



### HIGHLIGHTS FROM THE FCCC SUBSIDIARY BODIES MEETINGS TUESDAY, 1 JUNE 1999

Delegates met in the morning and evening in a joint Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA) session to consider: compliance under the Kyoto Protocol; activities implemented jointly (AIJ); and the Protocol mechanisms. In the afternoon, SBSTA convened to consider research and systematic observation, Annex I communications and methodological issues. SBI discussed non-Annex I communications, arrangements for intergovernmental meetings, and administrative and financial matters.

#### JOINT SBI/SBSTA SESSION

On compliance under the Protocol, the G-77/CHINA said Annex I Parties' communications should include information on Convention implementation, particularly: policies and measures to modify longer term trends; new and additional finance; assistance to meet adaptation costs; technology transfer; and capacity building of developing countries. AOSIS expressing disappointment at the overall increase in Annex I Parties' emissions, proposed that COP-5 review implementation of Annex I Party commitments. The EU said this meeting could make progress on, *inter alia*: implementation of Annex I Party FCCC commitments; development and transfer of technology; further elaboration of the Protocol mechanisms, giving priority to the clean development mechanism (CDM); and development of a strong and efficient compliance system. The AFRICAN GROUP, emphasized Africa's special needs relating to adaptation to adverse effects, capacity building and technology transfer. He advocated an early start to the CDM. Chair Kante said that a Joint Working Group, chaired by Harald Dovland (Norway) and Espen Rønneberg (Marshall Islands), would continue consideration of the issue.

On AIJ under the pilot phase, the G-77/CHINA and others expressed concern at the lack of regional balance in projects. The AFRICAN GROUP and NORWAY called for capacity building to remedy this, particularly in Africa. AOSIS said AIJ project experience internationally was inadequate for a meaningful review. SWITZERLAND called for development of terms of reference for the review of the pilot phase for consideration by COP-5. The US, with JAPAN and GUATEMALA, said experiences gained from AIJ projects could provide valuable lessons for Protocol mechanism development. She noted the need for a smooth transition from the pilot phase to project-based mechanisms. COSTA RICA underscored the role of AIJ projects in its sustainable development agenda, and called on COP-5 to take a definitive decision on AIJ's status. GUATEMALA, with BRAZIL, supported AIJ project eligibility for CDM certification, if the project meets the necessary criteria and, with RUSSIA, called for straightforward guidelines

for the certification system. As AIJ does not include a credit element and lacks adequate reference to sustainable development, IRAN opposed linking it with CDM.

On the Protocol mechanisms, the G-77/CHINA stressed the need to, *inter alia*: begin with formulating principles to guide the methodological and operational process; establish a common understanding of the mechanisms; and ensure that the nature and scope of mechanisms do not perpetuate North-South inequities. Stating that mechanisms should be supplemental to domestic action, the EU noted the need to ensure that they do not undermine commitments under the Protocol. She advocated for a properly defined ceiling that will encourage Annex B countries to define strong policies and measures.

The International Chamber of Commerce (ICC) reported on a recent CDM workshop held in Dakar, Senegal. The workshop conclusions highlighted, *inter alia*, that: CDM should act as a catalyst for sustainable development; studies on Protocol mechanisms should be extended to all African countries; a wide spectrum of projects and private sector involvement should be promoted; and capacity building of negotiators, companies, potential certifiers and others involved in CDM should be encouraged.

On the Protocol mechanisms, CHINA said the synthesis of proposals on emissions trading contained several extraneous elements, such as competitiveness and market size, and called for a revised synthesis. The US, JAPAN, AUSTRALIA, RUSSIAN FEDERATION, NORWAY, NEW ZEALAND and CANADA opposed the EU proposal to place caps on the use of the Protocol mechanisms. They said, *inter alia*, that the proposal would: re-open the "package" agreed in Kyoto; reduce the flow of new resources to developing countries; impede the cost effectiveness of the mechanisms; hinder wider acceptance of the Protocol by domestic constituencies; and create a double standard by not clarifying how it applies to Article 4 (EU "bubble"). SWITZERLAND proposed a post-verification system for emissions trading that allows Parties to trade only the excess of assigned amount units. Certificates for these excess units, to be issued by the Secretariat, would automatically be valid. Supported by KAZAKHSTAN, he proposed that JJ begin prior to 2008.

The AFRICAN GROUP, supported setting caps on the use of mechanisms to meet Protocol commitments and said the CDM should avoid replicating the inequitable regional distribution of projects experienced during the AIJ pilot phase. AOSIS said that actions under the mechanisms should be supplemental to domestic action and, with SENEGAL, indicated that the mechanisms be guided by equity and transparency principles.

On capacity building, SWITZERLAND called for an overview of past and ongoing initiatives on AIJ and the mechanisms. The EU suggested focussing on awareness raising and information regarding the design of options for the mechanisms. With regard to proposed action, she suggested a clearer division of labor between



the relevant bodies and institutions. Chair Chow suggested he chair a joint contact group on mechanisms and established an informal group on AIJ, co-chaired by the EC and Zimbabwe.

### SBSTA

On research and systematic observation, SWITZERLAND and the AFRICAN GROUP urged implementation of COP-4's recommendations. The US expressed concern at the declining state of the global observational network. CANADA, with the EU and RUSSIA, urged support for the Global Climate Observatory System (GCOS). The MARSHALL ISLANDS called for development of national plans to address observational gaps and data deficiencies and support strengthening of endogenous capacities. Chair Chow said informal consultations aimed at producing specific recommendations will continue.

