



HIGHLIGHTS FROM FCCC SB-12 INFORMAL MEETINGS TUESDAY, 6 JUNE 2000

Delegates to the informal meetings preceding SB-12 met to discuss: policies and measures; guidelines on Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); cross-cutting issues; land use, land-use change and forestry; and the mechanisms.

INFORMAL MEETINGS AND WORKSHOPS

POLICIES AND MEASURES: Chair Dovland summarized the outcome of the FCCC workshop on policies and measures (P&Ms) held during April in Copenhagen, and asked delegates for suggestions on future work. While most delegates underlined the continuing value of information exchange, there was concern at the heavy workload prior to COP-6. The EU proposed that additional workshops be held to address the technical aspects of P&Ms and emphasized the need to improve quantification of assessment of P&Ms at a sectoral level. NIGERIA suggested organizing workshops to examine the effect of P&Ms on developing countries, and proposed that P&Ms be addressed as a cross-cutting issue with FCCC Article 4.8 and 4.9 (adverse effects). Delegates proposed that work be undertaken through Friends of the Chair rather than a contact group.

JAPAN and the US doubted the value of using one set of indicators to evaluate national policies. CANADA, with AUSTRALIA, called for indicators that take into account specific national circumstances. He preferred the concept of "good practices" to "best practices" and, with the US, highlighted the importance of completing national inventories. The NETHERLANDS and FRANCE said reliance on inventories alone was insufficient to evaluate the effectiveness of P&Ms.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8:

Delegates in the subgroup on Article 5.1 (national systems) continued discussing the second Draft Guidelines for National Systems under Article 5.1 of the Kyoto Protocol and approved minor changes on Other Definitions, General Functions and Specific Functions. The US suggested using the same definitions as those in the new IPCC report on Good Practice Guidance. He said the guidelines should be strictly limited to Article 5.1, and cautioned against referring to reporting under Article 7 (communication of information), which will be addressed separately. He added that Specific Functions should be divided into inventory planning, preparation and management. The EU highlighted the need to include the establishment of quality objectives in conjunction with Quality Control and Quality Assurance, and for the consideration of recalculation in inventory planning. With

BULGARIA, she suggested distinguishing between Quality Control and Quality Assurance, recognizing the stronger obligation to implement the former.

The subgroup on Articles 5.2 (adjustments) and 8 (review of information) continued its consideration of Part I of the Elements of Draft Guidelines under Article 8 of the Kyoto Protocol. On Objectives, SAUDI ARABIA sought the inclusion of specific text relating to Article 3.2 (demonstrable progress) and 3.14. (adverse effects). On General Approach, delegates discussed the need to clarify the relationship between the reports of Expert Review Teams (ERTs) and the role of the COP/MOP and/or a compliance institution that may be established. On Coverage, AUSTRALIA said the Guidelines could be structured based on the timing of information submitted, the Article under which the information was submitted, or the type of issues reviewed.

On Timing and Procedures, the EU said the trial inventory review period under the FCCC would provide useful guidance for the proposed one-year time frame. Delegates also discussed, *inter alia*: the need to clarify the actions and information covered by the Secretariat's initial check; the circumstances under which an in-country visit would take place; whether recalculations of the base year emission inventory could occur; and whether the Guidelines would be self-contained. SWITZERLAND and the EU said the reports of ERTs should also include questions identified and how they had been handled. On Guidance for the ERTs, delegates converged on the need for the Protocol's inventory review guidelines to contain additional functions to the FCCC guidelines, and for a single inventory review process under the FCCC and the Protocol. On Classification of Inventory Problems, the EU distributed a non-paper to help form the rationale for problem categorization. On the Composition of the ERTs, delegates underlined the need to discuss their standing or *ad hoc* nature.

MECHANISMS: Emissions Trading: Chair Chow highlighted key features of emissions trading contained in the draft text for negotiation. On participation, one option listed was to require the Party's prior compliance with its obligations, such as compliance with Articles 5 and 7 and maintenance of national registries, while another option was to suspend participation if the Party was not complying with these obligations. On modalities of operations, proposals included conducting transactions through bilateral and multilateral arrangements among Annex I Parties, through an exchange, or through both bilateral and multilateral arrangements and exchanges. On liability, options presented included seller liability, shared liability, buyer liability, trigger, compliance reserve and post-verification proposals. SWITZERLAND, opposed by CANADA, proposed an annual post-verification trading system, wherein emissions trading would be limited to Assigned Amount Units (AAU's) surplus to the Party's allocation plan. With NEW ZEALAND and the US, CANADA supported a seller regime complemented by an effective compliance system.



The US highlighted the need to maintain similar approaches on Articles 4 (joint fulfillment of commitments) and 17 (emissions trading), as both permit Parties to fulfill obligations collectively, and pointed out that Article 4 refers to transferor liability.

TUVALU, on behalf of AOSIS, highlighted the need for environmental integrity of emissions trading systems and sought elaboration on the idea of a compliance reserve. COLOMBIA stressed the need for a suitable system for the measurement of emissions from point and mobile sources. INDIA stressed the need to first determine the character, nature and volume of the transferable. He said that the CDM could be marginalized by emissions trading because of its sustainable development requirements.

