



SUMMARY OF THE RESUMED SIXTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE: 16-27 JULY 2001

The resumed sixth session of the Conference of the Parties (COP-6 Part II) to the United Nations Framework Convention on Climate Change (UNFCCC) and the fourteenth sessions of the UNFCCC's subsidiary bodies were held in Bonn, Germany, from 16-27 July. Over 4,600 participants from 181 governments, 254 intergovernmental, non-governmental and other observer organizations, and 332 media outlets were in attendance. The meeting sought to successfully complete negotiations aimed at setting the operational details for commitments on reducing emissions of greenhouse gases under the 1997 Kyoto Protocol. It also sought agreement on actions to strengthen implementation of the UNFCCC itself. In attempting to achieve these goals, which were set out in the 1998 Buenos Aires Plan of Action (BAPA), the resumed COP-6 was intended to bring to a close more than two and a half years of preparations and negotiations, and to complete the tasks that had been left unfinished at COP-6 in The Hague in November 2000.

From 16-18 July, delegates met in closed negotiating groups to reduce differences on texts for decisions on a range of issues related to the Protocol and the UNFCCC, including: financial issues; the mechanisms; compliance; and land use, land-use change and forestry (LULUCF).

On Thursday, 19 July, the high-level segment of the resumed COP-6 began, with participants striving to make a breakthrough by achieving agreement on a "political" decision on key outstanding issues. On Saturday night, after protracted consultations, President Pronk presented his proposal for a draft political decision outlining agreements on core elements of the BAPA. However, in spite of several Parties announcing Sunday that they could support the political decision, disagreements surfaced over the section on compliance.

President Pronk held ongoing consultations on this section until Monday morning, when the ministers finally agreed to adopt the original political decision from Saturday, with a revised section on compliance. The political decision – or "Bonn Agreement" – was

approved by the ministers in Plenary late Monday morning, and formally adopted by the COP on Wednesday evening, 25 July. High-level discussions over the weekend also resulted in a Political Declaration by a number of developed countries, in which they pledged additional funding for climate change activities for developing countries.

During the remainder of the second week, delegates attempted to clear all remaining brackets in the outstanding texts held over from COP-6 Part I, based on the political guidance set out under the Bonn Agreement. Although decisions were adopted on several key issues, delegates were unable to complete all their work on the mechanisms, compliance and LULUCF. Since not all texts in the entire "package" of decisions were completed, all decisions were forwarded to COP-7, where delegates will attempt to conclude their negotiations.

The fourteenth sessions of the COP's subsidiary bodies met at the same time as the resumed COP-6. After a number of informal consultations, the subsidiary bodies adopted draft conclusions on a range of issues, including reports on inter-sessional activities, policies and measures, cooperation with relevant international organizations, and administrative and financial matters.

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A BRIEF HISTORY OF THE UNFCCC AND THE KYOTO PROTOCOL

Climate change is considered one of the most serious threats to the sustainability of the world's environment, human health and well-being, and the global economy. Mainstream scientists agree that the Earth's climate is being affected by the build-up of greenhouse gases, such as carbon dioxide, caused by human activities. Despite some lingering uncertainties, a majority of scientists believe that precautionary and prompt action is necessary.

The international response to climate change took shape with the development of the UNFCCC. Adopted in 1992, the UNFCCC sets out a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases at a level that would prevent human-induced actions from leading to "dangerous interference" with the climate system. The UNFCCC entered into force on 21 March 1994. It now has 186 Parties. Six meetings of the COP have taken place, as well as numerous workshops and meetings of the COP's subsidiary bodies.

THE KYOTO PROTOCOL: In 1995, the *Ad Hoc* Group on the Berlin Mandate was established by COP-1 to reach agreement on a further step in efforts to combat climate change. Following intense negotiations culminating at COP-3, held in Kyoto, Japan, in December 1997, delegates agreed to a Protocol to the UNFCCC that commits developed countries and countries making the transition to a market economy to achieve quantified targets for decreasing their emissions of greenhouse gases. These countries, known under the UNFCCC as Annex I Parties, committed themselves to reducing their overall emissions of six greenhouse gases by at least 5% below 1990 levels over the period between 2008 and 2012, with specific targets varying from country to country. The Protocol also provided the basis for three mechanisms to assist Annex I Parties in meeting their national targets cost-effectively – an emissions trading system, joint implementation (JI) of emissions-reduction projects between Annex I Parties, and a Clean Development Mechanism (CDM) to encourage joint projects between Annex I and non-Annex I (developing country) Parties.

It was left for subsequent meetings to decide on most of the rules and operational details that will determine how these cuts in emissions are achieved and how countries' efforts are measured and assessed. Although 84 countries had signed the Protocol as of 20 July 2001, most have been waiting for the negotiation of the operational details before deciding whether to ratify. To enter into force, the Protocol must be ratified by 55 Parties to the UNFCCC, including Annex I Parties representing at least 55% of the total carbon dioxide emissions for 1990. To date, 37 Parties have ratified the Protocol.

THE BUENOS AIRES PLAN OF ACTION: COP-4 met in Buenos Aires, Argentina, in November 1998, to set out a schedule for reaching agreement on the operational details of the Protocol and for strengthening implementation of the UNFCCC itself. This work schedule was outlined in a document called the Buenos Aires Plan of Action (BAPA). The critical deadline under the BAPA was COP-6, where Parties were to attempt to reach agreement on a package of issues. Critical Protocol-related issues needing resolution included rules relating to the mechanisms, a regime for assessing Parties' compliance, and accounting methods for national emissions and emissions reductions. Rules on crediting countries for carbon sinks were also to be addressed. Issues under the UNFCCC requiring resolution included questions of capacity building, the development and transfer of technology, and assistance to those developing countries that are especially vulnerable to the adverse effects of climate change or to actions taken by industrialized countries to combat climate change.

PREPARATIONS FOR COP-6: Numerous formal and informal meetings and consultations were held during 1999 and 2000 to help lay the foundations for an agreement at COP-6. At the thirteenth sessions of the subsidiary bodies – which began in September 2000 in Lyon, France, and which were the final formal sessions before COP-6 – political positions on the key issues remained entrenched, with little indication of willingness to compromise or move forward. While informal meetings and consultations held in October and early November 2000 resulted in some further progress, many differences remained.

COP-6 PART I: COP-6 and the resumed thirteenth sessions of the UNFCCC's subsidiary bodies were held in The Hague, the Netherlands, from 13-25 November 2000. During the second week of negotiations, COP-6 President Jan Pronk, Minister of Housing, Spatial Planning and Environment of the Netherlands, attempted to facilitate progress on the many disputed political and technical issues by convening high-level informal Plenary sessions to address the key political issues, which he grouped into four "clusters" or "boxes," as follows: (a) capacity building, technology transfer, adverse effects and guidance to the financial mechanism; (b) mechanisms; (c) LULUCF; and, (d) compliance, policies and measures (P&Ms), and accounting, reporting and review under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). Ministers and other senior negotiators convened in four groups to negotiate on these clusters in an attempt to reach consensus.

However, by Thursday, 23 November, negotiations appeared stalled, and President Pronk distributed a Note containing his proposals on key issues in an attempt to encourage a breakthrough. After almost 36 hours of intense talks on the President's proposals, negotiators could not achieve an agreement, with financial issues, supplementarity in the use of the mechanisms, compliance and LULUCF proving to be particular sticking points. On Saturday afternoon, 25 November, President Pronk convened a final high-level informal Plenary in which he announced that delegates had failed to reach agreement. Delegates agreed to suspend COP-6, and expressed a willingness to resume their work in 2001.

PREPARATIONS FOR COP-6 PART II: A number of meetings and consultations were convened after COP-6 Part I in an effort to get negotiations back on track. Shortly before COP-6 Part II, informal high-level consultations chaired by President Pronk were held in Scheveningen, the Netherlands, from 27-28 June 2001. Over 350 delegates from as many as 130 Parties participated, including a number of ministers and deputy ministers. The aim of the consultations was to permit Parties to present to President Pronk their views on his June consolidated negotiating text, which he had presented as a tool to help negotiators reach a compromise. While some participants expressed the opinion that positions did not appear to have shifted since COP-6 Part I, others underscored that positions had possibly widened. They also noted signs of entrenchment by some Parties, in particular on the subjects of LULUCF, sinks in the CDM, and the use of nuclear facilities to meet commitments. The funding issue also appeared to be a potential problem. Further concerns were raised by some ambiguity on the part of Japan regarding its intentions for ratifying the Protocol.

In addition to official preparations for COP-6 Part II, there were a number of political developments following the meeting in The Hague. In March 2001, the US administration declared its opposition to the Protocol, stating that it believed it to be "fatally flawed," as it would damage its economy and exempted developing countries from fully participating. Following the US announcement, the EU sent diplomatic missions to several Parties, including Japan, Australia, Canada, the Russian Federation and Iran, in an effort to maintain



support for the Protocol and its entry into force by 2002. The US indicated that it would participate at COP-6 Part II in negotiations on the Protocol in cases where talks might lead to outcomes affecting legitimate US interests, or if negotiations could set precedents for other international agreements. It would be fully involved in all discussions relating to commitments under the UNFCCC.

REPORT OF COP-6 PART II

The resumed Sixth Conference of the Parties (COP-6 Part II) to the UNFCCC opened on Monday morning, 16 July 2001. COP-6 President Jan Pronk, Minister of Housing, Spatial Planning and Environment of the Netherlands, opened the resumed COP-6, noting that participants were meeting to resolve outstanding issues from the first part of COP-6 in The Hague in November 2000. He said the negotiations would be based on bracketed texts brought forward from The Hague. In addition, an unbracketed consolidated negotiating text he had developed would serve as a "tool" to assist negotiators. Iran, on behalf of the G-77/China, drew attention to developments since COP-6 Part I, including the US administration's announcement. He stressed that delegates are in Bonn to complete their unfinished work, and highlighted the need to clearly differentiate between UNFCCC and Protocol issues under negotiation.

Opening speeches were also presented during a welcoming ceremony for ministers and other high-level officials on Thursday afternoon, 19 July, which marked the beginning of the high-level segment of negotiations, held from 19-23 July. Emphasizing that the Protocol is "the only game in town" and that it is fair and credible, President Pronk urged Parties not to hold back on ratifying because one nation does not intend to ratify.

Barbel Dieckmann, Mayor of Bonn, elaborated on the presence of the UNFCCC Secretariat and other UN bodies and agencies in Bonn. She outlined efforts to increase the UN presence, including plans for a new UN campus. UNFCCC Executive Secretary Michael Zammit Cutajar recalled the aims of the BAPA, and highlighted the challenges and needs of developing countries in responding to climate change. Noting progress in talks during the past few days, he said it would be a waste to "abandon the investment" of several years of negotiations. Robert Watson, Chair of the Intergovernmental Panel on Climate Change (IPCC), stated that all the scenarios considered for the next century predict an ongoing increase in carbon dioxide levels, more extreme weather events, temperature increases, changes in precipitation, sea level rise, and impacts on agricultural productivity. He noted that cost-effective technologies exist to target greenhouse gas emissions. He said the costs of addressing climate change domestically are estimated at 0.2-2 percent of GDP, falling even lower if international cooperation occurs.

