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INC-11 HIGHLIGHTS THURSDAY, 9 FEBRUARY 1995

WORKING GROUP I

Working Group I concluded its discussion of Agenda Item 7(b), Adequacy of Commitments, and began consideration of Agenda Item 7(c), Joint Implementation.

AGENDA ITEM 7(b) — ADEQUACY OF COMMITMENTS: Brazil, Nigeria, Bangladesh, India, Egypt, Micronesia and Thailand supported the G-77 and China's statement made on Wednesday. Brazil agreed that commitments are inadequate and said that it would be necessary to negotiate further strengthening of commitments of Annex I Parties. Nigeria objected to attempts to place new commitments on developing countries, and said new commitments could be considered only after Annex I Parties had met present commitments.

Bangladesh considered placement of the AOSIS draft protocol as timely. India and Thailand opposed negotiations that would begin to place new commitments on non-Annex I Parties and said the AOSIS protocol is the first step toward requiring Annex I countries to continue to meet their obligations. Egypt said there should be sufficient time for the negotiation of new commitments, which should apply only to Annex I Parties. Micronesia said that COP-1 should set targets beyond 2000 and urged all Parties to give the AOSIS protocol full consideration and support. The Philippines, on behalf of the G-77 and China, rejected the suggestion that developing countries should participate in tasks assigned to developed country Parties. He said it is urgent that Annex I Parties live up to their commitments. While Parties should discuss improvements well in advance, they should negotiate amendments only when present commitments are fulfilled.

AGENDA ITEM 7(c) — JOINT IMPLEMENTATION: The Secretariat invited delegates to discuss A/AC.237/MISC.44 and A/AC.237/MISC.44/Add.1 on Criteria for Joint Implementation. The US, supported by Japan, Australia and Canada, introduced draft language for a decision on Joint Implementation (JI) and an appendix on criteria. The draft decision establishes a pilot phase for JI beginning immediately after COP-1 and open to all Parties. Its objectives are to evaluate criteria, assess results, methodologies and accounting procedures, determine costs and benefits, assess institutional arrangements, identify problems, and encourage private sector involvement. The SBSTA would develop monitoring and evaluation modalities and report to the SBI and the COP. The criteria include that JI is voluntary, does not modify commitments, is financed outside existing ODA or Annex II GEF contributions, addresses any gases, sources or sinks, and includes data and methodological information to compare emissions with and without

the JI measure. The US said JI should be negotiated in tandem with the negotiation of new aims or strengthening of the Convention, because a JI programme would benefit the Convention. France, on behalf of the EU, and supported by Australia, said that Annex I Parties should not use JI to meet their present commitments. He called for additional clarification on expected benefits and risks through a pilot phase under an agreed set of criteria, and promised draft language for a JI programme.

China said JI means implementation of national policies between Annex I Parties and, thus, applies only to developed country Parties. If a developing country Party joins JI in the pilot phase, it should be on a voluntary basis and not shift developed country commitments onto developing country Parties. Due to its complexity, he said pilot phase JI credits, the system of accounting, and baselines should be excluded from national inventories and used only as an exercise for accumulating experience. The Czech Republic said JI projects should be based on appropriate bilateral or multilateral legal instruments.

Australia supported a phased approach beginning with pilot phase that has projects with readily identified reduction targets but allocates no credits. Supporting China's positions on voluntary participation and against shifting of commitments, Australia stressed the need to keep the institutional arrangements as simple as possible. Canada said JI is a cost-effective opportunity for collaboration on projects that will lead to reductions that would not otherwise occur, helping other environmental concerns in the host country and providing access to technology. He said the host country should maintain the right to approve or reject projects based on its own priorities.

Saudi Arabia, supported by Kuwait, Iran and Nigeria, said that the pilot phase of JI should be limited to Annex I Parties and the experience gained from the pilot phase could be used for the next phase. Chile supported JI as a multilateral system with a monitoring mechanism and accepted the idea of a pilot phase with a certain percentage of credits for developed and developing countries. While supporting JI, South Africa suggested that the full implications of JI is assessed for each country, total transparency is displayed in reporting and monitoring, any reductions under JI by Annex I Parties are additional to their current commitments, and funding under JI is additional to the financial mechanism of the Convention. The Russian Federation agreed on the broad involvement of the private sector, with national review of JI projects. Costa Rica supported limits on Annex I Parties in JI and hoped that COP-1 would arrive at a decision to launch a pilot phase. Argentina, supported by Mauritius, preferred a pilot phase without a credit system so that trust could be built among partners in the Convention. Argentina added that JI activities should be developed in accordance with national and sustainable development priorities. The Philippines said that it was clear that

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several G-77 members were expressing their views as sovereign Parties to the Convention and that their statements did not reflect the complete or common position of the G-77 and China. He noted that JI should not allow for the shifting of specific commitments of Annex I Parties to developing countries. He added that there was a plethora of interesting, but still divergent interests on this matter and efforts were underway to produce language that expressed unity of intention despite diversity of opinion.

WORKING GROUP II

Working Group II held cursory discussions on: guidance to the financial mechanism, provision of technical and financial support to developing country Parties, and modalities for institutional linkages between the COP and the financial mechanism.

AGENDA ITEM 8(a)(i) — GUIDANCE: The Group resumed consideration of the remaining unresolved paragraphs in A/AC.237/Misc.47 on policy guidance to the financial mechanism.

Paragraph 2(d): The Group agreed on: "The operating entity or entities should, in accordance with the policies, programme priorities and eligibility criteria as established by the COP, be available to assist, if so requested, in the implementation of the national programmes adopted by developing country Parties." The US said that it could not accept 2(d) until there is agreement on 2(e).