Joint Implementation: Chair Chow sought delegates' views on subjecting JI projects to CDM-type requirements. Noting the different objectives of CDM and JI, JAPAN and POLAND argued against additional requirements on JI. NEW ZEALAND, with the US, argued that a JI project should be subject to CDM-type scrutiny only where a Party does not comply with Articles 5 and 7, and where these both impact on the project. The EU supported a CDM-type project cycle to ensure environmental credibility at the project level. NIGERIA expressed concern that different transaction costs would reduce CDM take-up and, with INDIA and CHINA, proposed similar requirements for JI. SOUTH AFRICA argued that JI's limitation to Annex I Parties does not justify less onerous requirements. The US argued against imposing CDM-type requirements just to ensure parity with JI.

Industry and environmental NGOs' positions: In an evening session on business and NGO perspectives on the mechanisms, representatives from the business community, including the International Chamber of Commerce and the International Climate Change Partnership, recommended, *inter alia*, that COP-6: agree to clear definitions on fungibility and tradeability; eschew quantitative restrictions in the mechanisms; provide clarity on the proposed institutional controls for CDM; create a strong and fair compliance system; and approve mechanisms for fast-track CDM crediting. Most representatives expressed preference for seller liability.

The Climate Action Network (CAN), representing the NGOs, said Annex-I participation in the mechanisms should hinge on their ability to monitor and report emissions to a given standard and track changes to AAUs. On liability, CAN supported a hybrid buyer-seller liability ensuring environmental effectiveness and capturing the market's power to enhance compliance. On CDM, CAN said it must: encourage the development of markets for clean energy technologies in the South; support local, regional and national development priorities; have minimum overall environmental impacts; and not undermine Annex I domestic action. CAN also suggested measures to enhance public participation in the CDM Project Cycle.

CROSS-CUTTING ISSUES: Chair Dovland said this meeting was aimed at facilitating coherence and eliminating duplication of work among the various issues under negotiation. He noted linkages between the work on mechanisms, compliance and Articles 5, 7 and 8, and suggested grouping these cross-cutting issues in seven areas: supplementary information relating to the mechanisms; the review of mechanisms-related activities; the relationship between the adjustment and compliance procedures; the relationship between the classification of problems and the screening procedure; implementation issues; and criteria for mechanisms participation. He then listed 14 specific questions related to these cross-cutting issues and identified which of the three contact groups should take the lead role in responding to each of these questions. He noted that further questions could be added to this list, and that there were linkages between other issues under negotiation, such as the potential linkages between work on P&Ms and FCCC Article 4.8 and 4.9 and Protocol Article 3.14.

On additional cross-cutting issues, SAUDI ARABIA asked about, *inter alia*: the relationship between the financial penalty under the compliance regime and Protocol Articles 2.3 and 3.14;

the relationship between the compliance mechanism and Articles 5 and 7; and whether an Annex I Party might lose its eligibility to participate in the mechanisms if in non-compliance with other Articles. GHANA stressed that provisions under Article 12 (CDM) should not be seen to replace those under FCCC Article 4.5 (technology transfer), 4.8 and 4.9. The US raised questions about the relationship between Article 4 (joint fulfillment of commitments) and Articles 5, 7 and 8, the mechanisms and the compliance regime. The EU asked about the implications of different options relating to liability for reporting and review under the compliance system. He said consideration of the linkage between Articles 7 and 8 on the one hand, and Articles 6 and 12 on the other, should be extended to Article 17.

LAND USE, LAND-USE CHANGE AND FORESTRY:

Delegates were updated on the progress of the contact group charged with compiling the proposals for a data-reporting format. On guiding principles and criteria for the identification of additional activities under Article 3.4 (changes in carbon stocks), Co-Chair Philip Gwage (Uganda) underscored the need for consistency with the FCCC objective, and said sequestration is not comparable with emissions reductions. The EU said criteria should be verifiable and take into account the objective of sustainable development. She said carbon stock change should be attributable to human-induced activities. AUSTRALIA said attention should be paid to the use of the criteria before considering the nature and scope of guiding principles.

The US proposed starting with the issues identified in FCCC Article 3.4. He stressed the need for comprehensiveness to ensure that the maximum incentive is given to Parties to reduce emissions and enhance sequestration, and said measures undertaken should be cost effective. CANADA underscored the importance of emphasizing the national context of sustainable development, while TUVALU stressed a broader approach.

Co-Chair Thorgeirsson said a list of guiding principles and criteria could provide a context for country submissions. He suggested separating guiding principles and criteria. AUSTRALIA cautioned against differentiating between guiding principles and criteria, recalling similar earlier discussions that had not resulted in agreement. Supported by the US, she said the guiding principles for additional activities under Article 3.4 already exist in the FCCC and Protocol, and questioned the need for a list. The co-chairs will compile the discussions for consideration at the next informal meeting.

IN THE CORRIDORS

Some participants felt the session on cross-cutting issues represented a barometer for the meeting so far, which seems to have started constructively. A number of participants suggested that Wednesday's briefing on the IPCC's Special Report on LULUCF could result in the most lively session of the meeting to date.

THINGS TO LOOK FOR TODAY

TECHNOLOGY TRANSFER: This meeting will be held from 10:00 am in the Haydn Room.

LULUCF: A meeting is expected to convene at 11:00 am in the Haber Room.

COMPLIANCE: The informal meeting on compliance will take place at 3:00 pm in the Schumann Room.

IPCC BRIEFING ON LULUCF: The briefing on the new IPCC Special Report on LULUCF will take place at 3:00 pm in Plenary II.

ARTICLES 5, 7 & 8: This meeting is scheduled to take place from 7:00 pm.

CAPACITY BUILDING: This meeting is scheduled to take place from 7:00 pm.

Meetings details are subject to change. Consult the announcement board for details.