Representatives of a recent Youth Conference on Climate Change delivered their views. One speaker urged delegates not to increase the use of sinks in the Protocol, and said Annex I Parties should meet at least half of their commitments domestically. A second speaker told delegates that young people were "extremely disappointed with your disregard for our future" at The Hague, and urged them not to fail in Bonn.

A number of Parties then made general statements. The G-77/China expressed concern at the unilateral approach of the US, and emphasized: preference for three separate decisions on the mechanisms; the need to address adverse effects; support for legally binding consequences of non-compliance; and the need for further negotiations on LULUCF. Belgium, for the EU, said it is ready for compromises with all Parties to reach agreement on a balanced package that

respects: environmental integrity; equity and solidarity with developing countries; and economic efficiency and flexibility in meeting the agreed targets. Samoa, for the Alliance of Small Island States (AOSIS), emphasized the need for additional funds to undertake adaptation. The Czech Republic, for CG-11 (a group of central and eastern European countries), expressed concern with the Pronk text on financial obligations for Annex I Parties not included in Annex II, and with proposals for a levy on joint implementation and emissions trading. Morocco expressed his hope that COP-7 would provide renewed impetus ahead of the Johannesburg 2002 World Summit on Sustainable Development.

Australia stated that uncertainty regarding future involvement of certain States should not stop key issues from being addressed, and emphasized: non-discriminatory rules on sinks; a compliance system that assists Parties rather than punishes non-compliance; and the launch of dialogue on action with developing countries. Canada underlined the importance of efficient and accessible market mechanisms, the role of forests and agriculture as carbon sinks, and the need to encourage developing country action.

Underlining the importance of US participation, Japan said it is proactively engaged in consultations with the US, but that this should not delay progress at this session. She said Japan will exert its utmost efforts to make it possible for many countries, including itself, to "conclude the Protocol," aiming at entry into force by 2002. The US said it intends to address climate change in a "serious, sensible and science-based manner" and would not prevent others from going ahead with the Protocol "so long as they do not harm legitimate US interests."

Switzerland, for the Environmental Integrity Group (Mexico, Republic of Korea, and Switzerland), said sinks should be of a limited scale, mechanisms should complement domestic action, and there should be a strong compliance regime with legally binding consequences. China noted a document outlining its achievements to address climate change. The Russian Federation emphasized the need for simplicity in the mechanisms, and including sinks and nuclear facilities, and expressed concern with proposals on financial issues.

ORGANIZATIONAL MATTERS

STATUS OF RATIFICATION: Delegates met on Thursday morning, 19 July, in a plenary session to address organizational matters. The COP noted that 185 States and one regional economic integration organization are Parties to the UNFCCC and that 35 States have deposited their instruments of ratification or accession to the Kyoto Protocol. President Pronk added that Vanuatu had recently ratified the Protocol, and Argentina, Senegal, Colombia, the Cook Islands and Bangladesh said they were in the process of taking similar steps.

ADMISSION OF ORGANIZATIONS AS OBSERVERS: On the admission of observers, the COP approved the list of organizations recommended by the Bureau on 19 July (FCCC/CP/2001/L.1).

ELECTION OF OFFICERS OTHER THAN THE PRESIDENT: The COP elected its Bureau members during COP-6 Part I, with the exception of a second Vice-President to be nominated by the Asian Group. In Plenary on 16 July, and again on 27 July, President Pronk noted that this Group was still considering the matter. Noting that the Bureau has important work to do before a new Bureau is elected at COP-7, including a meeting in early September in Marrakech, he urged the Asian Group to redouble its efforts to reach agreement on this matter.

ADOPTION OF THE REPORT ON CREDENTIALS: The resumed COP-6 adopted the report on credentials of representatives (FCCC/CP/2001/3) on Friday, 27 July.



PREPARATIONS FOR COP/MOP-1 AND REVIEW OF UNFCCC COMMITMENTS AND PROVISIONS

The critical issues addressed during the resumed Sixth Conference of the Parties related to two agenda items: review of the implementation of commitments and of other provisions of the UNFCCC; and preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP-1). These issues were highlighted in the BAPA, which set COP-6 as the deadline for finalizing agreement.

The following section of this report provides a synopsis of the process during the meeting, followed by an overview of the four key issues negotiated at COP-6 Part II: financial issues; the mechanisms; compliance; and LULUCF. This section also addresses other issues relating to the implementation of the UNFCCC, and preparations for COP/MOP-1. These include: national systems, adjustments and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); activities implemented jointly under the pilot phase; "best practices" in P&Ms; and the impact of single projects on emissions in the commitment period.

AN OVERVIEW OF NEGOTIATIONS ON THE KEY

ISSUES: From 16-18 July, delegates met in closed negotiating groups, which aimed to identify the key political issues to be resolved by ministers and high-level officials. Discussions during these three days were held on the basis of negotiating texts carried over from COP-6 Part I (see FCCC/CP/2000/5/Add.3, "Part Three: Texts forwarded to the resumed sixth session by the COP at the first part of its sixth session," Volumes I – V). These texts covered all issues under negotiation, although many paragraphs remained heavily bracketed. In addition, an unbracketed consolidated negotiating text proposed in June by President Pronk served as a key "tool" for supporting the negotiations. This tool addressed critical areas where disagreements remain, and attempted to establish a balanced package of decisions on all issues covered by the BAPA.

High-level Segment (19-23 July): On Thursday, 19 July, the high-level segment of COP-6 Part II began, with ministers and other senior government officials in attendance. In their deliberations, ministers and other officials began by considering a Note by the Co-Chairs of the negotiating groups (FCCC/CP/2001/CRP.8), a "streamlined document" that outlined clear options on all the key outstanding political issues. They met in a main negotiating group, known as the President's Group, as well as in four groups considering the key issues. Substantive work began on Friday, 20 July.

Ministers and high-level officials met throughout the weekend and into Monday morning. On Saturday night, 21 July, President Pronk observed signs of an "increasing consensus" and presented his proposal for a draft decision outlining political agreements on "core elements" of the BAPA. Notable features of the proposal included: activities under Protocol Article 3.4 (additional activities) during the first commitment period, with individual Party caps on credits from forest management; afforestation and reforestation projects in the CDM during the first commitment period; a political declaration "inviting" funding from Annex II Parties; enforcement consequences aimed at restoring non-compliance and repairing damage to the environment in cases of non-compliance; Annex I Parties refraining from using nuclear facilities in the CDM and JI; domestic action constituting a "significant element" of Annex I Parties' efforts to meet commitments; and the establishment of funds for developing country activities.

However, in spite of several Parties announcing Sunday that they could support the political decision, disagreements surfaced over the section on compliance. President Pronk held further intensive consultations on this section throughout Sunday night and into Monday morning, resulting in an agreement to adopt the original political decision from Saturday, with a revised section on compliance.

Bonn Agreement: The political decision was approved by ministers in a plenary session held Monday, and formally adopted by the COP on Wednesday evening, 25 July (FCCC/CP/2001/L.7), after disputes relating to "technical" and "editorial" changes made to the text Monday night had been resolved.

Political Declaration: Discussion over the weekend also resulted in a Political Declaration by the EU, Canada, Iceland, Norway, New Zealand and Switzerland on funding for developing countries. This Declaration includes an undertaking to provide an annual contribution of US\$410 million by 2005.

Post-Bonn Agreement Negotiations: During the remainder of the second week, delegates agreed to resume in their negotiating groups in an attempt to clear the remaining brackets in all outstanding texts held over from The Hague, so as to reflect the Bonn Agreement. Although consensus was reached on several key issues, delegates were unable to complete their work after disagreements continued over the draft decisions on the mechanisms, compliance and LULUCF. Delegates will attempt to conclude their work on the outstanding issues at COP-7.

FINANCIAL ISSUES: The negotiations on financial issues addressed capacity building, technology transfer, adaptation, UNFCCC Article 4.8 and 4.9 and Protocol Articles 2.3 and 3.14 (adverse effects), and funding. These issues were dealt with in a negotiating group co-chaired by John Ashe (Antigua and Barbuda) and Andrej Kranjc (Slovenia), as well as in several sub-groups and drafting groups. Some financial matters, especially those relating to funding, were discussed as cross-cutting issues.

Delegates met in a closed negotiating group from 16-18 July, with discussions addressing a variety of issues, including: concerns about overburdening the Global Environment Facility (GEF); the implications of relying on sources of information other than national communications to determine action related to adaptation; the specific concerns of least developed countries (LDCs); institutional arrangements for technology transfer; the role and composition of the technology transfer body of experts; and proposals on funding, including whether to have voluntary or mandatory levels of contribution. The group's discussions resulted in agreement on the two draft decisions on capacity building. Together with the Co-Chairs of the four negotiating groups, Co-Chairs Ashe and Kranjc prepared a Note (FCCC/CP/2001/CRP.8) outlining clear options on the key outstanding political issues.

Ministers and other-high level officials began their substantive discussions based on this Note on 19 July, with informal high-level consultations on finance facilitated by Secretary of State Philippe Roch (Switzerland). One issue during the high-level segment was the question of "mandatory" or "voluntary" funding. However, developing countries compromised by agreeing not to insist on mandatory funding.

Bonn Agreement: The political decision agreed on Monday, 23 July, and formally adopted by the COP on Wednesday, 25 July, contains five sections related to the financial issues.

Funding under the UNFCCC: The COP agrees that Annex II Parties, and other Annex I Parties that are in a position to do so, should provide funding to meet the commitments under UNFCCC Article 4.1 (commitments), 4.3 (funding), 4.4 (adaptation), 4.5 (technology



transfer), 4.8 and 4.9 (adverse effects) through the GEF replenishment, the proposed special climate change fund, and bilateral and multilateral channels. It further provides that appropriate modalities for burden sharing among Annex II Parties need to be developed. It specifies that the special climate change fund is to be established to finance activities related to climate change that are complementary to those funded by the resources allocated to the GEF and bilateral and multilateral funding. These activities include adaptation, technology transfer, energy, transport, industry, agriculture, forestry and waste management, as well as activities to assist developing countries diversify their economies. The text also proposes that an LDC fund be established, including for the purpose of funding NAPAs.

Funding under the Kyoto Protocol: The COP agrees that appropriate modalities for burden sharing need to be developed. It confirms the establishment of the adaptation fund to finance concrete adaptation projects in Parties to the Protocol. The adaptation fund is to be financed from the share of proceeds on the CDM project activities and other sources of funding. Annex I Parties are invited to provide this additional funding. The fund is to be operated by an entity operating the financial mechanism of the UNFCCC.

