



HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES WEDNESDAY, 9 JUNE 1999

The Subsidiary Body for Scientific and Technological Advice (SBSTA) considered draft conclusions on the review process relating to greenhouse gas inventories and other matters related to methodological issues. Contact groups were convened on: the Protocol mechanisms; non-Annex I communications; Annex I communications; budget; and land use, land-use change and forestry (LULUCF).

SBSTA

Delegates adopted the draft conclusions on the review process relating to greenhouse gas inventories (FCCC/SBSTA/1999/L.4). In the draft conclusions, SBSTA endorsed elements of the FCCC technical review process including the annual initial checks, annual synthesis and assessment and individual reviews. Chair Chow said the conclusions will be forwarded for consideration by SBI, with a view to adopting a decision at COP-5. On other matters relating to methodological issues (FCCC/SBSTA/1999/L.6), an amendment by FIJI to include reference to regional consultations was accepted. The US called for consistency in language used to state that the Secretariat would undertake work requested in light of the budget. Chair Chow proposed deleting the paragraph and said this would be addressed in the chapeau of the overall report on conclusions. Delegates adopted the conclusions as amended.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

Joint Contact Group on Mechanisms: Delegates continued consideration of the synthesis of proposals on the clean development mechanism (CDM). On further work on CDM, the G-77/CHINA stressed addressing principles and basic elements that are currently not featured in the synthesis report. The US identified convergence on, *inter alia*, the need for work on baselines and share of proceeds, and the EU highlighted monitoring, verification, certification and validation.

The G-77/CHINA underscored the significance of capacity building. Supported by PERU, he said capacity building should be incorporated into all CDM projects to enhance endogenous expertise to identify technology needs and capacities for assimilation of technology. He urged attention to the special needs of LDCs. The PHILIPPINES stressed that capacity-building initiatives should be country-driven and within the intergovernmental process. CHINA said capacity building should be "of, for and in" the developing country. The AFRICA GROUP underscored the importance of an integrated approach to capacity building and called for guidance

from the subsidiary bodies to UN agencies working on such activities. The EU suggested coordinating the various capacity-building initiatives so as to optimize resource use.

PERU highlighted the usefulness of regional discussions on CDM. SENEGAL suggested involving the financial sector, sensitizing the public and decision-makers and training developing country officials. SWITZERLAND noted the bottom-up approach suggested by the G-77/China and advocated tailor-made approaches for each country. VENEZUELA stressed the need to establish clear rules for transparency regarding the project's contribution to sustainability and the costs, risks and liabilities in the developing country.

Chair Chow invited delegates to identify areas of convergence and divergence in views submitted on Protocol Article 6 (joint implementation) activities to assist in redrafting the synthesis of proposals. On the structure, purpose and principles, the G-77/CHINA noted its submission on elements that should be addressed to enable the COP/MOP to elaborate guidelines. CHINA suggested focusing on cluster issues, including: principles, purpose, nature and scope; methodological issues; and institutional issues. The EU suggested including appendices on technical issues such as baselines and monitoring. SWITZERLAND inquired about a date for early crediting noting the lack of clarity in the case of joint implementation (JI). The EU said there is no provision for it in the Protocol. JAPAN noted areas of convergence in the proposals submitted on environmental and cost effectiveness, equity and transparency. The US emphasized that JI differs from CDM, as it does not share the goal of promoting sustainable development.

On Parties participating in JI, the EU said they should have ratified the Protocol and be bound by a compliance regime. On the involvement of legal entities, she noted the impact they may have on a Party's responsibilities under Protocol Article 3 (QELROs). JAPAN stated that the term "operational entities" was unique to CDM and could not be used when discussing JI. The EU preferred referring to "independent entities."

Regarding project eligibility, the EU identified convergence on a two-step approach in JI; validation before implementation and certification of emissions reductions, and in elements relating to assessment of additionality. She noted, however, diverging views on the methodology for determining baselines. JAPAN preferred addressing initiation of JI projects along with project eligibility and said many countries did not concur with the two-step approach. The US underlined the need to ensure environmental additionality of JI projects.



Concerning project monitoring, the EU said participants should provide information on their provisions for systematic, accurate and periodic monitoring and submit the necessary monitoring data to show that the project has resulted in quantifiable and long-term reductions.

On the definition of emission reduction units (ERUs), the US noted convergence on how to denominate, serialize and track ERUs, and reiterated the need to recognize that procedures used elsewhere may not be appropriate for constructing JI. The US also said the registry was an important element for ensuring accurate reporting and tracking, as well as to ensure compliance.

On the relationship to the AIJ pilot phase, the US, supported by the EU, said that AIJ activities might be eligible for JI if they fulfill the rules and requirements set for such projects. Regarding supplementarity, the EU proposed a concrete ceiling on the use of all three mechanisms.

