



## SUMMARY OF THE SEVENTH CONFERENCE OF THE PARTIES TO THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE: 29 OCTOBER - 10 NOVEMBER 2001

The Seventh Conference of the Parties (COP-7) to the United Nations Framework Convention on Climate Change (UNFCCC) was held in Marrakesh, Morocco, from 29 October - 10 November 2001. Over 4400 participants from 172 governments, 234 intergovernmental, non-governmental and other observer organizations, and 166 media outlets were in attendance. The meeting sought to finalize agreement on 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. In attempting to achieve these goals, which were set out in the 1998 Buenos Aires Plan of Action (BAPA), COP-7 intended to bring to a close three years of negotiations, and complete tasks left unfinished at COP-6 Parts I and II held in The Hague and Bonn, respectively. The Bonn Agreements – a political declaration on outstanding issues that was adopted at COP-6 Part II in July 2001 – served as the basis for delegates striving to finish their work.

From 30 October to 6 November delegates met in negotiating groups, closed drafting groups and informal consultations in their attempt to resolve outstanding issues. These included the mechanisms under the Protocol, a compliance system, accounting, reporting and review under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information), and land use, land-use change and forestry (LULUCF). Ongoing negotiations were also held on draft COP decisions relating to the least developed countries (LDCs), the Consultative Group of Experts (CGE), and input to the 2002 World Summit on Sustainable Development (WSSD).

The fifteenth sessions of the COP's subsidiary bodies met during COP-7 from 29 October to 8 November. The subsidiary bodies adopted draft conclusions on a number of issues, including national communications, administrative and financial matters, and methodological issues.

On Wednesday, 7 November, COP-7's High-Level Segment began, with ministers and senior officials seeking to bring negotiations to a successful conclusion. Informal consultations were facilitated by Minister Valli Moosa (South Africa) and Secretary of State Philippe Roch (Switzerland). After protracted bilateral and multilateral talks, a package deal on LULUCF, mechanisms, Protocol Articles 5, 7 and 8, and the input to the WSSD was proposed on Thursday evening, 8 November. Although the deal was accepted by most regional groups, including the G-77/China and the EU, the Umbrella Group (a loose alliance of Annex I Parties that includes Canada, Australia, Japan, the Russian Federation, and New Zealand) did not join the consensus, with key issues of dispute including eligibility requirements and bankability under the mechanisms. However, after further extensive negotiations throughout Friday and into Saturday morning, a package deal was agreed, with key features including a compliance eligibility requirement, consideration of LULUCF Principles in reporting of such data and limited banking of units generated by sinks under the Clean Development Mechanism (CDM).

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This issue of the *Earth Negotiations Bulletin* © <enb@iisd.org> is written and edited by Emily Boyd <emily@iisd.org>, Jon Hanks <jon@iisd.org>, Lisa Schipper <lisa@iisd.org>, Malena Sell <malena@iisd.org>, Chris Spence <chris@iisd.org> and Juliette Voinov <cedrickohler@msn.com>. The Digital Editor is Franz Dejon <franz@iisd.org> and the photographer is Leila Mead <leila@iisd.org>. The Operations Manager is Marcela Rojo <marcela@iisd.org> and the On-Line Assistant is Diego Noguera <diego@iisd.org>. The Editor is Pamela S. Chasek, Ph.D. <pam@iisd.org> and the Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. The Sustaining Donors of the *Bulletin* are the Netherlands Ministry of Foreign Affairs, the Government of Canada (through CIDA), the United States (through USAID), the Swiss Agency for Environment, Forests and Landscape (SAEFL), the United Kingdom (through the Department for International Development - DFID, and the Foreign & Commonwealth Office), the European Commission (DG-ENV), the Danish Ministry of Foreign Affairs, and the Government of Germany (through German Federal Ministry of Environment - BMU, and the German Federal Ministry of Development Cooperation - BMZ). General support for the *Bulletin* during 2001 is provided by the Ministries of Foreign Affairs and Environment of Finland, the Government of Australia, the Ministry of Environment and the Ministry of Foreign Affairs of Sweden, the Ministry of Foreign Affairs and Trade of New Zealand, the Ministries of Foreign Affairs and Environment of Norway, Swan International, and the Japanese Ministry of the Environment (through the Institute for Global Environmental Strategies - IGES). The *Bulletin* can be contacted by e-mail at <enb@iisd.org> and at tel: +1-212-644-0204; fax: +1-212-644-0206. IISD can be contacted by e-mail at <info@iisd.ca> and at 161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba R3B 0Y4, Canada. The opinions expressed in the *Earth Negotiations Bulletin* are those of the authors and do not necessarily reflect the views of IISD and other funders. Excerpts from the *Earth Negotiations Bulletin* may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this material in commercial publications, contact the Director of IISD Reporting Services. Electronic versions of the *Bulletin* are sent to e-mail distribution lists and can be found on the Linkages WWW server at <http://www.iisd.ca>. The satellite image was taken above Bonn ©2001 The Living Earth, Inc. <http://livingearth.com>. For information on the *Earth Negotiations Bulletin* or to arrange coverage of a meeting, conference or workshop, send e-mail to the Director, IISD Reporting Services at <kimo@iisd.org>.



