



UNFCCC COP-6 PART II HIGHLIGHTS THURSDAY, 26 JULY 2001

Delegates to the resumed COP-6 met throughout the day to continue working on texts for draft decisions and conclusions to be considered by the COP. Participants convened in negotiating groups on finance, compliance, mechanisms, and land use, land-use change and forestry (LULUCF), as well as in several sub-groups and a number of informal consultations.

NEGOTIATING GROUPS

MECHANISMS: This group met in the morning to consider the Co-Chairs' non-paper, which is a consolidation of the political decision, The Hague text, the Pronk text, and text agreed in the technical working groups. Co-Chair Chow noted that two technical working groups were meeting on: mechanisms eligibility and verification procedures of joint implementation (JI) track two projects, and the Article 6 (JI) project cycle; and the CDM. Participants discussed the interface with the LULUCF negotiating group, noting that this group would be responsible for substantive issues on LULUCF activities in the mechanisms. A group of Annex I Parties stressed the need to focus also on Article 17 (emissions trading). The morning meeting was adjourned, with work continuing in the technical working groups.

The negotiating group reconvened in the evening and received feedback from the technical working groups. Chair Miguez of the CDM group noted the state of progress on new methodologies, monitoring, registries, and the approval of host parties, on which disagreement remained. Chair Ward of the second technical working group noted that delegates had not fully addressed the composition of the supervisory committee or the JI appendices. He said issues relating to eligibility and the treatment of LULUCF, and issues linked to Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information), would need to be addressed at COP-7. A group of Annex I Parties requested that their text on the JI appendices be included in the report. Co-Chair Estrada said this text should be submitted separately.

Co-Chair Estrada noted that the draft decisions on mechanisms have been reformulated to reflect the political decision. A grouping of Annex I Parties said an error had been made in the decision on eligibility, which now included reference to the "legal" agreement on compliance. A number of other Annex I Parties urged consistency to reflect the political decision's section on compliance.

Co-Chair Estrada said the Co-Chairs' non-paper would be revised to reflect the progress of the group, and would be presented to the Plenary Friday. This would not replace The Hague or the Pronk texts.

FINANCE: The negotiating group on finance met in several sessions throughout Thursday to address outstanding text for draft decisions on UNFCCC Article 4.8 and 4.9 and Protocol Article 3.14 (adverse effects), technology transfer and funding.

Adverse Effects: In the morning, Co-Chair Tsering introduced the informal paper on Article 4.8 and 4.9. Parties discussed at length the phrasing of a chapeau on financial support to activities addressing adverse effects, and finally agreed to text providing that activities can be funded by the special climate change fund "and/or" the adaptation fund, as well as other bilateral and multilateral sources.

Delegates also discussed text on establishing a disaster fund for climate-induced disaster relief for vulnerable developing countries. Several Annex I Parties expressed concern about extending funding to disaster relief, particularly its impact on funding for other purposes. Reference to this issue was deleted.

On Article 3.14, delegates discussed a paragraph on the progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors. One participant said this wording was taken from Protocol Article 2.1(a)(v) and should therefore include the complete text from that Article. Others cautioned that this would unsettle the "political package" and said the Ministers had purposely omitted the remainder of the Article. A small drafting group was convened to address the remaining bracketed text not directly affected by the political decision. The negotiating group met again in the evening and approved the draft decisions for consideration by the COP Friday.

Funding: Parties met in an informal group Thursday afternoon and evening to draft decisions on funding under the GEF and under the special climate change fund, the adaptation fund, and other bilateral and multilateral sources. The draft decisions were agreed in the evening.

Technology Transfer: The informal group concluded its work, clearing all remaining brackets.

COMPLIANCE: During a morning meeting, Co-Chair Slade suggested that delegates proceed through the Co-Chairs' non-paper on procedures and mechanisms on compliance under the Protocol. On the draft COP decision, delegates discussed legal and political issues related to the paragraph whereby the COP adopts the procedures and mechanisms on compliance annexed thereto. Several Annex I Parties suggested deleting this paragraph, arguing that the mandate given by Ministers had already been fulfilled through the adoption of the political decision on Wednesday, 25 July, and that the COP had no legal authority to adopt procedures and mechanisms relating to compliance under the Protocol. They added that although further work was required on this issue, it only

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had to be conducted in time for a COP/MOP-1 decision. They also suggested that, according to the political decision, the compliance procedures and mechanisms to be elaborated would not be legally binding. Other Annex I Parties and developing countries said the political decision instructs delegates to negotiate and adopt, during the second week of COP-6 Part II, a balanced package of further decisions, and that UNFCCC Article 7.2. (functions of the COP) provides the legal basis for the adoption of such a decision on compliance procedures and mechanisms. They added that the political decision leaves open the issue of whether the compliance procedures and mechanisms, to be adopted by COP/MOP-1, will be legally binding or not.

Going through the remainder of the non-paper, delegates made a number of drafting and substantial suggestions. On the role of the COP/MOP, proposals were made, *inter alia*, on: whether the Compliance Committee would “follow,” “consider” or “apply” the COP’s general policy guidance; whether a panel established by the COP/MOP would consider the reports of expert review teams; and whether the COP/MOP would “adopt” or merely “consider” the report of the Compliance Committee.