Regarding guidelines for national communications, the IPCC noted its recent work to improve guidelines for national inventory preparation. AUSTRALIA called for separate development of guidelines for national communications inventory data. NORWAY said more experience on the use of guidelines was necessary before a final decision is taken. The EU and JAPAN supported a common reporting format proposed for inventory data guidelines. The US cautioned against overly prescriptive guidelines. CANADA stressed substance, not timing, as the most important consideration and, with POLAND, said it is impractical for and beyond the means of Parties to report on all climate change related policies and measures. RUSSIA opposed Canada's suggestion for an annual system of providing inventories, as it would be costly and difficult. A contact group chaired by Mark Mwandosya (Tanzania) and Jim Penman (UK) will consider this issue further.

Regarding the review process related to greenhouse gas inventories, the EU said domestic review processes conducted in an open and transparent manner would alleviate further review processes. POLAND noted that if Parties decide to change inventory methodology, artificial reduction of emissions may occur, and proposed recalculating emissions whenever the COP adopts new or amended emission inventory methodology.

Concerning the work programme on methodological issues, the EU said early completion of the work programme should be followed by a testing period to guarantee the step-by-step improvements and refinement of guidelines and modalities. CANADA underscored the importance of developing realistic review guidelines and, with the US, called for a more streamlined approach. AUSTRALIA emphasized defining realistic objectives for COP-6 and maintaining a clear sense of the different requirements of the Convention and the Protocol.

On land use, land-use change and forestry, delegates were briefed on a recent workshop held in Indianapolis on other land use activities. IPCC outlined a Special Report being prepared for consideration at SBSTA-11. Key issues to be addressed include, *inter alia*: the implications of different definitions, including forests, afforestation, deforestation and reforestation; the question of which carbon pools should be considered when evaluating implications for relevant net carbon emissions; the accuracy of measurements for each type of carbon pool; and the factors to be used in setting baselines. ICELAND called for care when implementing the Protocol to minimize disruption to existing climate change policies. MARSHALL ISLANDS said no new sink categories should be adopted until accounting difficulties have been resolved.

### SBI

SBI continued discussion of non-Annex I communications. On financial and technical support for non-Annex I communications, AOSIS cautioned against standardizing content requirements for national communications and indicated the benefits of allowing small states to complete national communications on a regional basis. The EU, noting that the GEF had increased funding for non-

Annex I communications, said the financial mechanism had responded effectively to developing country needs. The G-77/CHINA called for clear guidance on financial and technical support and said the GEF did not provide adequate funding. BOTSWANA, ZIMBABWE and the CENTRAL AFRICAN REPUBLIC said national communications should be an ongoing process and noted that practical difficulties faced by non-Annex I Parties impede the necessary continuity.

On interaction between FCCC and the GEF, the REPUBLIC OF KOREA observed that the GEF Council Members also represented Parties to the Convention. URUGUAY expressed satisfaction with the GEF's assistance. MEXICO highlighted the need to share experiences at the regional level to build capacities for national communications. The US emphasized continuity in information sharing and proposed conducting an annual update of inventories contained in initial communications. Chair Kante suggested continued discussion in a contact group and a meeting between the G-77/CHINA, the GEF and implementing agencies to exchange views on the difficulties encountered in providing financial resources for non-Annex I communications.

On arrangements for intergovernmental meetings, Parties exchanged views on COP-5: when it should commence; whether a Committee of the Whole (COW) should be created; what form the High Level Segment should take; and dates for COP-6. Several Parties, including EGYPT, the EU, JAPAN, POLAND and RUSSIA favored establishing a COW as it would benefit small delegations. Stating that COP-5 will be largely a technical meeting, SAUDI ARABIA, with KAZAKHSTAN and CHINA, opposed the creation of a COW. CANADA and SLOVENIA preferred the High Level Segment but without formal oral presentations. The EU suggested an informal panel discussion between ministers to enable them to focus on important political issues.

EGYPT proposed grouping controversial issues into clusters and discussing them in workshops before COP-5. SAUDI ARABIA and CHINA cautioned against introducing controversial issues that could "torpedo" the success of COP-5. The NETHERLANDS expressed interest in hosting COP-6. Chair Kante requested the Rapporteur to consult with Parties and find common ground on these issues.

### IN THE CORRIDORS

The halls of the Maritim witnessed a second day of relative calm. When asked for their two-week forecast, few were openly optimistic or pessimistic regarding the meeting's outcome, but many were concerned about the manner and timing for addressing the complicated agenda. Some observers contrasted the proliferation of information and proposals for the operation of the mechanisms to the dearth of trust shared by the key interest groups, who seem reluctant to make the leap of faith needed to move into substantive discussion.

### THINGS TO LOOK FOR

**SBSTA:** SBSTA will meet at 10:00 am in the Beethoven Room.

**SBI:** SBI will meet at 10:00 am in the Maritim Room.

**JOINT WORKING GROUP:** The Group will meet at 3:00 pm in the Beethoven Room.

**AIJ GROUP:** The informal group on AIJ will meet at 3:00 pm in a room TBA.