## 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. A majority of scientists believe that precautionary and prompt action is necessary.

The international political 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.

**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, 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 have signed the Protocol, most have been waiting for the negotiation of these 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, 40 Parties have ratified the Protocol, including one Annex I Party, Romania.

**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 decision known as the Buenos Aires Plan of Action (BAPA). The critical deadline under the BAPA was COP-6, where Parties were to reach agreement on a package of issues. Pressing 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.

Numerous formal and informal meetings and consultations were held during 1999 and 2000 to help lay the foundations for an agreement at COP-6. However, as COP-6 drew near, political positions on the key issues remained entrenched, with little indication of willingness to compromise or move forward.

**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) land use, land-use change and forestry (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).

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 announced that delegates had failed to reach agreement. Delegates agreed to suspend COP-6, and resume their work in 2001.

A number of meetings and consultations were convened after COP-6 Part I in an effort to get negotiations back on track. In addition in March 2001, the US 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.

**COP-6 PART II:** COP-6 Part II and the fourteenth sessions of the UNFCCC's subsidiary bodies met in Bonn, Germany, from 16-27 July 2001. 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 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 Agreements" – 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.

Although draft decisions were approved 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 draft decisions were forwarded to COP-7, where delegates were to attempt to conclude their negotiations. The outstanding texts related to LULUCF, the mechanisms, compliance, P&Ms, and Protocol Articles 5, 7 and 8.



## COP-7 REPORT

The Seventh Conference of the Parties (COP-7) to the UNFCCC opened on Monday, 29 October 2001. COP-6 President Jan Pronk opened COP-7, suggesting that the events of 11 September had cast international agreements in a new light, and noting that the Bonn Agreements demonstrated the effectiveness of multilateralism and international cooperation in solving global problems within the framework of the UN. He expressed confidence that COP-7 would complete the process of translating the Bonn Agreements into legal language, and would bring work on the Buenos Aires Plan of Action (BAPA) to a successful conclusion.

The COP elected Mohamed Elyazghi, Morocco's Minister of Territory Planning, Urban Management, Housing and Environment, as COP-7 President. President Elyazghi welcomed delegates to Morocco, adding that this was the first UNFCCC COP to be held in Africa. He thanked COP-6 President Pronk for his perseverance and for leaving an "indelible mark" on the process.

Welcoming remarks were also made by Abdelaziz Saâdi, President of the Regional Council of Marrakesh, Omar Jazouli, President of the Urban Community of Marrakesh, and Michael Zammit Cutajar, Executive Secretary of the UNFCCC.

Delegates then heard general statements from a number of Parties. Many speakers thanked UNFCCC Executive Secretary Cutajar, COP-6 President Pronk, and the Secretariat for their invaluable contributions to the progress made in the negotiations. Several speakers, including the G-77/China, EU and the Central Group 11 (CG-11, a group of 11 central and eastern European countries), supported entry into force of the Protocol in time for the WSSD.