Paragraph 2(e): The G-77 and the US insisted that there should be a link between paragraphs 2(d) and 2(e). The G-77, supported by the US and Australia, proposed deleting the bracketed phrase in paragraph 1(a)(v), if 2(e) remains in the text. Otherwise, the G-77 felt that 2(e) should be deleted. The EU disagreed. There were also questions about whether the "comprehensive approach" to mitigation described in the Convention focuses only on emissions sources or on sinks as well. The Chair indicated that the main objective of this paragraph is that activities to mitigate greenhouse gas emissions should get priority in GEF financing. The EU preferred retaining reference to the comprehensive approach, and added that its deletion would require explicit listing of the sectors in which mitigation activities must be carried out. Developing countries held that the first part of the paragraph referenced only mitigation of emissions and additional terms would alter the focus. The Co-Chair proposed the following: "In the implementation of these national programmes, the operating entity or entities should support activities to mitigate greenhouse gas emissions not controlled by the Montreal Protocol, [and to protect and enhance sinks and reservoirs of greenhouse gases/consistent with the comprehensive approach contained in the convention]."

AGENDA ITEM 9 — PROVISION TO DEVELOPING COUNTRY PARTIES OF TECHNICAL AND FINANCIAL SUPPORT: Janos Pasztor from the Interim Secretariat presented documents A/AC.237/90 and the addenda, which contained progress reports on the Climate Convention information exchange programme (CC:INFO), the joint training programme (CC:TRAIN), and a note on the Climate Convention cooperation programme (CC:COPE). Antigua and Barbuda, referring to A/AC.237/90/Add.3 on assistance for enabling activities, asked about the role of the informal consultative mechanism and whether it involves technology transfer. The Interim Secretariat replied that the consultative mechanism is intended as a sharing process, and that technology transfer has not been discussed. Antigua and Barbuda also asked whether paragraph 39(a), on enabling countries to produce better project proposals, was intended to help develop proposals, or merely to share information. The GEF said that the mechanism was under the guidance of the Interim Secretariat.

Peru asked about the specific composition of the consultative mechanism and the criteria for its creation. The Interim Secretariat replied that while there were currently no formal list of participants, it should include agency technical experts and individuals with relevant experience and the INC could come up with criteria. India asked how programme priorities would be met by this consultative process. The Interim Secretariat replied that this document only

spells out how the staffs would work together but the issues to be addressed were up to the Working Group.

The US commented that document A/AC.237/80 contains the inputs for the CC programmes and asked for estimates on the outputs. The Interim Secretariat will prepare a table for discussion next week. Poland and the Russian Federation expressed concern about the availability of GEF financing within the financial mechanism and said it should not be limited to developing countries. The GEF replied that this document only covers enabling activities within the financial mechanism and that activities within CC:COPE are not limited to developing countries. Algeria said that agreement must be reached on an approach that will define the framework of assistance to be given to developing countries, adding that the COP alone is empowered to define eligibility criteria. The GEF responded that the operational criteria defined in paragraph 18 of the document are not eligibility criteria but rather internal operating matters for the GEF.

AGENDA ITEM 8(a)(ii) — MODALITIES: The Chair said that more discussion is needed on the assessment of funding needs and the form of the arrangement. During INC-10, there was a choice between an MOU and a legally-binding agreement, and most Parties, if not all, expressed support for the MOU. The Philippines noted that the G-77 and China have not yet come up with a definite decision on this matter or on the assessment of funding needs. Colombia said that the COP should begin to work on the MOU before the Secretariat of the Convention begins its talks with the GEF. The US responded that since the Secretariat has produced a good text in A/AC.237/87, the Committee could recommend that the two secretariats meet and develop an MOU in time for COP-1. Discussion will resume on both agenda items on Tuesday morning.

IN THE CORRIDORS

As the debate on Joint Implementation (JI) "heats" up, divisions between developing countries based on divergent interests and priorities are becoming apparent. It is clear from Article 4(2)(a) of the Convention that JI can take place between Annex I Parties. Discussion on broadening JI to include developing countries was first initiated at INC-8, raising developing countries' concerns about its potential implications and impacts. Developing countries have viewed JI with varying degrees of skepticism and caution. Concerns have once again been expressed that Annex I Parties should not use JI as a means to avoid meeting their current commitments under the Convention and that JI agreements should not substitute for funding mechanisms under the Convention. However, the position of some developing countries appears to be changing. There are those who favor limiting the JI pilot phase only to Annex I Parties and others who are more amenable to the voluntary and equitable participation of developing countries. There appears to be some agreement among developing countries that the thorny problem of the allotment of greenhouse gas abatement credits and a "baseline" be excluded from the pilot phase.

THINGS TO LOOK FOR TODAY

PLENARY: This morning the Plenary is expected to discuss Agenda Item 6, Rules of Procedure. In the afternoon, topics for discussion include Agenda Item 2, Arrangements for COP-1, and Agenda Item 5, Permanent Secretariat (institutional linkages, financial rules and budget, and physical location).

WORKING GROUP I: Working Group I will hold informal consultations on the first draft text on methodologies and discussions on Agenda Item 7(e), Subsidiary bodies.

INFORMAL CONSULTATIONS: Working Group II Vice Chair John Ashe is expected to hold consultations on guidance to the financial mechanism in Conference Room 6 at 10:00 am. The Chair's revised draft document, which will form the basis for discussion, will be available in the room.