Development and Transfer of Technologies: The COP agrees to establish an Expert Group on Technology Transfer comprised of 20 experts: three from each region of non-Annex I Parties; one from the Small Island Developing States (SIDS); seven from Annex I Parties; and three from relevant international organizations.

Implementation of UNFCCC Article 4.8 and 4.9 and Protocol Articles 2.3 and 3.14: The COP agrees that the implementation of identified activities in response to adverse effects of climate change be supported through the GEF, the proposed special climate change fund, and other bilateral and multilateral sources. The COP also agrees to consider at its eighth session the implementation of insurance-related actions to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change, based on the outcome of workshops on insurance. On impact of response measures, it agrees to support the implementation of identified activities through the GEF, the special climate change fund and other bilateral and multilateral sources.

Matters relating to Protocol Article 3.14: The COP recognizes that minimizing the impact of the implementation of Protocol Article 3.1 (quantitative emissions commitments) is a development concern affecting both developed and developing countries. It recommends that the COP/MOP request Annex I Parties to provide information, as part of the necessary supplementary information to their annual inventory report, on how they are striving to implement commitments under Article 3.1 in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties. Priority should be given to the implementation of the following actions:

- progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors, taking into account the need for energy price reforms to reflect market prices and externalities;
- cooperation in the technological development of non-energy uses of fossil fuels, and support to developing country Parties to this end; and
- assistance to developing country Parties highly dependent on the export and consumption of fossil fuels in diversifying their economies.

Post-Bonn Agreement Negotiations: Based on the political guidance provided by the Bonn Agreement, the negotiating group on finance resumed its work on the draft decisions forwarded from The

Hague to address outstanding text for draft decisions on adverse effects, technology transfer and funding. The group approved draft decisions on: UNFCCC Article 4.8 and 4.9; Protocol Article 3.14; funding under UNFCCC; funding under the Protocol; technology transfer; and guidance to the GEF.

On Friday, 27 July, delegates met in Plenary and approved all eight draft decisions that had been agreed in the negotiating group and sub-groups. Co-Chairs Ashe and Kranjc reported on the success of the group, and requested the draft decisions to be considered by the COP.

Draft Decisions forwarded to COP-7: The eight draft decisions completed on financial issues were the only ones of the four main negotiating groups on which consensus had been achieved. The draft decisions build on the Bonn Agreement and the following summaries of these decisions focus on the elements elaborating on this agreement.

Capacity Building: The draft decision on capacity building in developing countries (FCCC/CP/2001/L.2) requests the GEF to report on its progress in support of the implementation of the capacity-building framework, and urges an operating entity of the financial mechanism to adopt a streamlined and expedited approach in financing activities of the framework. It requests the COP to draw on information from national communications and reports from the GEF and other agencies for the review of progress in the implementation of the framework. The second draft decision, on capacity building in EITs (FCCC/CP/2001/L.3), sets out in an annex a capacity-building framework. It recommends that COP/MOP-1 adopt a decision endorsing a framework for capacity building under the UNFCCC that parallels the framework contained in the annex. Both draft decisions give immediate effect to the frameworks.

Guidance to the GEF: This draft decision (FCCC/CP/2001/L.4/Rev.1) states that the GEF should provide financial resources to developing country Parties, in particular to the LDCs and SIDS, including for implementing Stage II adaptation activities and establishing pilot or demonstration projects to show how adaptation planning and assessment can be translated into projects. The draft decision further urges the GEF to adopt a streamlined approach in financing activities within the framework for capacity building in developing countries.

Development and Transfer of Technologies: The draft decision (FCCC/CP/2001/L.10) establishes an expert group on technology transfer and requests the GEF to provide financial support through the special climate change fund for the implementation of the framework annexed to the draft decision.

Adverse Effects: Parties agreed to separate decisions on UNFCCC Article 4.8 and 4.9, and Protocol Article 3.14 (adverse effects). The draft decision on implementation of UNFCCC Article 4.8 and 4.9 (FCCC/CP/2001/L.12) states that the GEF should support activities on information and methodologies, and on vulnerability and adaptation. It also decides that the special climate change fund and/or the adaptation fund and other bilateral and multilateral sources should fund activities on adaptation, improving and monitoring of diseases and vectors, and capacity building. It further decides to establish a work programme on LDCs to: strengthen existing and establish national climate change secretariats; provide training in negotiating skills and language; and support the preparation of NAPAs. In addition, the decision provides for the establishment of an LDC fund. It also decides that the GEF, the special climate change fund and other bilateral and multilateral sources should fund activities to assist LDCs.

The draft decision on Protocol Article 3.14 (FCCC/CP/2001/L.13) decides to develop guidelines to help determine if Annex I Parties are striving to minimize adverse effects, and agrees that Annex II Parties



should give priority to assisting developing countries highly dependent on the export and consumption of fossil fuels in diversifying their economies.

Funding: The draft decision on funding under the UNFCCC (FCCC/CP/2001/L.14) states that: there is a need for funding that is new and additional to GEF and multilateral and bilateral funding; predictable funding should be available to non-Annex I Parties; and a special climate change fund should be established. The draft decision on funding under the Protocol (FCCC/CP/2001/L.15) establishes an adaptation fund.

MECHANISMS: Delegates met from 16-18 July in a closed negotiating group chaired by Raúl Estrada-Oyuela (Argentina) and Kok Kee Chow (Malaysia). The group considered The Hague and Pronk texts, and identified the key political and technical issues to be resolved. The six key “technical issues” were: environmental impact assessments; public participation; baselines; small-scale projects in the CDM; certified emissions reduction (CER) transactions; and mechanisms’ eligibility and the verification procedures that may be used in track two of JI projects.

The key political issues included: equity; supplementarity; nuclear facilities in the CDM and JI; establishment and composition of a supervisory committee for verification of CERs; composition of the CDM Executive Board; level of the commitment period reserve; application of share of proceeds to all three mechanisms; the requirement that Annex I Parties’ use of CERs be conditional on it being party to the compliance agreement; unilateral CDM; and sinks in the CDM. On sinks in the CDM, Co-Chair Estrada ruled against a request from a number of Umbrella Group countries that an option be included providing for all sinks project types within the CDM. Delegates also considered the following political issues identified by the G-77/China: the lack of parity between Annex I Parties under Protocol Article 4 (joint fulfillment) and other Parties; the need for special consideration for LDCs; financial additionality; and the equitable distribution of CDM projects on a geographical basis.

Various options were presented for each of the political issues in a Co-Chairs’ Note (FCCC/CP/20001/CRP.8) for consideration during the high-level segment. On Friday these discussions took place within the President’s Group, chaired by President Pronk, while on Saturday the discussions on mechanisms were in a sub-group facilitated by Minister Peter Hodgson (New Zealand). On the basis of the high-level negotiations, President Pronk produced a “core elements” proposal late on Saturday night. The text relating to mechanisms in this proposal was accepted on Monday, 23 July, and forms part of the Bonn Agreement.

Bonn Agreement: The political agreement on mechanisms addresses: principles, nature and scope; JI; CDM; and emissions trading.

Principles, Nature and Scope: The text on principles, nature and scope provides for, *inter alia*, issues relating to equity, supplementarity, share of proceeds and eligibility. On equity, the COP agrees that Annex I Parties shall implement domestic action in accordance with national circumstances and with a view to reducing emissions in a manner conducive to narrowing per capita differences in emissions between developed and developing country Parties. The COP agrees that the share of proceeds, to assist particularly vulnerable developing countries to meet adaptation costs, shall be two percent of the CERs for a CDM project activity.

On supplementarity, the COP agrees that:

- the use of mechanisms shall be supplemental to domestic action and that domestic action shall constitute a “significant element” of

the effort made by each Annex I Party to fulfill Protocol Article 3.1 (quantitative emissions commitments);

- Annex I Parties shall be requested to provide relevant information in relation to their supplemental activities, in accordance with Protocol Article 7 (communication of information), for review under Protocol Article 8 (review of information);
- the provision of such information shall take into account reporting on “demonstrable progress”; and
- the Compliance Committee’s facilitative branch shall address questions of implementation.

On eligibility, the COP agrees that a recommendation be made to the COP/MOP that the eligibility of an Annex I Party to participate in the mechanisms shall be dependent on its compliance with methodological and reporting requirements under Protocol Articles 5 and 7, with oversight being provided by the Compliance Committee’s enforcement branch. Furthermore, “only Parties that have accepted the agreement on compliance supplementing the Kyoto Protocol shall be entitled to transfer or acquire credits generated by the use of the mechanisms.”

JI and the CDM: The COP agrees that it is the host Party’s prerogative to confirm whether JI/CDM project activities assist in achieving sustainable development, and that Annex I Parties “refrain” from using Emission Reduction Units (ERUs)/CERs generated from nuclear facilities to meet Article 3.1 commitments. On JI, the COP agrees to recommend to the COP/MOP the establishment of a supervisory committee to supervise, *inter alia*, the verification of ERUs.

On the CDM, the COP agrees to emphasize that public funding for CDM projects from Annex I Parties is not to result in the diversion of ODA, and is to be separate from and not counted towards the financial obligations of Annex I Parties. It also agrees to facilitate a prompt start for the CDM and to invite nominations for membership of the executive board prior to COP-7 with a view to electing members at that session.

On the CDM executive board, the text states that the board shall comprise ten members with one from each UN regional group, two others from Annex I Parties, two others from non-Annex I Parties, and one representative of SIDS. The board shall develop and recommend to COP-8 simplified modalities and procedures for small-scale CDM project activities on: renewable energy projects with a maximum output capacity equivalent of up to 15 megawatts; energy efficiency improvement projects that reduce energy consumption on the supply and/or demand side by up to the equivalent of 18 gigawatthours per year; or other projects that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of CO₂ equivalent.

On sinks in the CDM, the COP agrees that afforestation and reforestation shall be the only eligible LULUCF projects under the CDM during the first commitment period, with implementation of these projects guided by the LULUCF principles defined elsewhere in the annex and by the definitions and modalities developed by SBSTA for decision at COP-8 including on non-permanence, additionality, leakage, scale uncertainties, and socio-economic and environmental impacts. LULUCF activities under the CDM in future commitment periods are to be decided in negotiations on the second commitment period.

Emissions Trading: On emissions trading, the COP agrees to recommend to the COP/MOP that each Annex I Party shall maintain in its national registry a commitment period reserve that should not drop below 90% of the Party’s assigned amount, calculated in terms of



Protocol Article 3.7 (individual assigned amounts) and 3.8 (base-year) or 100% of five times its most recently reviewed inventory, whichever is lowest.