Iran, on behalf of the G-77/China, supported completion of work forwarded from COP-6 Part II, adding that this is not the right forum to raise the question of new or additional commitments by developing countries. Burkina Faso, on behalf of the Africa Group, underscored the high expectations of the international community that COP-7 would be a success. Switzerland, on behalf of the Environmental Integrity Group, stressed the need for entry into force of the Protocol. Mali, speaking for the LDCs, hoped that developing countries, and especially LDCs, would benefit from meaningful assistance. Australia and Japan welcomed President Elyazghi's intention to consult and report back to the COP before the High-Level Segment on the agenda item "second review of the adequacy of Article 4.2 (a) and (b)," and said they looked forward to a full discussion of this issue at COP-8. Belgium, on behalf of the European Union, said the review of commitments should not be debated at COP-7 or the WSSD, but only after the Protocol has entered into force, possibly at COP-8.

**ORGANIZATIONAL MATTERS:** On 29 October, President Elyazghi reported that 42 Parties had so far ratified the Kyoto Protocol and called on the remaining Parties to do so in time for the WSSD. On the rules of procedure, the COP decided to continue applying the draft rules (FCCC/CP/2001/6 and Add.1), with the exception of rule 42 (voting). Participants then adopted the agenda, with the exception of the item "second review of the adequacy of UNFCCC Article 4.2(a) and (b)" (review of commitments), which was held in abeyance. The matter was subsequently taken up in informal consultations. However, no agreement was reached, and on Saturday, 10 November, President Elyazghi informed the COP that intersessional consultations would be held, and the item placed on the provisional agenda for the sixteenth sessions of the subsidiary bodies (SB-16).

Following consultations, members of the COP-7 Bureau other than the President were elected in Plenary on 9 November. The Vice Presidents elected were: Mohammed Barkindo (Nigeria), A. Gopinathan (India), Mohamed Al-Maslmani (Qatar), Andrej Kranjc (Slovenia), Alexandre Bedritsky (Russian Federation), Max Rai (Papua New Guinea), and Karsten Sach (Germany). Gonzalo Menendez (Panama) was appointed Rapporteur. Raúl Estrada-Oyuela (Argentina) and Halldor Thoreirsson (Iceland) were named Chairs of SBI and SBSTA, respectively. The COP also decided to admit as observers those organizations listed in document FCCC/CP/2001/7.

The COP considered and adopted a draft decision (FCCC/CP/2001/L.23) forwarded by the SBI to the COP on 8 November on the date and venue of COP-8. The decision states that COP-8 will be held from 23 October to 1 November 2002, and notes the expression of interest by India in hosting the conference. It requests consultations to be continued between the Executive Secretary and India, and notification of the outcome to be reported not later than 24 November 2001. It requests the Bureau to decide on the venue of COP-8 at its next meeting in December 2001.

Draft conclusions on the calendar of meetings of Convention bodies 2005-2007 (FCCC/CP/2001/CRP.15) were adopted by the SBI on 8 November and by the COP on 9 November 2001. The COP adopted the report on credentials (FCCC/CP/2001/9) on Friday, 9 November.

### **IMPLEMENTATION OF THE BUENOS AIRES PLAN OF ACTION: ADOPTION OF DECISIONS GIVING EFFECT TO THE BONN AGREEMENTS**

The critical issues addressed during COP-7 related to the implementation of the BAPA. The following section of this report starts with a synopsis of the financial and funding decisions completed at COP-6 Part II and adopted at COP-7 (*Editor's note: Details of the negotiations at COP-6 Part II that led to these decisions are available in Earth Negotiations Bulletin Vol. 12, No. 176*). The section then outlines the substantive discussions and decisions on issues that needed further negotiation and completion at COP-7. These issues included the Protocol mechanisms, compliance, and national systems, adjustments and guidelines under Protocol Articles 5, 7 and 8.

