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HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 4 JUNE 1998

Delegates to the Subsidiary Body for Scientific and Technical Advice (SBSTA) deliberated on methodological issues, the roster of experts and technology transfer. The Subsidiary Body for Implementation (SBI) discussed national communications from non-Annex I Parties, the financial mechanism, adverse effects of climate change and impacts from responses, FCCC finance and administration and NGO participation.

SUBSIDIARY BODY FOR IMPLEMENTATION

On financial and technical support and GEF action on non-Annex I communications, the Secretariat stated that eight initial communications have been received, 23 are expected in 1998 and 30 in 1999. The deadline was March 1998. The EU and others called for a COP-4 decision on in-country expert reviews. The G-77/CHINA highlighted financial and technical constraints and capacity building for adaptation. SRI LANKA stressed all-region adaptation training. THAILAND noted difficulties with the adaptation assessment model. GEORGIA and AZERBAIJAN stressed continuing GEF support. Assistance was requested for: finance and know-how (MOROCCO); technical needs (BURKINA FASO); longer-term implementation (the CENTRAL AFRICAN REPUBLIC, ARGENTINA); vulnerability (ARGENTINA); emission mitigation in other sectors and formulation of implementation programs (URUGUAY, ARGENTINA); and second national communications (SENEGAL, MEXICO).

The G-77/CHINA reminded UNEP and UNDP that they are implementing agencies of the operating entity of the financial mechanism. NIGERIA suggested GEF sub-regional offices for project monitoring. BURKINA FASO, THAILAND, and AZERBAIJAN called for translations of guidelines. SENEGAL, with ARGENTINA, noted constraints on translation and dissemination of communications. The EU and AUSTRALIA stressed accelerating submission of initial communications, assisted by GEF. UZBEKISTAN stressed information exchange for Central Asia. BENIN requested facilitation of conference attendance from Africa.

On the financial mechanism, the Chair noted review of the FCCC's financial mechanism must be completed with a COP-4 decision. On guidance to the GEF, the Chair noted new needs since 1996 guidance was provided. The G77/CHINA called for: GEF adherence to COP guidance; no funding of activities inconsistent with FCCC principles; and, with EGYPT, attention to adaptation measures. EGYPT called for long-term sustainability. CHINA called for: a more streamlined project approval process; transparency in incre-

mental cost calculation, and, with IRAN, no conditionalities attached to the activities of multilateral funding institutions, which was opposed by CANADA.

The EU distinguished GEF review from future guidance; and, with SWITZERLAND, CANADA and VENEZUELA, proposed making it the permanent FCCC financing mechanism, subject to future reviews. SWITZERLAND stressed adequacy and predictability in the flow of funds. With AUSTRALIA, he noted a draft decision. SAUDI ARABIA cautioned against a premature conclusion. CANADA supported CDM support for adaptation activities. JAPAN said it contributes 20% of GEF funding and called for extensive evaluation. IRAN criticized a GEF overemphasis on energies. The Chair asked Dan Reifsnnyder (US) and John Ashe (Antigua and Barbuda) to chair a contact group to prepare a draft decision.

On implementation of Article 4.8 and 4.9 (adverse effects and impacts of responses), the Chair explained that consideration of Decision 3/CP.3 and the related Protocol Articles 2.3 and 3.14 had been added to the agenda item, as per a COP-3 request. The Secretariat introduced documentation (FCCC/SBI/1998/CRP.1), offering an analytical framework to facilitate a response that is compatible with the Protocol. BURKINA FASO called for an *ad hoc* committee, supported by the Secretariat, to assess Annex I Party efforts and report to the COP.

The G-77/CHINA, supported by the MARSHALL ISLANDS, suggested a role for SBSTA and the possible need for an expert meeting before COP-4. The MARSHALL ISLANDS also called for regional workshops on adaptation. SAUDI ARABIA proposed, *inter alia*, that: the Secretariat's analytical framework combine consideration of adverse effects and impacts; SBI form a permanent committee on implementation of Articles 4.8 and 4.9; COP-4 request information from Annex I Parties on policies and measures, fossil fuel imports during the first commitment period and estimated effects on other imports from developing countries; and processes not discriminate against any country clusters identified in Articles 4.8 and 4.9.

AOSIS stressed the urgency of the question of insurance and, with the MARSHALL ISLANDS, viewed the additions to the agenda item as technical rather than substantive. The EU favored CDM support for adaptation, but stressed a focus on mitigation. He noted that action on Article 4.8 must await more certainty on effects on fossil fuel use, calling for further input and discussion. VENEZUELA opposed limiting action to studies and called for a COP-4 decision. The US asked for more time for comment. SAUDI ARABIA opposed delaying formation of a contact group on this.

The Chair introduced discussion on involvement of NGOs and called for consensus at SBI-8. The US, opposed by the EU, called for including labor, agriculture, and quasi-governmental entities. SWITZERLAND extended this to all Agenda 21 major groups. The US,

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SWITZERLAND and CANADA opposed current exclusion of NGOs from the contact group on flexibility mechanisms. General support was expressed for Chair discretion on NGO access to informal meetings. The CLIMATE ACTION NETWORK asked for a proposal for additional participation and transparency in registration. An industry representative called for greater access to informal meetings with the Chair.

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ADVICE

On methodological issues, the US and EU stressed keeping the guidelines under review and incorporating additional methodological issues raised by the Kyoto Protocol. Supported by POLAND, HUNGARY underscored the need to enhance understanding of the three new gases under the Kyoto Protocol. POLAND said that there is a need to conduct further work on emission factors since these differ for different sectors, between and within countries. He called for guidelines for the preparation of default projections. The Chair proposed a workshop on national communications and another with the aim of addressing the problems identified by SBSTA.