Post-Bonn Agreement Negotiations: Following approval of the political agreement on mechanisms, the negotiating group on mechanisms reconvened on Wednesday and Thursday, 25-26 July, to address the remaining technical issues. On Wednesday evening the group received feedback from the two technical sub-groups, and undertook a brief review of a Co-Chairs' proposed non-paper - a consolidation of the political agreement, the Hague text, the Pronk text, and text agreed in the technical working groups. On Thursday, the mechanisms group continued consideration of the Co-Chairs' non-paper. Co-Chair Estrada noted that the draft decisions on mechanisms had been reformulated to reflect the political decision. The EU said an error had been made in the decision on eligibility, which now included reference to the "legal" agreement on compliance. Australia, Canada and Japan urged consistency to reflect the political decision's section on compliance.

In the closing Plenary on Friday, 27 July, Co-Chair Estrada presented the Co-Chairs' draft decisions on mechanisms (FCCC/CP/2001/CRP.11). This text represents a work in progress. To facilitate the future work of parties, a key has been used to distinguish between: text that was agreed in the high-level segment; text agreed in the technical groups; text partially agreed in the technical groups; and text that was either not agreed or which has not yet been considered. The Plenary took note of these draft decisions and appendices, which will be further considered, elaborated and adopted at COP-7.

Draft Decisions forwarded to COP-7: The draft decisions to be considered further at COP-7 include:

- a draft decision on principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17;
- a draft decision on guidelines for the implementation of Article 6, including an annex setting out the guidelines;
- a draft decision on modalities and procedures for a clean development mechanism, as defined in Article 12, including an annex setting out these modalities and procedures, and several appendices; and
- a draft decision on modalities, rules and guidelines for emissions trading, including an annex.

LAND USE, LAND-USE CHANGE AND FORESTRY

(LULUCF): LULUCF was considered in a closed negotiating group co-chaired by Harald Dovland (Norway) and Philip Gwage (Uganda) from 16-18 July. The group sought to reduce differences on key outstanding issues, including whether Article 3.4 (additional activities) should be allowed during the first commitment period, and options for limiting the activities; principles governing LULUCF activities; and Article 3.3 (afforestation, reforestation and deforestation) and 3.4 definitions and accounting rules. On Article 3.4 activities, some countries opposed their inclusion, stressing that it represents a renegotiation of the Kyoto targets and undermines the integrity of the Protocol. Other Parties emphasized that LULUCF is fundamental to ratification. Canada, Australia and Japan, joined by the Russian Federation, presented a proposal on Article 3.4 forest management, which relied on negotiated maximum levels of forest management credits for individual countries. This proposal - as well as proposals by New Zealand and the EU - set the stage for the high-level negotiations. The discussions were based on the Pronk text as well as text carried over from The Hague. Based on these and previous discussions, a Note was prepared by the Co-Chairs of the four negotiating groups (FCCC/CP/2001/CRP.8) outlining clear options.

During the high-level segment of COP-6 Part II, a closed negotiating group on LULUCF was facilitated by Raúl Estrada (Argentina).

Bonn Agreement: The section on LULUCF includes a paragraph affirming eight governing principles for the treatment of LULUCF activities:

- treatment on the basis of sound science;
- use of consistent methodologies over time for estimation and reporting of activities;
- consistency with the aim of Protocol Article 3.1 (quantified emissions commitments);
- non-inclusion in accounting of "mere presence" of carbon stocks;
- contribution to biodiversity conservation and sustainable use of natural resources;
- accounting that does not imply transfer of commitments to a future commitment period;
- accounting at the appropriate time for the reversal of a removal of carbon from the atmosphere; and
- exclusion of windfall effects from accounting.

The decision on LULUCF proposes that the Protocol Article 3.3 definitions of "forest," "afforestation," "reforestation" and "deforestation" are based on changes in land use. Debits during the first commitment period from harvesting following afforestation and reforestation since 1990 are not to be greater than credits on the same land. Each Party may choose to apply all or a selection of additional activities - forest management, cropland management, grazing land management and revegetation - under Protocol Article 3.4 during the first commitment period. These activities must be proven to be human-induced and to have occurred since 1990.

The decision lays out the following accounting rules for the first commitment period: net-net accounting for agricultural activities; accounting for forest management up to the level of a possible debit under Article 3.3; and negotiated Party caps included in an Appendix Z for Article 3.4 activities and LULUCF resulting from joint implementation. The decision further allows LULUCF under the CDM in the form of afforestation and reforestation only and limits such credits during the first commitment period.

Post-Bonn Agreement Negotiations: The negotiating group met to develop draft decisions on LULUCF reflecting the political decision as well as the package of documents previously discussed in the group. A smaller drafting group co-facilitated by Andreas Fischlin (Switzerland) and Halldor Thorgeirsson (Iceland) was convened. Discussions centered around sections where the political decision was considered ambiguous and where further consultation was required, including the question of whether eligibility of LULUCF activities under Article 12 (CDM) is decided only for the first commitment period, or whether the current decision also applies to future commitment periods. Other issues included the Russian Federation proposal for an amendment to its cap on forest management credits contained in Appendix Z, and additional concerns regarding Party caps. The drafting group agreed on the Co-Chairs' draft decisions on Thursday, 26 July, with the exception of these issues. They were further discussed during Friday, 27 July, with agreement emerging on a paragraph specifying that LULUCF activities under the CDM in future commitment periods shall be decided as part of the negotiations on the second commitment period. A new paragraph was drafted allowing Parties to request that the COP reconsider its numerical value in Appendix Z no later than two years prior to the beginning of the first commitment period.

On Friday, 27 July, delegates met in Plenary and decided that the draft LULUCF decisions would be forwarded for further consideration by, and adoption at, COP-7.



Draft decisions forwarded to COP-7: The draft decisions on LULUCF (FCCC/CP/2001/L.11/Rev.1) incorporate the Bonn Agreement and comprise a decision, which, *inter alia*:

- requests SBSTA to investigate possible biome-specific forest definitions and to develop definitions and modalities for including LULUCF activities under the CDM; and
- invites the IPCC to elaborate methods to estimate, measure, monitor and report changes in carbon stocks as relevant to Articles 3.3 and 3.4 and LULUCF under Articles 6 and 12, and to prepare a report on good practice guidance and uncertainty management.

The draft decisions on LULUCF also include a COP/MOP-1 decision. It contains principles on LULUCF in a preamble, and adopts the definitions, modalities, rules and guidelines related to LULUCF under the Protocol, which are contained in an annex, with a further appendix specifying the Annex I Party maximum credits from Article 3.4 forest management and LULUCF activities under JI during the first commitment period.

COMPLIANCE: Delegates met on Tuesday and Wednesday, 17-18 July, in a closed negotiating group co-chaired by Harald Dovland (Norway) and Tuiloma Neroni Slade (Samoa). The group focused on five issues: the nature and legally binding nature of consequences applied by the enforcement branch; whether the Compliance Committee composition would be based on the equitable geographical distribution of the five UN regional groupings or tailored to the mandate of the branch and to the type of commitments under consideration; whether there would be an appeal; whether a COP/MOP panel would consider the reports of experts review teams; and how the principle of common but differentiated responsibilities and respective capabilities would affect the design and functioning of the Compliance Committee.

On Thursday, 19 July, Co-Chair Slade reported to Plenary that a list of questions with clear options for consideration by the Ministers had been elaborated (FCCC/CP/20001/CRP.8). He explained that the group had identified six outstanding issues and suggested that the resolution of key political issues – the consequences to be applied by the branches and the composition of those branches – be given priority.

High-level discussions facilitated by Minister Valli Moosa (South Africa) took place on Saturday, 21 July. Progress was later reported to the President's Group on, *inter alia*, the legally-binding nature of the compliance regime and an emphasis on facilitation. Late evening Saturday, President Pronk presented a proposal for a draft decision outlining political agreements on "core elements" of the BAPA.

The proposal covered eight aspects of the compliance system. Four elements of the proposal generated the most controversy.

- The aim of the consequences of non-compliance to be applied by the enforcement branch is to restore non-compliance and repair the damage to the environment.
- The enforcement consequences include that payments will be made to repair the damage to the environment.
- The facilitative and enforcement branches shall be composed of: one member from each of the five UN regional groups and one member of the SIDS, taking into account the practice of the Bureau of the UNFCCC; two members from Annex I Parties; and two members from non-Annex I Parties.
- The COP should adopt at its sixth session a legal instrument on procedures and mechanisms relating to compliance as an integral part of the Protocol.

Following high-level informal consultations on Saturday through Monday 21-23 July, during which compliance proved particularly contentious and difficult to resolve, ministers and other-high level offi-

cialists agreed to a text on 23 July. The text provides, *inter alia*, that the enforcement consequences shall aim at ensuring "environmental integrity," rather than reparation of the damage to the environment, and deferring the issue of the mode of adoption of the compliance regime, and thus of the legally binding nature of its consequences, to a later stage.

Bonn Agreement: The Bonn Agreement covers eight aspects of the compliance system. On the mandate of the facilitative branch, the COP agrees that advice and facilitation shall be provided with the aim of promoting compliance and providing for early warning of non-compliance. Such facilitation will cover: quantitative emission commitments prior to, and during, the commitment period; and methodological and reporting requirements prior to the beginning of the first commitment period.

On the consequences of non-compliance to be applied by the enforcement branch, the COP agrees that these aim at restoring non-compliance to ensure environmental integrity, and shall provide for an incentive to comply. Accordingly, enforcement consequences include: deduction of 1.3 times the excess emissions from the Party's first commitment period assigned amount, to be applied to the assigned amount of the second commitment period; development of a compliance action plan; and suspension of eligibility to make transfers under Article 17 (emissions trading).

On the mandate of the enforcement branch, the COP agrees that this branch shall assess Annex I Parties' compliance with: quantitative emissions commitments; methodological and reporting requirements under Article 5.1 (national systems), 5.2 (adjustments), 7.1 (inventories) and 7.2 (guidelines for the communication of information); and eligibility requirements under Articles 6 (JI), 12 (CDM) and 17 (emissions trading).

On appeal, the COP agrees that there will be a possibility of appeal to the COP/MOP in case of denial of due process. In such cases, the decision of the enforcement branch will only be overridden by a COP/MOP three-fourth majority decision.

On principles, the COP agrees that the principle of common but differentiated responsibilities and respective capabilities shall be reflected in the design of the compliance system as well as in the mandate of the facilitative branch. On the composition of the facilitative and enforcement branches, the COP agrees that both bodies shall be composed of: one member from each of the five UN regional groups and one member of the SIDS, taking into account the practice of the Bureau of the UNFCCC; two members from Annex I Parties; and two members from non-Annex I Parties.

On decision-making, the COP agrees that, failing consensus, decisions shall be taken by a three-fourth majority, except in the case of the enforcement branch where a double majority of Annex I and non-Annex I Parties will also be required. Finally, on the adoption of the compliance system, the COP agrees to adopt, at its sixth session, the procedures and mechanisms relating to compliance "as specified above" and to recommend the adoption, by COP/MOP-1, of such procedures and mechanisms "in terms of Article 18 of the Kyoto Protocol."