**COMPLETED DECISIONS FORWARDED FOR ADOPTION:** Eight draft decisions on financial issues were agreed at COP-6 Part II, and forwarded for adoption during the closing COP-7 Plenary. Previously agreed decisions were also forwarded on activities implemented jointly (AIJ) and on the impact of single emissions in the commitment period.

**Capacity Building:** The draft decision on capacity building in developing countries (FCCC/CP/2001/L.2) requests the Global Environment Facility (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 draft decision on capacity building in countries with economies in transition (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 Small Island Developing States (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. The framework sets out the institutional arrangements for technology transfer and the role and composition of the expert group.

**Adverse Effects:** Parties agreed to separate decisions on UNFCCC Article 4.8 (adverse effects) and 4.9 (LDCs), and Protocol Article 3.14 (adverse effects). The draft decision on implementation of UNFCCC Articles 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 National Adaptation Programmes of Action (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.

Delegates also adopted SBSTA conclusions on AIJ (FCCC/SBSTA/2001/L.15), according to which the SBSTA takes note of the fifth annual synthesis report on AIJ, invites Parties to submit their views on their experiences with the pilot phase and decides that the deadline for submissions for the sixth annual synthesis report is 17 June 2002.

**DRAFT DECISIONS FORWARDED FOR ELABORATION, COMPLETION AND ADOPTION:** Draft decisions under the BAPA were forwarded from COP-6 Part II to COP-7 for further negotiation and completion on a number of key issues, including Protocol Articles 5, 7 and 8, LULUCF, the mechanisms, compliance, and policies and measures.

**Protocol Articles 5, 7 and 8:** A negotiating group dealing with Articles 5, 7 and 8, which set out guidelines for reporting and review of information on Protocol implementation, met throughout both weeks of COP-7. The group considered a number of issues in the draft guidelines for preparation of information under Article 7 and in the draft guidelines for review under Article 8, as well as related draft COP-7 and COP/MOP-1 decisions. The group also briefly revisited and agreed on draft COP-7 and COP/MOP-1 decisions on Article 5.1 (national systems) and on further developing Article 5.2 (adjustments) technical guidance.

The group was chaired by Harald Dovland (Norway). Two small drafting groups were formed, regularly reporting back to the negotiating group. Helen Plume (New Zealand) chaired the drafting group on LULUCF-related issues, and the second group, dealing with all other issues, was co-chaired by Festus Luboyera (South Africa) and Newton Paciornik (Brazil). During the High-Level Segment, ministers resolved several outstanding issues, and on 10 November, the COP adopted four decisions. The following summary synthesizes discussions on the most contentious issues and outlines the decisions.

**Land Use, Land-Use Change and Forestry:** Regarding Protocol Article 3.3 (afforestation, deforestation, reforestation) and 3.4 (additional activities), the G-77/China introduced draft paragraphs in the Article 7 guidelines requiring Parties to submit information on how reporting on these activities takes into account the LULUCF Principles contained in the Bonn Agreements. Australia cautioned that the draft guideline text had become more detailed than the Agreements and stressed that details should be left to be defined in the IPCC good practice guidance.

After extensive discussion, including compromise proposals from several Parties and Chair Dovland, the LULUCF package relating to the Articles 5, 7 and 8 guidelines was forwarded to ministers for resolution. During their negotiations, it was agreed as part of the overall package, that for the purposes of reporting greenhouse gas inventory information, each Party shall include information on anthropogenic greenhouse gas emissions by sources and removals by sinks from LULUCF under Article 3.3 and, if elected, under Article 3.4, as elaborated by any good practice guidance in accordance with relevant COP/MOP decisions on LULUCF. Estimates for sinks shall include, *inter alia*, information on how inventory methodologies have been applied, taking into account any IPCC good practice guidance on LULUCF agreed by the COP and the Principles on LULUCF, as well as information to ensure that units of land and areas of land are identifiable. Information should also be provided to indicate whether indirect human-induced effects are factored out, and, for Article 3.3 and 3.4 activities, respectively, how their determining features from the Protocol, including the "since 1990" clause, are demonstrated.

