on approaches to differentiation of commitments, AUSTRALIA added a proposal based on "projected" emission trends. The NETHERLANDS added market-based differentiation mechanisms. In a paragraph concerning the impact of Annex I

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commitments on developing countries, SAUDI ARABIA, supported by KUWAIT, added references to burden sharing for all Parties and relevant studies. PERU specified negative impacts.

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

On the development and transfer of technology and the establishment of a roster of experts, the Chair stated that while both issues were to be resolved jointly between the subsidiary bodies, the SBI will manage their remaining progress, given the technical nature of the issues. The Chair proposed a revised draft decision on use of the SAR. The decision notes the Parties' differing opinions on the SAR and SBSTA's inability to achieve consensus on the issue. A final decision should be left to the COP.

NIGERIA requested that the different views be presented in a non-biased way. The MARSHALL ISLANDS expressed concern that presenting the two views equally would not accurately reflect what transpired in SBSTA, because a majority of Parties endorsed the SAR. Following distribution of the Chair's written text, several Parties said that it did not accurately reflect his stated proposal. The Chair then noted that the original bracketed text or the revised draft were the only options left at this stage. SAUDI ARABIA stated that several delegations have accepted proposals that they did not completely support in order to avoid using brackets. If brackets are included here, then other decisions may have to be reconsidered.

The Chair then proposed using the original text and noting that SBSTA "took note of" the two views on the SAR, rather than "decides". Several delegations, including KUWAIT, CANADA, the MARSHALL ISLANDS, and the EU objected. The US, supported by AUSTRALIA, proposed language urging the COP to take a decision on the issue at this session, and the EU objected.

The Chair reminded delegates that there were no more SBSTA meetings in this session and the only option is the original text. He noted the attempts to avoid brackets, but said it cannot be avoided at this point. SAUDI ARABIA, KUWAIT and OMAN voiced strong objections, but the Chair noted many delegations could not accept the revised version. He will provide a full explanation of the results with his summary. Many delegations recorded objections, including SAUDI ARABIA, KUWAIT, QATAR, NIGERIA, OMAN, UAE, KUWAIT, LEBANON, CHINA, SYRIA and JORDAN.

SBSTA also considered the draft decisions of the contact group on communications from non-Annex I Parties, which incorporates several additional responsibilities. BRAZIL said that the contact group decided that its work would not be prejudiced by the COP's decision on guidelines for initial communications on the abatement of emissions. Several delegations, including CHINA, KUWAIT, INDIA, COSTA RICA, the PHILIPPINES, CANADA, the US and JAPAN, endorsed the decisions and acknowledged the cooperative efforts of non-Annex I Parties. The EU recognized the added responsibilities for non-Annex I Parties. The PHILIPPINES also linked the expanded commitments of non-Annex I Parties to their potential role in obtaining funding.

SUBSIDIARY BODY FOR IMPLEMENTATION

SBI met to consider a number of draft decisions negotiated in closed contact groups. The draft decision on Agenda Item 3(b) (non-Annex I communications) addresses assistance to developing country Parties in preparing initial communications, and in its Annex lists guidelines for the preparation of these reports. The draft decision was adopted. The draft decision on Agenda Item 5 (technology transfer) addresses transfer of

environmentally-sound technology (EST) and calls for measures such as reports, workshops and a roster of experts to expedite this. The draft decision was adopted.

The session then adopted a draft decision on Agenda Item 6 (activities implemented jointly), which is also on the agenda of SBSTA and had been negotiated by that body. The WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT underscored the role of the private sector in AIJ for the transfer of ESTs. The draft decision on Agenda Item 4(a)(i) (guidance to the GEF) emphasizes provision of agreed full costs by the GEF for preparation of national communications by non-Annex I Parties. The draft decision was adopted. The PHILIPPINES emphasized the paragraph calling on non-Annex I Parties to follow guidelines and format adopted by COP-2. The US supported this and highlighted other guidelines for the GEF as well.

The draft decision on Agenda Item 4(a)(ii) (Annex to the MOU between COP and GEF) had not been agreed to prior to the meeting. The Chair referred the matter to the Bureau. INDIA highlighted a paper by the G-77/CHINA which sets out concerns on the Annex. SBI also adopted draft decisions on Agenda Item 4(b) (Secretariat activities relating to technical and financial support to Parties) and Item 7(a) (establishment of the permanent secretariat).

Delegates also considered a recommendation on the volume of documentation. On Agenda Item 3(a) (Annex I national communications), the Chair of the contact group presented the draft conclusions of SBI-3 and a draft decision to be submitted by the Chair. KUWAIT, OMAN and SAUDI ARABIA requested more time for consideration. The Chair reminded delegates that there had been many consultations on this item and the conclusions and decision were adopted. SBI also accepted the draft decision on its programme of work. On Agenda Item 5 (a) (implementation of Article 4), delegates recommended that COP refer review until COP-3. Delegates also accepted the draft report of SBI-3 (FCCC/SBI/1996/L.3).

IN THE CORRIDORS I

Some delegations are reported to have expressed interest in supporting a new NGO initiative that will highlight the concerns of both vulnerable and low island states. The group will combine demands for "contraction" (60% reduction of global fossil fuel use within a given time-frame) and "convergence" (an equity principle based on convergence of above-par and below-par per capita consumption of fossil-carbon).

IN THE CORRIDORS II

A contact group of the SBI failed to agree on a draft decision, SBI Agenda Item 4(a)(ii), defining the Annex to the Memorandum of Understanding between the COP and the GEF Council. The Annex is intended to specify funding necessary to implement the FCCC. According to observers, a compromise measure requesting the COP to work out funding requirements in consultation with the GEF was rejected. The matter will be taken up by the Bureau.

THINGS TO LOOK FOR TODAY

PLENARY: The Ministerial Segment will convene at 10:00 a.m. in the Assembly Hall.

MINISTERIAL ROUND TABLE: The Round Table will commence at 3:00 p.m. in room XVII. The session will be open only to high level heads of delegations.