Post-Bonn Agreement Negotiations: On Wednesday, 25 July, Co-Chair Slade said the Co-Chairs had prepared a non-paper comprising a draft COP decision and an annex that they hoped would assist delegates in their further work. Developing countries and many developed countries welcomed it as providing a good basis for the group's further work. On Thursday, delegates proceeded through the Co-Chairs' non-paper on procedures and mechanisms on compliance under the Protocol. Delegates diverged over the legal and political



interpretation of the Bonn Agreement with regard to the remaining work to be done on compliance during COP-6 Part II, and to the legally binding nature of the compliance regime. Developing countries and many Annex I Parties supported the intervention of President Pronk on the way forward.

On Friday, 27 July, Co-Chair Slade reported that the discussions had evidenced different views on some key issues in the Bonn Agreement. The COP took note of the draft decision on compliance based on the Co-Chairs' non-paper (FCCC/CP/2001/CRP12/Rev.1), and decided to forward it to COP-7 for completion and adoption.

Draft Decision forwarded to COP-7: The draft decision contains a draft COP decision, including a draft COP/MOP-1 decision, and an annex.

The draft COP decision:

- decides to adopt the procedures and mechanisms on compliance under the Protocol annexed thereto;
- recommends that COP/MOP-1 adopt such procedures and mechanisms in terms of Protocol Article 18; and
- recommends that COP/MOP-1 adopt the following draft decision: COP/MOP-1 confirms the COP decision and brings the procedures and mechanisms on compliance under the Protocol into operation.

The annex constitutes the procedures and mechanisms on compliance under the Protocol and includes the elements of the Bonn Agreement on compliance outlined above. Other key elements of the text include:

- the Compliance Committee shall take into account any degree of flexibility provided by the COP/MOP to the Annex I Parties undergoing the process to a market economy;
- members of the Committee will act in their individual capacities;
- the Compliance Committee shall apply the guidance received from the COP/MOP and the COP/MOP shall consider the report of the Compliance Committee;
- the facilitative branch shall promote Parties' compliance with their commitments, taking into account Parties' common but differentiated responsibilities and respective capabilities;
- submissions to both branches may be made by any Party with respect to itself or any Party with respect to another Party;
- the facilitation of financial and technical assistance by the facilitative branch shall take into account UNFCCC Article 4.3 (financial resources), 4.4 (costs of adaptation) and 4.5 (technology transfer); and
- in case of non-compliance with Articles 5.1, 5.2, 7.1 or 7.4, the consequences to be applied by the enforcement branch are: declaration of non-compliance; and development of a plan analyzing the causes of non-compliance, measures to remedy non-compliance and a timetable for the implementation of such measures.

PROTOCOL ARTICLES 5, 7 AND 8: Due to time constraints, issues relating to national systems, adjustments and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information) were formally only addressed in the context of the COP's organizational matters. In the Plenary on Monday, 16 July, President Pronk indicated that a negotiating group on these articles might be established later in the session. In the Plenary on Friday, 20 July, a negotiating group, chaired by Harald Dovland, was established. In Plenary on Tuesday, 24 July, the G-77/China said that the work on Articles 5, 7 and 8 should start only after the adoption of the decisions on the implementation of the BAPA, while Australia and Canada urged that work on these articles proceed.

On Wednesday, 25 July, President Pronk proposed that delegates focus on their remaining work in the previously established negotiating groups on finance, LULUCF, mechanisms, and compliance. Australia, Canada and New Zealand underlined the importance of Articles 5, 7, and 8, and urged that this be addressed as soon as possible.

Draft Decisions forwarded to COP-7: During the final Plenary, the COP took note of the draft decisions on national systems, adjustments and guidelines under Articles 5, 7 and 8 (CP/2000/5/ Add.3 (Vol. III)) and forwarded them to COP-7 for completion and adoption.

ACTIVITIES IMPLEMENTED JOINTLY (AIJ): This issue was supposed to be taken up by the SBSTA and the COP. However, due to time constraints, it was not discussed in-depth by the SBSTA. Parties decided, at the final COP plenary, to refer the decision as elaborated during COP-6 Part I (FCCC/CP/2001/2/Add.5) to COP-7 for adoption in its current form.

Draft Decision forwarded to COP-7: The draft decision takes note of the fourth synthesis report on AIJ and of the draft revised uniform reporting format. Under the decision, Parties decide to continue the pilot phase for AIJ and request the Secretariat to organize a workshop on the revised uniform reporting format before SBSTA-15.

POLICIES AND MEASURES: This matter was taken up by the SBSTA on Tuesday, 24 July. SBSTA Chair Dovland noted Party views submitted on the Terms of Reference (TOR) for a proposed workshop on "best practices" in policies and measures (P&Ms) among Annex I Parties, to be concluded at the current SBSTA session. Saudi Arabia, opposed by the G-77/China, CG-11, the EU, AOSIS and others, requested that the issue be deferred, as a decision regarding the workshop had not been officially adopted at COP-6 Part I. Chair Dovland said he would consult with President Pronk and said informal consultations on the TOR would be facilitated by José Romero (Switzerland) and Richard Muyungi (Tanzania).

During the final SBSTA plenary on Friday, 27 July, Parties agreed on a draft decision (FCCC/SBSTA/2001/L.4), with minor changes. José Romero gave feedback on an informal meeting on P&Ms, in which the TOR were agreed for a workshop to be held in October 2001, sponsored by Denmark and Norway. Supporting the draft conclusion, Uruguay requested reference to "domestic" voluntary agreements. Saudi Arabia, Qatar, Kuwait, and Jordan – opposed by numerous non Annex I Parties, as well as Poland, the EU and Japan – objected to the adoption of the conclusions, arguing that these could not be adopted until after the formal adoption of the decision on policies and measures. Saudi Arabia suggested that this decision be deferred. Denmark and Norway noted that funding of the workshop was conditional on it being held before COP-7. Overriding the objections of Saudi Arabia, Chair Dovland ruled that SBSTA was entitled to decide on holding this workshop. Following a request from Saudi Arabia, a small group was convened to address concerns on the text. The small group reached agreement on a decision (FCCC/SBSTA/2001/L.4). In accordance with the decision, SBSTA, *inter alia*: takes note of submissions by Parties on the TOR of the proposed workshop; accepts the offer by Denmark and Norway to host the workshop in October 2001; and decides to consider the report of the workshop at its fifteenth session.

Draft Decision forwarded to COP-7: During its final Plenary, the COP further agreed on a draft decision (FCCC/CP/2001/2/Add.5) to be forwarded to COP-7 for adoption in its current format. The draft decision decides that future work on P&Ms should contribute to the improvement of transparency, effectiveness and comparability of P&Ms, by: enhancing transparency in reporting on P&Ms in the national communications of Annex I Parties through, as appropriate,



criteria and quantitative parameters; facilitating information sharing on ways to minimize adverse effects of P&Ms; and assisting Parties in identifying further options for cooperation between Annex I Parties to enhance the individual and combined effectiveness of their P&Ms. The COP also decides that future work should contribute to the elaboration of elements for reporting information on demonstrable progress.

IMPACT OF SINGLE PROJECTS ON EMISSIONS IN THE COMMITMENT PERIOD: Due to time constraints, this issue was not discussed in-depth during SBSTA. Parties decided at the final COP plenary to refer the decision (FCCC/CP/2001/2/Add.5), as elaborated during COP-6 Part I, for adoption in its current format at COP-7.

Draft Decision forwarded to COP-7: The draft decision defines a single project and sets the guidelines for reporting CO₂ emissions from a single project that has come into operation since 1990.

ADMINISTRATIVE AND FINANCIAL MATTERS

Delegates took up the matter of the institutional linkage of the UNFCCC Secretariat to the United Nations in the SBI on 24 and 27 July, and agreed to recommend to the COP a draft decision on this matter based on a Note by the Executive Secretary.

Final Decision: The decision (FCCC/CP/2001/L.8) was adopted by the COP on Friday, 27 July. The decision notes that the linkage continues to provide a sound basis for the functioning of the Secretariat, and that UNFCCC conference servicing is being met from the UN regular budget. It approves the continuation of the current institutional linkage for an additional five-year period, to be reviewed by the General Assembly and the COP before 31 December 2006, invites the Secretary-General to seek the same endorsement from the General Assembly at its upcoming 56th session, and invites it to decide also on the issue of conference servicing expenses.

OTHER MATTERS

During the COP Plenary held Friday, 27 July, the COP considered draft conclusions proposed by Canada (FCCC/CP/2001/CRP.13) relating to its offer to hold an informal meeting on optimizing the uptake of cleaner or less greenhouse gas emitting energy, and inviting the Secretariat to convene a workshop on this issue prior to COP-8, and SBSTA-16 to develop recommendations for COP-8 to consider.

Several countries, including Saudi Arabia, Qatar and Algeria, expressed concern at the lack of time to consider the proposal, and suggested considering the Canadian proposal at COP-7. However, many Parties, including Japan, Argentina, Senegal, Palau and Malaysia, supported the text. Delegates agreed to a compromise whereby reference to a workshop organized by the Secretariat, and recommendations by SBSTA-16 to COP-8, were deleted.

Final Conclusion: The text, as adopted, recognizes that cleaner or less greenhouse gas emitting energy, particularly renewables, hydro, geothermal and natural gas, can promote environmental benefits to meet the objects of the UNFCCC and Kyoto Protocol, and optimize the uptake of cleaner or less greenhouse gas emitting energy. It also takes note of Canada's offer to convene an informal workshop on this matter, and report on the outcome to SBSTA-15.

REPORTS OF THE SUBSIDIARY BODIES

The subsidiary bodies to the UNFCCC met for their fourteenth sessions from 24-27 July. On Tuesday, 24 July, the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA) met separately to begin their work by addressing most of their agenda items. These meetings were followed by a number of informal consultations held from 24-26 July, which resulted in draft conclusions adopted by the two subsidiary bodies in

meetings held on Friday, 27 July. Issues addressed by these texts include, for the SBI, administrative and financial matters, and, for SBSTA, scientific and methodological aspects of the proposal by Brazil, policies and measures among Annex I Parties, and cooperation with relevant organizations. The subsidiary bodies both adopted their reports on the session on 27 July (FCCC/SBI/2001/L.1 and FCCC/SBSTA/2001/L.1). The following section outlines issues addressed by these two bodies that the COP did not specifically address or take a separate decision on.

SUBSIDIARY BODY FOR IMPLEMENTATION: On Tuesday, 24 July, the SBI, chaired by John Ashe (Antigua and Barbuda), adopted its agenda.