**Mechanisms' Eligibility:** On the issue of mechanisms' eligibility, Japan proposed text for an expedited procedure to review the reinstatement of eligibility to use mechanisms, stressing this as an issue of key importance to the country. Several Parties expressed concern at the lack of time to consider the issue. Decision text was agreed following minor amendments.

On loss of mechanisms' eligibility due to reporting failures, Parties agreed on an EU package proposal including loss of eligibility triggered by: failure to submit an inventory; and exceeding specific Annex A source category thresholds. Regarding reporting on LULUCF, ministers agreed on a compromise by requesting SBSTA to develop criteria for failure to submit information on activities under Article 3.3



and 3.4, similar to the criteria related to Annex A source categories, following work on good practice for LULUCF with a view to recommending a COP/MOP-1 decision.

**Supplementarity:** Regarding supplementarity in the use of mechanisms, delegates disagreed over whether providing such information should be mandatory. China introduced a proposal specifying the aim of reducing per capita emissions differences between developed and developing countries. The US, supported by Canada, opposed translating preambular text from the Bonn Agreements into an operational paragraph. The EU noted problems with such reporting, including lack of relevant developing country data. Ministers decided to drop this paragraph and agreed that Parties “shall” report on supplementarity. However they agreed that reporting failures would not trigger loss of mechanisms’ eligibility.

**Adverse Effects:** Regarding Protocol Article 3.14 (adverse effects), Chair Dovland noted that the options involve whether or not reporting problems should lead to non-compliance and loss of mechanisms’ eligibility. Japan, with a number of other Annex I Parties and opposed by the G-77/China, indicated that he did not consider reporting under Article 3.14 to be mandatory, and could not accept a link to mechanisms’ eligibility. Following completion of negotiations on compliance, and the decision that Article 3.14 questions of implementation are to be addressed by the facilitative branch, Chair Dovland made a proposal regarding all issues related to Article 3.14 whereby reporting problems would not trigger loss of mechanisms’ eligibility. Japan, Australia and Canada expressed concern with suggested mandatory language on reporting of Article 3.14 implementation. Participants were unable to agree on the proposal and the issue was deferred to ministers, who agreed on mandatory reporting requirements not triggering loss of mechanisms’ eligibility.

**COP Decisions:** The COP adopted four decisions related to guidelines for national systems under Article 5.1, good practice guidance and adjustments under Article 5.2, guidelines for Article 7 and guidelines for Article 8. The decisions include draft COP/MOP-1 decisions and, with the exception of Article 5.2, annexed draft guidelines.

The decision on Article 5.1 (FCCC/CP/2001/L.18) recommends that COP/MOP-1 adopt the annexed guidelines, and encourages Parties to implement them as soon as possible to gain experience and to assist Parties with economies in transition in their guidelines implementation.

The decision on Article 5.2 (FCCC/CP/2001/L.19) requests the Secretariat to organize a workshop prior to SBSTA-16 to elaborate draft technical guidance on methodologies for adjustments. It also requests SBSTA to complete the technical guidance for consideration at COP-9, and decides to develop such guidance for the LULUCF sector, following relevant IPCC work, for consideration at COP-10.

The decision on Article 7 (FCCC/CP/2001/L.28):

- requests SBSTA to develop criteria for failure to submit information on activities under Article 3.3 and 3.4, similar to the criteria related to Annex A source categories, following work on good practice for LULUCF;
- requests SBSTA-16 to further elaborate the sections on information on assigned amounts and information on national registries (contained in an appendix to the decision), taking into account the COP decision on Article 7.4 (assigned amounts); and
- urges Parties to report by 1 January 2006, for the purpose of review of demonstrable progress by 2005, and requests SBSTA-16 to consider the issue further with a view to recommending a COP-8 decision.