Delegates discussed the synthesis of proposals on Protocol Article 17 (emissions trading) activities. The G-77/CHINA reiterated the need address principles and basic elements before dealing with methodological and operational issues. He said environmental integrity must be inherent in the system, which should not freeze or perpetuate existing inequities between Annex B and developing countries. He stressed that the Protocol had not created any right, title or entitlement and said emissions trading should be restricted to excess limitations and reductions additional to a country's commitment. The PHILIPPINES distinguished emissions trading from other mechanisms and stressed that it did not imply a right to pollute but an obligation to reduce greenhouse gases. The EU identified divergence on interchangeability between CERs and ERUs, and, with JAPAN, noted convergence on cost effectiveness, environmental benefits, equity and transparency. With the G-77/CHINA and the US, the EU said the Protocol did not create property rights, and stated that emissions trading was a way of fulfilling obligations under the Protocol. AOSIS, with the African Group, highlighted the need for adaptation surcharges to be assessed against all the Protocol mechanisms. The RUSSIAN FEDERATION reminded delegates that the Convention aimed at stabilizing rather than eliminating greenhouse gases in the atmosphere.

On the definition of units, CANADA noted divergence on the concept of fungibility among the Protocol mechanisms. Regarding the sections on competitiveness, market size and structure, relationship to domestic policies, and liability for sales of non-surplus units, the G-77/CHINA said such headings are not neutral and recommended changing them. CANADA said reference to "competitiveness" should be changed to "access to emissions trading." On market size and structure, the RUSSIAN FEDERATION suggested either defining or deleting the term "hot air" in the text. Regarding levies, the EU noted some divergence regarding liability for sales of non-surplus units. On capacity building, the US said paragraphs relating to project specific activities are not applicable to emissions trading and should be removed.

Chair Chow said he would redraft the documents based on Parties' comments, and asked for new submissions to be provided by 1 July 1999. The G-77/China urged a later deadline for submissions. The EU asked for additional time to complete its technical work in producing draft appendices. Chair Chow said he would extend the deadline for the technical submission to 1 August, and would consult with Parties on the suggested 1 July deadline.

Non-Annex I communications contact group: The contact group met to discuss proposed draft decisions submitted by the EU and the G-77/CHINA and to decide on ways to proceed in preparation for COP-5. Chair Reifsnyder (US) proposed identifying common elements between the two proposals. Many delegations

highlighted the differences, including: whether the initial guidelines should be revised for second national communications; whether there should be a technical assessment to "consider" communications; or if a non-Annex I group of experts should provide assistance. Other delegations noted common elements between the proposals on information gaps, GEF enabling activities, and the need to identify problems faced by non-Annex I countries in preparing communications. The group opted for a text "comparing" the two proposals, rather than attempting to combine them. Further consultations are expected.

Annex I communications: The Annex I communications contact group met to discuss the non-inventory part of the draft guidelines. The group considered a number of paragraphs, and accepted proposals to, *inter alia*: title the document "The National Report;" delete the paragraph containing definitions of "shall," "encouraged" and "may;" reorder and rationalize paragraphs relating to the structure of communications; and consider developing further the section on mitigation plans as it relates to reporting of policies and measures by sectors. Deliberations are scheduled to continue.

LULUCF: The LULUCF contact group met in the afternoon to consider draft conclusions negotiated in previous sessions and an informal meeting held the previous day. The group cleared the final remaining bracketed text after accepting an EU proposal, amended by the US and the G-77/China, to note that an invitation to Parties to provide the Secretariat with guidance on the scope of a proposed workshop "may include data, information and a decision-making framework." The group concluded its work, adopting the draft conclusions as amended.

Budget: The contact group met in the afternoon to consider proposed SBI conclusions and a proposed draft decision to COP-5 on the programme budget for the biennium 2000-2001. The group also considered a chart comparing the previous, current and forthcoming budgets proposing an 18.4% increase in the 2000-2001 budget, as compared to the 1998-1999 biennium. Allowing for a specific amount of expenditure from carry-overs to cover part of the budget increase would result in a 10.7% rise in indicative contributions. The group discussed bracketed text in the draft recommendations and in the draft decision on the "contingency budget" related to the consideration of non-Annex I communications and on authorizing the Executive Secretary, pending approval by the COP, to draw on carry-overs to cover part of the budget increase. The group is to hold further consultations.

IN THE CORRIDORS

One senior delegate observed that although voluntary commitments may not be on the agenda at the subsidiary bodies, they remain a "hot issue" just as in Buenos Aires. They have been compared to the uninvited guest who refuses to leave the party, notably at the negotiations on the biennium budget and during the discussions on non Annex-I communications. Some developing country participants have linked proposals for assessments of non-Annex I communications to attempts to prepare the ground data for new developing country commitments.

THINGS TO LOOK FOR

Joint Working Group on compliance: The group is expected to meet at 3:00 pm in the Beethoven Room.

For all other meetings, consult the meeting board.