Reports on Inter-session Activities: Delegates considered reports on inter-session activities on 24 and 27 July (FCCC/SBI/2001/L.1). In particular, they considered further work concerning LDCs, work on the Consultative Group of Experts (CGE) on non-Annex I communications, and ongoing activities on reporting and review of greenhouse gas inventories in Annex I Parties.

On further work concerning the LDCs, the SBI heard a report from Uganda, speaking on behalf of the coordinator for LDCs, on the technical input given to the Third UN Conference on the LDCs, which was held in Brussels in May 2001. He said that the Programme of Action that was adopted at this conference includes specific mention of the urgent need to address global environmental concerns on the basis of the principle of common but differentiated responsibilities. It also highlights the low adaptive capacity of LDCs to the adverse effects of climate change. Delegates also considered the development of guidelines for the preparation of national adaptation programmes of actions (NAPAs). Tuvalu, for the LDCs, reported on a workshop on this issue, underlining some progress on the establishment of the guidelines. He said more work was needed and proposed a workshop in the Maldives, before COP-7, to further develop NAPA guidelines. The SBI took note of these reports. It also thanked the Maldives for an offer to host the NAPA workshop.

Regarding the work of the Consultative Group of Experts (CGE) on National Communications from Parties not included in Annex I, the SBI heard a preliminary report on 24 July from Group Chair Vute Wangwacharakul (Thailand). He noted that, in an examination of 50 national communications, the Group had identified a number of problems that may be addressed, *inter alia*, through the provision of adequate financial and technical assistance. The G-77/China said the recommendations of the CGE were based only on a limited number of national communications, and that a more comprehensive aggregate analysis was needed, while the US said such recommendations should form the basis for the development of new guidelines for national communications to be adopted at COP-7. Following these statements, a Friends of the Chair group, facilitated by Philip Weech (Bahamas), was convened to consider the CGE's preliminary report. The SBI subsequently adopted the draft conclusions on this matter (FCCC/SBI/2001/CRP.2), which invites Parties to submit their views on the CGE's preliminary report, and on the current progress on the process to improve guidelines for subsequent non-Annex I national communications. The date set for receipt of these views is 15 September 2001. The conclusions request the Secretariat to compile these submissions and prepare a consolidated report on the matter for SBI-15.

Regarding ongoing activities on reporting and review of greenhouse gas inventories in Annex I Parties, the US suggested, in the SBI on 24 July, a more comprehensive testing of the guidelines by all Parties during the trial period and that revised guidelines be adopted at



COP-8. SBI Chair Ashe said SBSTA-15 will have a substantive consideration of this agenda item. The SBI took note of the oral report on the ongoing and planned activities on this issue.

Administrative and Financial Matters: SBI considered the financial performance for 2000-2001 on 24 and 27 July. The Secretariat highlighted that a revised indicative list of contributions was presented for 2001 (FCCC/SBI/2001/INF.2), pursuant to the adoption by the UN General Assembly in 2000 of a revised scale of assessments. The G-77/China said the General Assembly resolution does not automatically apply to the UNFCCC. The Secretariat also presented the latest status of contributions (FCCC/SBI/2001/INF.3/Rev.1) and noted the special annual contribution of DM3.5 million made by the host government, Germany. Several Parties expressed the concern that their contributions were not reflected in the list. On 27 July, the SBI took note of the revised scale of contributions and of the latest status of contributions and expressed appreciation to those Parties making their core contributions in a timely manner, and to those making voluntary contributions.

The SBI took up the matter of the programme budget for the biennium 2002-2003 on 24 July, when UNFCCC Executive Secretary Cutajar outlined details of the proposed programme budget. He noted that the formal adoption of the budget is scheduled for COP-7. He said income would include indicative contributions of US\$27.5 million, in addition to the host government's contribution and carry-over from previous periods. Delegates subsequently met in a small closed group, chaired by John Ashe, to continue discussions in greater detail. In the SBI meeting on 27 July, the G-77/China stressed the principle of equitable geographic representation among the staff. Japan noted that discussion on the programme budget is not closed and will continue at SBI-15. The SBI took note of the budget report.

On implementation of the Headquarters Agreement, UNFCCC Executive Secretary Cutajar informed the SBI on 24 July of the need to move an increasing number of staff to temporary accommodations, as the Secretariat continues to grow. An initial offer by the German Government for part of the former Bundeshaus complex was deemed insufficient to meet ongoing needs. However, he hoped the situation would be resolved shortly. Some progress on visas and other issues was also noted. Germany highlighted its commitment to guarantee adequate accommodation and the best possible working conditions for UN personnel. He said talks are ongoing to accommodate all UN organizations in Bonn in a single location. Argentina expressed concern at these visa and accommodation difficulties. He suggested a small committee might be established to consider these issues, without being involved in micro-management. Germany said most difficulties have been addressed during the past year and a half, and they will take all steps necessary to deal with problems as they arise. Canada noted Argentina's "interesting" proposal but indicated some reservations. In the SBI meeting held on 27 July delegates thanked the host government for its efforts concerning the provision of acceptable office accommodations, and invited it to continue negotiations with the Secretariat to resolve this issue as soon as possible. The SBI also requested a progress report on this and other relevant matters at SBI-15.

On the juridical personality of the Secretariat on the international plane, the Secretariat noted that its UN institutional linkage had enabled it to function without an international juridical personality, and that it did have a juridical personality in Germany. The SBI decided that it would revisit the matter at a future date if it was deemed necessary that the Secretariat be vested with a juridical personality on the international plane.

Other Matters: The SBI took note of a proposed workshop on adaptation planned for the last quarter of 2001, to be convened by AOSIS.

Adoption of the Report: The SBI adopted the report on its fourteenth session on Friday morning, 27 July (FCCC/SBI/2001/L.1). Chair Ashe thanked participants for their support, and closed the meeting shortly before 12:00 pm.

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE: The fourteenth session of the SBSTA began its work on Tuesday, 24 July, chaired by Harald Dovland (Norway). At its first meeting, the SBSTA adopted its agenda.

Reports on Inter-session Activities: Delegates considered this issue on 24 and 27 July, and took note of, or adopted conclusions on: emissions resulting from fuel use in international transportation; methods and tools to evaluate impacts and adaptation; issues related to emissions from forest harvesting and wood products; progress related to a technology information system; and UNFCCC Article 6 (education, training and public awareness) (FCCC/SBSTA/2001/L.1).

On emissions resulting from fuel used in international transportation, the Secretariat highlighted inter-session work, as contained in a joint report with the International Civil Aviation Organization (ICAO) and the International Maritime Organization. The EU expressed concern about rising emissions from air transportation and noted that ICAO is scheduled to meet in September with a view to reaching decisions on this question.

On 24 July, the Secretariat reported on a workshop on methods and tools to assess climate change impacts and adaptation, held recently in Canada. On 27 July, the SBSTA took note of the workshop and invited Parties to consider the issue further, and to submit views on issues identified in a report on the workshop (FCCC/SBSTA/2001/INF.4) by 1 October 2001, for compilation by the Secretariat.

On issues related to emissions from forest harvesting and wood products, New Zealand reported, on 24 July, on a workshop for estimating and accounting for carbon dioxide emissions from forest harvesting and wood products, and said it is coordinating a further study. The SBSTA decided to consider this matter further at its fifteenth session.

On progress related to a technology information system, Chair Dovland informed the SBSTA, on 24 July, that the system is being regularly updated, and that Parties interested in testing the system should contact the Secretariat. On 27 July, delegates decided to consider the matter further at SBSTA-15.

On UNFCCC Article 6, the EU, supported by many other Parties, outlined a proposal to the SBSTA on 24 July, to consider further work. Australia supported the dissemination of the IPCC TAR results in a manner accessible to the public. On 27 July, delegates adopted conclusions on this matter (FCCC/SBSTA/2001/L.5), in which the SBSTA: thanked the Secretariat for its report on this issue, and welcomed the preparation of a further document for SBSTA-15; noted that Article 6 should be a substantive item on SBSTA's future agenda, and that a workshop might be considered following SBSTA-15; and noted the importance of disseminating the information contained in the IPCC's reports in more than the six UN languages, requesting the Secretariat to liaise with the IPCC on this.

Scientific and Methodological Aspects of the Proposal by Brazil: The SBSTA took up this matter on 24 July. On Brazil's proposal on reductions toward an overall emission ceiling for Annex I Parties allocated on the basis of each Party's relative share of responsibility for climate change, Chair Dovland said a workshop had been held to identify scientific and methodological aspects of the proposal.



The EU noted progress in addressing the technical basis of the proposal, but identified several outstanding issues. Several developing countries warned that the work should not go beyond the COP's mandate. The US noted the workshop's narrow focus, called for consideration of other models and indicators, and supported continued research. Chair Dovland said informal consultations on draft conclusions would be undertaken by David Warrilow (UK) and Luis Gylvan Meira Filho (Brazil).

On 27 July, Warrilow reported to the SBSTA on the informal consultations, noting that the group had been unable to reach consensus on the timing of future work. Brazil proposed that a side event on this issue be held at COP-7. He noted that a number of non-Annex I Parties thought it would be useful to have a workshop before SBSTA-16, focusing specifically on the scientific and methodological aspects. Delegates then considered the draft conclusions prepared on this matter (FCCC/SBSTA/2001/L.2). Saudi Arabia, supported by Venezuela and China, suggested that this issue only be addressed before SBSTA-18. The EU and Argentina urged that the meeting be held sooner. Following discussion in a small informal group, SBSTA agreed that it will take up the matter for discussion at SBSTA-16. Reference to SBSTA deciding on future action at this sixteenth session was deleted. Another amendment was accepted in terms of which SBSTA requests the Secretariat to review this proposal and facilitate dissemination of scientific and methodological information on this proposal.

The conclusions were accepted, as amended. In the conclusions, the SBSTA: recalls that COP-3 decided that Brazil's proposal should be referred to the SBSTA; take notes of a progress report on the issue; and encourages Parties to support the research effort on scientific and methodological aspects of the proposal.

Cooperation with Relevant International Organizations: At the SBSTA meeting on 24 July, Chair Dovland noted ongoing initiatives between the UNFCCC and the Convention on Biological Diversity (CBD), including: a CBD discussion note and responses submitted by the UNFCCC Parties; a CBD *Ad Hoc* Technical Expert Group to carry out a pilot assessment on advice to integrate biodiversity into UNFCCC implementation; and a proposed joint liaison group between the two Secretariats. Jan Plesnik, Chair of the CBD Subsidiary Body on Scientific, Technical and Technological Advice, reported on initiatives in the CBD to address interlinkages between biodiversity and climate change. Bob Watson, IPCC Chair, reported on the preparation of an IPCC Technical Paper on linkages between climate and biodiversity.

The SBSTA then invited Ian Carruthers (Australia) and Jimena Nieto Carrasco (Colombia) to undertake informal consultations on this matter in order to help formulate draft conclusions. On 27 July, the SBSTA adopted conclusions on this matter (FCCC/SBSTA/2001/L.3).