The decision on Article 8 (FCCC/CP/2001/L.29):

- requests SBSTA-17 to elaborate on ways to ensure the competence of expert review teams (ERTs) and invites Parties to submit views on this matter;
- requests SBSTA-17 to elaborate terms of service for ERT lead reviewers, and invites Parties to submit views and the Secretariat to prepare a document on terms of service options;
- requests SBSTA-17 to consider options for the treatment of confidential data and the Secretariat to prepare an analysis of such practices of other international treaty bodies, and invites Parties to submit their views;
- decides that there shall be an expedited procedure for the review for reinstatement of mechanisms’ eligibility and invites Parties to submit views in this regard, considering elements contained in an appendix to the decision;
- requests SBSTA-16 to further elaborate Parts III and V of the guidelines on review of information on assigned amounts and on national registries (as contained in an appendix to the decision) as well as any additional issues decided by SBSTA; and
- requests SBSTA-16 to elaborate the procedures, timing and reporting for the reinstatement of mechanisms’ eligibility, considering the decision on Article 7.4.

**Land Use, Land-Use Change and Forestry:** During the High-Level Segment, ministers considered and the COP adopted a proposal by the Russian Federation. According to the decision (FCCC/CP/2001/L.30), the COP agrees that the assigned amount for the Russian Federation from forest management activities under Protocol Article 3.4 shall not exceed 33 megatons of carbon per year, times five. On a related matter, the COP took note of a letter from Croatia on a unit for forest management under Article 3.4 and requested that this be considered at SB-16.

**Mechanisms:** Delegates met from 30 October - 6 November in a negotiating group co-chaired by Raúl Estrada-Oyuela (Argentina) and Kok Kee Chow (Malaysia). The group met to consider key political and technical issues outstanding from the Bonn Agreements relating to Article 6 (joint implementation), Article 12 (CDM), Article 17 (emissions trading), and Article 7.4 (assigned amounts). The crunch issues that cut across modalities and rules for the mechanisms and Article 7.4 included: the linkages between compliance and mechanisms’ eligibility; inventory reporting and mechanisms’ eligibility; fungibility and banking of units; and Principles on sinks and the CDM. The negotiating group relied on a Co-Chairs’ non-paper on issues relating to the procedures of the mechanisms, followed by a new draft text integrating mechanisms with regional groups’ positions on Article 7.4. From 7-10 November, extensive high-level bilateral and multilateral negotiations were held to broker a deal on these outstanding issues, which remained unresolved until early Saturday morning, 10 November, when a final “package deal” on mechanisms was agreed.

**Joint Implementation:** During Article 6 negotiations, the EU, Umbrella Group and G-77/China put forward divergent positions on issues relating to:

- the criteria for baselines and monitoring;
- accreditation and verification procedures;
- Supervisory Committee responsibilities, composition, election of Chair and Vice-Chair, decision-making, and the coverage of costs of participation of members from developing country Parties;
- eligibility requirements relating to the procedures and mechanisms on compliance;
- the early start of projects, and their eligibility for emission



reduction units (ERUs) as of 2008; and

- administrative costs.

All these issues were forwarded to ministers for consideration, and resolved during negotiations held from 7-10 November.

**Clean Development Mechanism:** Before the High-Level Segment, Parties reached agreement on standards for the accreditation of CDM operational entities and an EU proposal on developing, prior to SBSTA-16, definitions and modalities for including afforestation and reforestation under the CDM. However, many unresolved issues remained with divergence emerging on the eligibility requirements for the CDM. The Umbrella Group expressed concern with the suggested linkage between compliance and eligibility to participate in the mechanisms, and requested that the text remain bracketed as in the COP-6 Part II report. Co-Chair Estrada said the text used by the Co-Chairs was taken directly from the Bonn Agreements and that the ministers' decision should be maintained. Canada highlighted inconsistencies in the Bonn Agreements described by COP-6 President Pronk as a "clash" between the purpose of text on the mechanisms and the text on compliance. On issues relating to the Annex on modalities and procedures for the CDM, Parties considered registry requirements for the issuance of certified emission reduction units (CERs) into the pending accounts. Parties adopted draft text under the provision that they could revisit the matter after consideration of Article 7.4.