On elements regarding the facilitative branch, discussions related to, *inter alia*: the scope of the Protocol provisions falling within the mandate of the facilitative branch; how the facilitative branch would consider issues relating to Article 3.14 (adverse effects); and whether there should be provision for EITs to receive financial and technical assistance. On issues with regard to the enforcement branch, delegates considered, *inter alia*: whether consequences other than the suspension of the eligibility to use the mechanisms may be applied in case of non-compliance with Articles 5.1 (national systems) 5.2 (adjustments), 7.1 (inventories) and 7.4 (guidelines for the communication of information); whether a Party may submit questions of implementation with regard to another Party; whether mechanisms’ eligibility requirements only apply to Annex I Parties; what would be the status of the enforcement branch decision pending the decision on appeal; whether references to “shall” should be replaced with “should”; whether the consequences in case of non-compliance with Article 3.1 (assigned amounts) will apply individually to each country under Article 4 (joint fulfillment); and whether the suspension of the eligibility to make transfers also applies to Article 6 (JI).

On completing the reading of the non-paper, Co-Chair Slade emphasized the fundamental disagreements among Parties and suggested that a small group convene to attempt to resolve them. Developing countries and many Annex I Parties expressed doubts about the possible positive outcome of such a group and suggested the intervention of President Pronk on the way forward, while several Annex I Parties said they were willing to continue their work. One developing country delegate said it was rare to see delegates trying to unravel an agreement reached at the highest level. He expressed his “deep disappointment and frustration” as well as his concern about the outcome of COP-6 Part II. A group of Annex I Parties said its understanding of the political “deal” was that in return for not having a separate legally binding compliance regime now, a further elaborated text on compliance would be adopted by the end of this session. Concluding the meeting, Co-Chair Slade said he would report to President Pronk and the Bureau.

LULUCF: The negotiating group met in afternoon and evening sessions, with a smaller drafting group convening throughout the day. In the afternoon session, drafting group co-facilitators Thorgerirsson and Fischlin reported on progress. They said only sections where the political decision had been ambiguous required further consultation, and identified as such the question of whether the draft decision refers to eligibility of LULUCF activities under Article 12 (CDM) only in the first commitment period, or whether it also applies to future commitment periods. Other issues included

the Russian Federation’s proposal for an amendment to its cap on forest management credits contained in Appendix Z, and additional concerns regarding Party caps.

Several Parties requested that their caps be adjusted, with one suggesting all caps be recalculated. The co-facilitators noted two Parties had inadvertently been omitted from Appendix Z. Several delegates stressed the need to maintain the integrity of the Ministers’ decision. One Party wished to be removed from Appendix Z. The Russian proposal was further elaborated as a 33 Mt C/yr entry in Appendix Z.

Co-Chair Dovland noted that issues identified that could not be resolved by the negotiating group would be presented to President Pronk for his guidance, and Appendix Z would not be opened at this time. Six requests with regard to Appendix Z would be referred to President Pronk, as well as questions regarding the cap on credits to offset Article 3.3 (afforestation, reforestation and deforestation) debits, and the applicability of the decision on eligibility of LULUCF activities under Article 12 beyond the first commitment period. The drafting group agreed on the Co-Chairs’ decisions in the evening with the exception of the issues to be referred to President Pronk.

INFORMAL CONSULTATIONS

COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS: A contact group convened in the afternoon to discuss and approve draft conclusions on cooperation with relevant international organizations, focusing on text regarding cooperation with other conventions. The group agreed, *inter alia*, to text on enhancing coordination and exchange of relevant information between the UNFCCC, the CBD, and the UN Convention to Combat Desertification.

CONSULTATIVE GROUP OF EXPERTS: Delegates convened in the afternoon for a Friends of the SBI Chair meeting to consider information contained in a preliminary report of the Consultative Group of Experts. Draft conclusions will be considered in the SBI Friday.

IN THE CORRIDORS

Much of the talk in the corridors Thursday evening was on the progress of the various negotiating groups in clearing the numerous remaining draft decisions and accompanying texts. While success was reported in areas such as technology transfer, funding, LULUCF and adverse effects, talks on the mechanisms appeared to be moving at a less impressive pace, while those on compliance seemed to be stalled. An overriding disagreement that resurfaced concerns the legal nature of the procedures and mechanisms relating to compliance. While several participants at COP-6 Part II felt some Parties were trying to reinterpret Monday’s result, sympathizers said the caution in some of Thursday’s groups reflected a concern that the talks were running the risk of rushing through texts that could consequently be error-laden. Although talks were ongoing late Thursday night, there was a feeling that in spite of some progress, completing work on all remaining texts by the end of Friday could be an unrealistic aim. Delegates were also discussing rumors of a possible proposal to continue the meeting into Saturday in an effort to finish the work.

THINGS TO LOOK FOR TODAY

SUBSIDIARY BODIES: SBI is scheduled to convene at 10:00 am in Plenary I and is expected to complete its work for this session. It will be followed by the SBSTA, which is expected to meet in Plenary I at 1:00 pm.

CLOSING PLENARY: A closing Plenary will take place, at a time yet to be announced, to adopt all outstanding decisions.