On cooperation with other conventions, the conclusions emphasize the need for cooperation with other relevant conventions, including the CBD, and endorsed the formation of a joint liaison group between the UNFCCC and CBD Secretariats. It also invited the Secretariat of the UN Convention to Combat Desertification to participate in this group, in order to explore options for further cooperation, including the possibility of a joint work plan and/or workshop. Parties are invited to submit their further views on cooperation between the three conventions by 15 October 2001. A request by the CBD that IPCC develop a paper to consider relevant interlinkages was endorsed.

Regarding cooperation with scientific organizations, the SBSTA commended the IPCC on the high quality of the Third Assessment Report. It also noted that support is needed for workshop planned by the Global Climate Observing System for the Caribbean and Central American and Asia regions in 2002.

Adoption of the Report: The SBSTA adopted the report on its fourteenth session on Friday afternoon, 27 July (FCCC/SBSTA/2001/L.1).

CLOSING PLENARY

The closing Plenary took place on Friday evening, 27 July 2001. COP-6 President Pronk addressed delegates, stating that this meeting advanced the implementation of the UNFCCC and brought the Protocol closer to reality, as agreed under the BAPA. The COP then adopted a number of decisions relating to the agenda items on organizational, administrative and financial, and other matters, as well as on the implementation of the BAPA.

After hearing reports from the Co-Chairs of the negotiating groups on progress in recent days, President Pronk noted that delegates had now come close to adopting a balanced "package" of decisions on all issues under the BAPA. However, as a few outstanding items remained unfinished, the draft decisions would all be forwarded to COP-7 for final adoption. He pointed out that agreement had been reached on ten decisions, including those on financial issues, meaning their adoption at COP-7 would be a formality. Outstanding issues include texts on guidelines under Protocol Articles 5, 7 and 8, compliance, the mechanisms and LULUCF. The COP took note of progress made and agreed to forward texts to COP-7 for final elaboration and adoption.

President Pronk highlighted his aims of encouraging intensive work on the texts, safeguarding the integrity of the political decision – or "Bonn Agreement" – on fulfilling the BAPA – and ensuring a fair process. He thanked delegates for their hard work, and said he has received confirmation from all groups that completion of the work will take place at COP-7 in way that is faithful to the Bonn Agreement. He added that the Bonn Agreement will make the Protocol ratifiable.

President Pronk praised the Bonn Agreement and the other achievements at this session as an outcome of dialogue, mutual understanding, and compromise, and evidence of the value of multilateral negotiations. He reminded delegates of their promise at the end of The Hague session not to wait another year to succeed with their negotiations, and said he was proud of the results achieved in Bonn. He expressed confidence that the remaining work, which is non-political, will be concluded at COP-7.

The COP then adopted the report of the session (FCCC/CP/2001/L.1 and Add.1).

Following this, Parties then made closing statements. Many thanked President Pronk for his significant contribution to the outcome of the resumed COP-6, and also expressed their gratitude to UNFCCC Executive Secretary Michael Zammit Cutajar and his staff.

Iran, on behalf of the G-77/China, said the Group had come to Bonn to finish unfinished work, and thanked all participants for the positive atmosphere of cooperation and understanding. On matters relating to compliance, he indicated that the G-77/China welcomed the Co-Chairs' non-paper (FCCC/CP/2001/CRP12/Rev.1) as a good basis for discussions, and said the adoption of legally binding consequences remained a major objective for the Group.

Bulgaria, for CG-11, urged Parties to continue to demonstrate the flexibility and goodwill evident in Bonn at COP-7. Samoa, for AOSIS, said the resumed COP-6 outcomes have breathed new life into the Protocol, adding that delegates have taken an historic step towards



creating an environmentally responsible, carbon restrained world. He indicated his appreciation to those Annex I countries involved in the Political Declaration on new and additional funding assistance. While noting that the Protocol is “only a modest first step,” he highlighted its key role as offering “the only viable lifeline.”

Belgium, for the EU, said the Bonn Agreement lays a foundation for the successful conclusion of these ongoing negotiations. He said he was hopeful that a balanced and comprehensive package of decisions will be achieved at COP-7.

Australia welcomed the significant progress since the “historic” Bonn Agreement on Monday, 23 July. He noted with satisfaction agreement on issues such as finance and technology transfer, and looked forward to completing work on all outstanding texts at COP-7.

Vanuatu, on behalf of the LDCs, welcomed in particular text on UNFCCC Article 4.8 and 4.9. He highlighted the need to involve youth and their spokespeople in the process. Japan stressed the progress in talks over recent days, while noting that much remains to be done to bridge differences on compliance, the mechanisms and LULUCF. He said Parties should strive to complete work on all outstanding issues at COP-7. New Zealand said it came to Bonn to say “yes” to an agreement. He said the Bonn Agreement has provided such an affirmation, and removed remaining questions surrounding the ratifiability of the Protocol. Morocco extended a welcome to Parties to continue at Marrakech the achievements in Bonn. President Pronk declared the resumed COP-6 closed at 10:30 pm.

A BRIEF ANALYSIS OF COP-6 PART II

Confounding the predictions of many, the gavel came down late Monday morning – midway through the two week meeting – and delegates rose in a standing ovation to complete a marathon weekend of negotiations and seal what many saw as an “historic” political agreement that saved the Kyoto Protocol. Few climate pundits had predicted a positive outcome in Bonn, and it was thus not surprising that praise on reaching a political agreement was effusive. Michael Meacher, UK Minister for the Environment, described it as “a brilliant day for the environment”; Peter Hodgson, New Zealand’s Energy Minister, said “we have delivered probably the most comprehensive and difficult agreement in history”; and an NGO campaigner said that “this first small step is a giant leap for humanity and for the future of our planet.”

Four days later, when President Pronk formally closed COP-6 Part II late on Friday evening, the euphoria was far more muted. Not only were observers coming to appreciate the nature of the sacrifices made to achieve this agreement, but – more importantly – differences had appeared in the interpretation of Monday’s groundbreaking agreement. At one stage, shortly after most of the world’s press had retired home comfortable in the belief that an agreement had been secured, it appeared as if the entire package was in danger of unraveling, with the Russian Federation and other Umbrella Group members flexing their muscles and disputing the terms of the agreement. This development, coupled with the failure to reach closure on certain key issues – notably compliance – was a sobering reminder that ratification of the Protocol is not yet assured, nor is its environmental integrity guaranteed.

“THE ONLY GAME IN TOWN”

Notwithstanding these concerns, the achievement of the last two weeks should not be underestimated. Expectations of delivery at Bonn had been low. In the words of one observer, “only professional optimists” were predicting success, with some commentators forecasting the end of the Protocol and “a descent into environmental anarchy.”

President Pronk had set himself an ambitious agenda, and the initial prognosis was not good. Since the collapse of talks in The Hague, the US had pronounced the Protocol “fatally flawed” and withdrawn from the process, leaving Pronk with no viable alternative but to broker a deal that was sufficiently attractive to Japan and the Russian Federation, while at the same time maintaining the commitment of the EU and developing countries. Despite an active round of shuttle diplomacy, and a number of preliminary high-level meetings, there was no evidence prior to Bonn that the gulf of disagreement had been bridged. Midway through the first week of the Bonn talks, and shortly before the arrival of ministers, this gulf was still apparent.

It is against this backdrop of significant political divisions, and low expectations, that the euphoria of Monday’s agreement should be seen. Despite the significant compromises that were made, the agreement is nevertheless hugely significant in that it has affirmed President Pronk’s long stated assertion that the Protocol is the “only game in town.”

“KYOTO LITE” – TAKING THE FIRST STEP

COP 6 Part II will be remembered primarily for having produced the “Bonn Agreement,” a political commitment on a package of issues that has facilitated ratification of the Kyoto Protocol. While to some observers the Bonn Agreement “falls far short of the lofty goals contained in the original Kyoto proposal,” leading one NGO to refer to the agreement as “Kyoto Lite,” there was nevertheless general support, even among some of the more skeptical NGOs, that a weak agreement was better than none.

The following is a brief analysis of some of the key elements negotiated under the Bonn Agreement, and in talks on The Hague texts.

FINANCE: While the financial issues group was the only one to approve all of its draft decisions, there were diverging views on the final outcome. Although the agreement recognizes the need for “new and additional funding,” and establishes three new funds, no specific funding level is identified and there are no new legal requirements on countries to provide funding. Pronk’s suggested US\$1 billion became an unrealistic option with US withdrawal from the Protocol.

The Kyoto Protocol adaptation fund is funded by a CDM levy and voluntary contributions. From a developing country perspective, the texts mirror the compromise that they made in the Bonn Agreement, under which they lost out on their previous insistence on mandatory funding levels or any setting of funding levels. As one developing country delegate expressed it “They have shown us the blank checks, now the question is will they actually enter any figures.”

LULUCF: The collapse of The Hague negotiations was attributed by many observers to disagreements over LULUCF issues: “It was sinks that sunk The Hague.” In contrast, the negotiations in Bonn on LULUCF issues proved to be comparatively straightforward. There are several reasons for this. Some suggest that negotiators came to Bonn conscious of the fact that sinks were fatal to The Hague deal, and, with greater pressure to conclude a package, they had an increased willingness to compromise. Ironically, the compromise that was struck was one some noted would have satisfied the US in The Hague.

With the US now out of the picture, the EU and G-77/China had to make significant sacrifices to keep the rest of the Umbrella Group on board, particularly in light of statements by Canada, Australia and Japan that the provision of credits under Article 3.4 was the key to ratification. An apparent trade-off for greater EU flexibility on sinks was the insistence that nuclear energy be removed from the CDM. While the EU’s shift on sinks was a major concession, and one that revived



concerns regarding loopholes and the renegotiation of the Protocol targets, most saw this as a necessary and beneficial trade-off for keeping the Protocol alive.

Commentators also observed that Amb. Estrada – well-known for forging agreements and producing results – had been brought in to chair discussions during the ministerial session, and suggested that his touch may have been evident. The resulting agreement was not without controversy, however. Shortly after the ministers' decision was agreed, but before it was formally adopted, the Russian Federation sought to increase the level of credit they could claim under forest management. Finding a solution for this apparent impasse, which some saw as threatening the entire process, required frantic scrambling to enable formal adoption of the Bonn Agreement.

MECHANISMS: Clarifying the nature and scope of the Kyoto mechanisms has always been one of the key determinants for ratification of the Kyoto Protocol by Annex I Parties. Although delegates were unable to resolve all of the technical issues and produce a clean text, they nevertheless laid a solid foundation for a positive outcome at COP-7. Key to this was the political agreement that was reached on the identified “core issues,” including supplementarity, eligibility, share of proceeds, the composition of the executive board, and sinks and nuclear facilities in the CDM. Agreement was also reached on technical issues such as baselines and additionality, small-scale CDM project activities, environmental impact assessments, public participation, and review by the executive board. As with a number of the other key issues, the EU made several important compromises on its previously stated positions, most notably on sinks. While they may seek some solace in the text on nuclear facilities, and parts of the text on eligibility requirements, it is evident that the desire to ensure the participation of key Umbrella Group countries greatly outweighed their aspirations for a stronger Protocol.