On the draft COP decision on principles, nature and scope of the mechanisms, Canada and Japan, opposed by the EU, G-77/China and the Alliance of Small Island States (AOSIS), proposed deleting text emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, strict principles and rules governing LULUCF, and a strong compliance regime. After some discussion, the original text was retained, with reference to "strict" being replaced with "sound and strong." On consideration of the related draft COP/MOP decision, Co-Chair Chow suggested deleting a paragraph specifying that the provisions on the use of mechanisms shall apply individually for Parties acting under Article 4 (joint fulfillment), on the understanding that in Bonn the flexibility on supplementarity was given to some countries in exchange for the deletion of text on Article 4. Australia, Canada and Japan opposed the deletion, arguing, *inter alia*, that broader issues of transparency and good governance were involved. These matters were negotiated and resolved by ministers in talks held from 7-10 November.

**Emissions Trading:** During Article 17 negotiations, Parties failed to reach agreement on several elements relating to the commitment period reserve, including whether to consider ERUs and CERs for the first commitment period. The Umbrella Group said that Parties, upon establishment of their assigned amount and until expiration of the additional period for fulfilling commitments, "should" not make a transfer resulting in these holdings falling below the required commitment period reserve level. The EU, G-77/China, AOSIS and Switzerland supported the use of "shall." Switzerland noted the need for mandatory requirements to maintain the integrity of the Bonn Agreements. The issue was forwarded to ministers, and resolved during negotiations held from 7-10 November.

**Assigned Amounts:** On assigned amounts, a Co-Chairs' non-paper on modalities and guidelines on the Article 7.4 prepared following the submission of Parties' proposals was considered by Parties in a drafting group chaired by Murray Ward (New Zealand). Co-Chair Estrada emphasized that the non-paper sought to achieve acceptable compromises on areas of divergence, including removal units

(RMUs), fungibility, bankability, carry-over and eligibility requirements. The G-77/China expressed a willingness to work on the basis of the non-paper, while noting insufficient time to consider it in detail.

Starting on Tuesday, 6 November, the Co-Chairs held bilateral informal consultations in order to produce a new text on mechanisms that would be acceptable to all Parties. During these consultations, progress was reported on issues relating to the commitment period reserve, the transaction log, and definition of units, including RMUs. The significant areas of divergence were still unresolved, including bankability, carry-over and eligibility requirements. Parties agreed to forward the new Co-Chairs' text on mechanisms to higher-level consultations, on the understanding that several countries had not agreed to the draft text.

Secretary of State Philippe Roch (Switzerland) and Minister Valli Moosa (South Africa) facilitated consultations with regional groups on the mechanisms group Co-Chairs' cross cutting non-paper on 8 and 9 November. By 9 November, Parties had narrowed down key issues on eligibility in relation to the compliance regime and the mechanisms, the reporting of LULUCF data or inventories and the mechanisms, requirement for the commitment period reserve, and carry over, bankability and fungibility of credits with the Umbrella Group rejecting a potential package deal prepared by the co-facilitators. A compromise solution accommodating some of the Umbrella Group's positions was finally agreed on 10 November.

**COP Decisions and Conclusions:** A final package deal on mechanisms and Article 7.4 was brokered on 10 November with Parties adopting decisions on the work programme on the mechanisms, principles, nature and scope of the mechanisms (FCCC/CP/2001/L.24) deciding, *inter alia*, that: the eligibility of Annex I Parties to participate in the mechanisms shall be dependent on its compliance with methodological and reporting requirements under Protocol Articles 5.1, 5.2, 7.1 (inventories) and 7.4, in accordance with the relevant provisions; and its being subject to the procedures and mechanisms on compliance under the Protocol. The COP also adopted the guidelines for the implementation of Article 6 (FCCC/CP/2001/L.24/Add.1), the modalities and procedures for a clean development mechanism (FCCC/CP/2001/L.24/Add.2), and modalities and guidelines for emissions trading (FCCC/CP/2001/L.24/Add.3).