Some countries, including JAPAN and the US, noted the urgent need for a decision on which anthropogenic activities should be included because it influences the ability of some countries to ratify and implement the Protocol. The EU reaffirmed that inclusion of sink activities should not undermine incentives for action on gross emission mitigation. AUSTRALIA and the US suggested prioritization of issues. MAURITANIA, with ICELAND, cautioned against concentrating solely on forests and conservation. AOSIS expressed concern over "blanket" inclusion in sinks of all land use and forestry activities as this would introduce uncertainties and distract the Protocol from focusing on fossil fuel dependence. COLOMBIA stressed that technical aspects of Article 3.3, such as establishing what is meant by net change in stock, must be resolved. Addressing Article 3.4 depends on the will of some Parties. NORWAY and CANADA sought to establish a process to enable COP-5 to consider sinks.

Several delegations said SBSTA should call on IPCC to address outstanding technical questions in a special report. The EU called for work on methodologies for quantifying changes in soil carbon as a result of forest activities since 1990, and on whether the current revised 1996 IPCC guidelines allow for transparent reporting and verification. With AOSIS, JAPAN, the US and AUSTRALIA, he sought clarification of the IPCC terms and definitions of afforestation, reforestation and deforestation. ICELAND said improvements to degraded land should be included in the list of human-induced activities. With the US, he said IPCC should evaluate the consequences of limiting activities that can be included. The US also highlighted, *inter alia*: effects of cropland and rangelands; improvements in forest management; and inventory and data reporting.

SOUTH AFRICA, supported by BURKINA FASO, said SBSTA should task the IPCC to examine, *inter alia*, methods for distinguishing natural and anthropogenic sinks, the role of carbon stocks and wood products, definitions of eligible land uses and the role of sinks in biodiversity protection.

CANADA said the capacity of agricultural soils presents a global opportunity for promoting sustainable farming and said soil sink projects should be included under the CDM. The US cautioned against delays in the CDM process and said sink-related activity must move forward in the project-based process. Some delegations, including CANADA, JAPAN and the US supported continuing discussions informally. The EU, NORWAY, DENMARK, COLOMBIA and ENVIRONMENTAL NGOs stressed links to other conventions, including those on biodiversity and desertification. Paul Maclons (South Africa) and Maciej Sadowski (Poland) will chair a contact group on the request to IPCC.

ICELAND, supported by AUSTRALIA, expressed concern over the difficulties posed to small countries arising from the setting of quantified limits on single project emissions and called for the adoption of a threshold value for significant proportional impact

and separate reporting of process emissions. AOSIS expressed concern that a poor message will be sent if exemptions are listed when the Protocol is adopted. The US said additional accommodations must be cautiously approached. The EU recalled that differences are already addressed by differences in quantified emission reductions and was reluctant to give exceptions for single projects. SWITZERLAND said a separate methodological process would threaten credibility. The Chair asked Iceland to provide more information to the Parties.

On technology transfer, the G77/CHINA explained that the poor responses to the surveys to establish needs can be attributed to the absence of specific frameworks for the implementation of the Convention. AUSTRALIA called for the identification of synergies in technology transfer work under other Conventions. Together with the US, he noted that national communications of non-Annex I countries would be helpful in identifying technology needs and underscored the role of the private sector in furthering this sector. The EU expressed hope that the flexibility mechanisms proposed under the Kyoto Protocol would facilitate the transfer of technology.

CANADA said expertise in responding to questions already exists in the private sector and research centers. URUGUAY noted the need to transfer concrete emission reduction projects, not just surveys and reports. He recommended a financial mechanism for technology transfer. CHINA said the issue of technology transfer had been marginalized and noted that it is different from information centers. COP-4 should address this as a separate agenda item. CHILE saw much potential for technology transfers through the CDM.

On the issue of technology information centres, delegates called for: the identification and assessment of means to improve the flow of information and technology; the establishment of regional centres, greater engagement of the private sector; consideration of needs and participation of beneficiaries; and the need to develop, strengthen and use existing institutions.

On technology work programmes, comments addressed: improved government coordination; identification of barriers to transfer; incentives for transfers by the private sector; and a September deadline for submissions on the work programme. A contact group will consider technology transfer.

SPECIAL EVENT

In a special event, the World Bank stressed that the Prototype Carbon Fund (PCF) is not a scheme for the facilitation of emissions trading rights, but aims to demonstrate a means for carrying out project-based emissions trades in an efficient and equitable manner. The World Bank is not aiming to monopolize the future trading market, nor seeking a privileged position under the FCCC. It will not bring the PCF to the Bank's Executive Board for approval until after COP-4.

IN THE CORRIDORS

Observers have noted that European Union Parties are again locked in internal and prolonged debates over burden sharing, as the implications of the Kyoto Protocol are gradually absorbed by a number of member states. The debates are now focused on policies and measures. Some have observed that a significant gap exists between the European Union's top-level experts feeding into the Union's negotiating position at the FCCC and the capacity of home ministries' "delivery agents" to deliver the promised results, with all the consequences that could entail for the post-Kyoto process.

THINGS TO LOOK FOR

SBI: SBI will meet at 10:00 am in the Maritim Room

AG13: AG13 will meet at 10:00 am and 3:00 pm in the Beethoven Room.

SBSTA: SBSTA will meet at 3:00 pm in the Maritim Room.