COMPLIANCE: For seasoned observers of the compliance negotiations, developments in Bonn were unexpected. Following the solid progress on this issue in The Hague, many expected that the Bonn negotiations would be comparatively straightforward. The opening days in Bonn dashed such optimistic forecasts, and served as a rude reminder to delegates that “nothing is agreed until everything is agreed.” While most delegates left The Hague believing that the compliance regime would be legally binding and would provide for clear deterrent consequences along the lines proposed by the EU and developing countries, they soon realized in Bonn that even these core elements were forcefully disputed. A key reason for this change was the US withdrawal from the negotiations. This resulted in a significant shift in bargaining leverage on those key positions where, in the past, the US had sided with the EU and the G-77/China, rather than with other members of the Umbrella Group. The absence of US participation on these key issues, coupled with the need to ensure ratification in particular by the Russian Federation and Japan, resulted in a shift in bargaining power towards those positions favored by the other Umbrella Group members. This was particularly apparent in discussions on the legally-binding nature of enforcement consequences, an issue that the US, EU, Canada and the G-77/China had all supported in The Hague, and where the preference of Australia, Japan and the Russian Federation for a “politically binding” compliance regime was a minority view apparently with little chance of success. The US withdrawal, and the need for ratification by a suitable combination of these three countries, dramatically influenced the diplomatic negotiating landscape.

The impact of this change was most clearly evidenced during the final stages of the high-level segment, where the issue of compliance constituted the major stumbling block for reaching a political agreement, necessitating late night calls to capitals and resulting in several amendments to the original Pronk “core elements” proposal. Unfortunately, the compromise amendment relating to the mode of adoption of the compliance regime, and its link with the legally binding nature of the compliance regime, later proved to be ambiguous, with major disagreement arising over its interpretation. During the final meetings of the compliance negotiating group, numerous amendments were proposed to the technical text by Australia, Japan, Canada and the Russian Federation, which some suggest has “effectively unraveled any progress” that had been made on compliance during the previous few years. The outcome of these meetings left some delegates openly expressing “deep disappointment and frustration.”

Despite not completing its work on compliance, COP-6 Part II made significant advances. These include the elaboration by the Co-Chairs of an unbracketed non-paper that will serve as the basis for the resumed negotiations at COP-7, as well as securing political consensus on several key issues of a compliance system, including a breakthrough regarding the composition of the Compliance Committee.

“PLAY IT, (UNCLE) SAM.”

As climate change observers look ahead to COP-7 in Morocco – a country synonymous to many with Bogart, Bergman and *Casablanca* – a question uppermost on the minds of many is the extent to which the US will be persuaded to join the climate caravan. Will the US play it, “as time goes by?”

Although the US was noticeably less intrusive in Bonn – seemingly sticking to their commitment not to prevent others from moving ahead – their presence was nevertheless ubiquitous. While some observers claim to have seen the hand of the US in various submissions by other Parties (most notably that by Nigeria on eligibility during the first week of negotiations) their impact on the negotiations was far more pervasive than indulging in a little backroom lobbying.

For many observers, an overriding objective of the Bonn meeting was to defy the US, by demonstrating that the Protocol could survive without its participation. This sentiment was most evident during the high-level plenary on Monday, 23 July, when the current spokesperson for the G-77/China stated that the political agreement was a “triumph for multilateralism over unilateralism.” This thinly veiled attack on the US position, which was warmly applauded by the packed conference hall, was further underlined by President Pronk. Noting the growing sentiment against globalization, typified by the G-8 protests in Genoa, Pronk stressed that the Bonn Agreement demonstrates “the centrality of the concept of international cooperation for the higher common benefit of the global community.”

US head of delegation, Paula Dobriansky, appeared unmoved and – despite being heckled – was unapologetic in reiterating the US position against ratification. Interestingly though, she referred to the Protocol as “not sound policy,” a shift from earlier statements that it was “fatally flawed” (and a subtle shift too from her original written statement, in which she apparently deleted reference to “deeply flawed”).

While it remains unlikely that the US position on ratification will change in the near future, there is no doubt that the Bonn Agreement has affected the international political economy of climate change. As European Environment Commissioner Margot Wallstrom put it shortly after the deal had been struck: “I think something has changed today in the balance of power between the US and the EU.” Or as one US observer said: “this is a major foreign policy defeat for President Bush.”



The nature of the changing relationship was underlined by President Pronk in his final press conference, late Friday night, where he emphasized that the US no longer speaks of the Protocol as being dead. He also noted that the US business community and various Senators are beginning to appreciate that isolation on this issue will have an impact on US economic interests. With ratification of the Kyoto Protocol now more likely, he suggested that there is now an increased possibility that "it won't take many years before there is at least a 'joint track' approach with the US in addressing climate change."

THE BONN AGREEMENT: "THE BEGINNING OF A BEAUTIFUL FRIENDSHIP?"

Despite the significant achievement in reaching political consensus, it became apparent towards the end of the Bonn meeting that not all Parties were "maintaining the spirit of Monday's historic agreement." This was most evident in the varying interpretations offered on the legally binding nature of the compliance regime. Some observers have questioned the motives behind the increasingly evident collaboration between Canada, the Russian Federation, Australia and Japan, even on issues upon which individual interests were not at stake.

While it is unlikely that – in the words of Humphrey Bogart – the Bonn Agreement will necessarily be the beginning of a beautiful friendship, it is clear that it has laid the foundation for possible ratification of the Kyoto Protocol. In his closing statement, Raúl Estrada, one of the chief architects of the Kyoto Protocol, underlined that COP-6 Part II has brought a "new dynamism to the Protocol process, and served to give new weight in our endeavors towards prompt ratification." But as the disagreements in the final few days of the Bonn meeting showed, there is no guarantee just yet that the Protocol will be ratified, and if so, at what cost to its environmental integrity.

THINGS TO LOOK FOR BEFORE COP-7

INTERNATIONAL ENERGY PROGRAMME EVALUATION CONFERENCE: This conference will be held from 21-24 August 2001, in Salt Lake City, Utah, US. Presentations will consider energy technologies and services, and outline the impacts of public and private energy programmes, as well as products and services, targeted at industrial, commercial, residential and low-income markets. For more information, contact: Mary McCarthy Hall, Conference Coordinator; tel: +1-608-835-6880; fax: +1-608-835-6881; e-mail: marymcc@tdsnet.com; Internet: <http://www.iepec.org>

FIFTH UNCTAD/EARTH COUNCIL POLICY FORUM ON TRADE AND CLIMATE CHANGE – THE STATE OF THE GREENHOUSE GASES MARKET: This workshop will take place in association with the International Emissions Trading Association from 29-31 August 2001, in Rio de Janeiro, Brazil. The forum will bring together public and private sector representatives from North and South to discuss climate change related issues. Participation is by invitation only. For more information, contact: Lucas Assunção or Gao Pronove, tel: +41-22-917-5853/5831; fax: +41-22-907-0247; e-mail: lucas_assuncao@hotmail.com or gao@govida.net; Internet: <http://www.unctad.org/ghg>

INTERNATIONAL EMINENT PERSONS' MEETING ON INTER-LINKAGES: This meeting, providing input to the 2002 World Summit on Sustainable Development, will convene from 3-4 September 2001, in Tokyo. The topic of the meeting, which is being jointly organized by United Nations University, the Ministries of

Foreign Affairs and Environment of Japan and the Global Legislators Organization for a Balanced Environment (GLOBE) will be "Strategies for bridging problems and solutions to work towards sustainable development." For more information, contact: Jerry Velasquez, United Nations University; tel: +81-3-5467-1301; fax: +81-3-3407-8164; e-mail: jerry@geic.or.jp; Internet: <http://www.unu.edu> or <http://www.geic.or.jp/>

EMISSIONS MARKETING ASSOCIATION FIFTH ANNUAL FALL MEETING AND INTERNATIONAL CONFERENCE: This meeting will be held from 30 September - 2 October 2001, in South Carolina, US. Topics will include: voluntary carbon dioxide commitments/GHG trading pilots; international perspectives on COP-7; state and provincial actions on climate change (focus on registries); state-based multi-pollutant legislation; emissions portfolio risk management in a dynamic market; SO₂ and NO_x emissions trading trends; system design; and legal issues. For more information, contact: David Feldner, Emissions Marketing Association Executive Director; tel: +1-414-276-3819; e-mail: dfeldner@emissions.org; Internet: <http://www.emissions.org/conferences/default.html>

18TH SESSION OF THE IPCC PLENARY: This meeting will be held from 24-29 September 2001, in London, UK. The purpose of the meeting is to adopt/approve the Synthesis Report. For more information, contact: Renate Christ, IPCC Secretariat, tel: +41-22-730-8574; fax: +41-22-730-8025; e-mail: christ_r@gateway.wmo.ch; Internet: <http://www.ipcc.ch/>

13TH MEETING OF THE PARTIES TO THE MONTREAL PROTOCOL: MOP-13 will be held in Colombo, Sri Lanka, from 15-19 October 2001. For more information, contact: Ozone Secretariat; tel: +254-2-62-1234; fax: +254-2-62-3601; Internet: <http://www.unep.org/ozone/>

17TH EUROPEAN PHOTO-VOLTAIC SOLAR ENERGY CONFERENCE AND EXHIBITION: This conference will be held from 22-26 October 2001, in Munich, Germany. Subjects to be addressed include: fundamentals, novel devices and new materials; crystalline silicon solar cells; photo-voltaic systems technology; and use of photo-voltaic by developing countries. For more information contact: WIP; tel: +49-89-720-1235; fax: +49-89-720-1291; e-mail: wip@wip-munich.de; Internet: http://www.wip-munich.de/conferences/pv/munich_2001/munich.html

INTERNATIONAL SYMPOSIUM ON ARCTIC FEED-BACKS TO GLOBAL CHANGE: This symposium will be held from 25-27 October 2001, in Rovaniemi, Finland. It is sponsored by the Nordic Arctic Research Programme and the Academy of Finland, and will feature a summary of Global Climate Model results for the Arctic, including in relation to the marine sector, terrestrial ecosystems, freshwater ecosystems and icecaps/glaciers. For more information, contact: Peter Kuhry; tel: +358-16-341-2758; e-mail: peter.kuhry@urova.fi

SEVENTH CONFERENCE OF THE PARTIES TO THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE: COP-7 is scheduled to take place from 29 October - 9 November 2001, in Marrakech, Morocco. For more information, contact: the UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; Internet: <http://www.unfccc.int/>