The COP also adopted the decision on the modalities for accounting of assigned amounts under Article 7.4. (FCCC/CP/2001/L.25): requesting that SBSTA develop technical standards for the purpose of ensuring the accurate and efficient exchange of data between national registries, the CDM registry, and the transaction log with a view to establishing the transaction log no later than the second session of the COP/MOP; and deciding that each Annex I Party shall submit to the Secretariat reports on the calculations of assigned amounts pursuant to Article 3.7 (assigned amount) and 3.8 (base year for other greenhouse gases), on the ERUs, CERs, assigned amount units (AAUs) and removal units (RMUs) that are valid for an additional commitment period, and for the publication of annual and final compilation and accounting of emissions for Annex I Parties.

On a related mechanisms matter, COP-7 also elected the CDM Executive Board.

**Compliance:** Outstanding issues on compliance were discussed in a negotiating group as well as a closed drafting group under the Co-Chairship of Tuiloma Neroni Slade (Samoa) and Harald Dovland (Norway), on the basis of a Co-Chairs' non-paper on the status of negotiation on procedures and mechanisms relating to compliance under the Protocol. The negotiating group met on 30 and 31 October





and 6 November, while the drafting group met from 1 to 6 November. In addition, delegates convened in a series of bilateral informal consultations between regional groups in order to address a number of these issues, as well as on consultations on the draft COP-7 decision facilitated by Everton Vargas (Brazil). On 6 November, a package deal between the EU and the Umbrella Group formed the basis for general agreement to be reached among all Parties. Later that day, the success achieved was reported by the Co-Chairs to Plenary. The decision, including the annex containing the procedures and mechanisms relating to compliance under the Protocol, was adopted by the COP on 9 November.

The following summary provides a synthesis of compliance negotiations, focusing on the most controversial issues delegates had to face: the COP decision and the elements of the package deal struck between the EU and the Umbrella Group.

Discussions on the COP decision reflected the disagreement among Parties over the legal nature of consequences applied by the enforcement branch. For the G-77/China, ministers in Bonn had agreed on binding consequences, with the only issue deferred to COP/MOP-1 being the mode of adoption. The EU said consensus at the ministerial level had been on a need for a binding compliance system applicable to all Parties, and with binding consequences. What was left open, and deferred to COP/MOP-1, was whether the consequences would be legally binding on Parties as a matter of international law, and this would depend on the mode of adoption chosen by the Parties to the Protocol. Canada, with Australia and the Russian Federation, said the issue of legally binding consequences had been deferred to COP/MOP-1. Several alternative texts to the Co-Chairs' proposal were put forward by the EU and Umbrella Group, and discussed in the drafting group as well as in informal consultations. The compromise text proposed by Vargas, and agreed on 6 November, includes a preambular paragraph "noting that it is the prerogative of the COP/MOP to decide on the legal form of the procedures and mechanisms relating to compliance."

The elements of the package deal struck between the EU and the Umbrella Group focused on four issues: Party-to-Party trigger, appeal, reinstatement of eligibility and compliance action plan. The need for a process leading to the reinstatement of eligibility to use the mechanisms was advocated by Japan, both within the context of the mandate of the enforcement branch and the provisions on its expedited procedure. The agreed text on procedures and mechanisms relating to compliance provides for two processes leading to the possible reinstatement of eligibility. The first pertains to circumstances where eligibility is suspended due to the lack of meeting eligibility requirements. The second concerns cases where the suspension of eligibility to make transfers under Article 17 results from a Party exceeding its assigned amount. In the final deal, it was agreed that both processes could be triggered through ERT reports, as well as directly by the Party concerned.

The possibility for the Compliance Committee to receive questions of implementation submitted by a Party with respect to another Party was supported by the G-77/China and EU, and opposed by Australia and the Russian Federation. Arguments put forward by these countries were that a Party-to-Party trigger had the potential of creating rifts among Parties or could eventually be used by a Party for other purposes, and that the ERT reports provided a thorough triggering process. In the package deal, Parties agreed to maintain the Party-to-Party trigger.

One element of the proposed text on appeal was opposed by Australia, who suggested that the decision of the enforcement branch become effective if an appeal is not made. The EU, on the other hand, proposed that decisions stand pending the outcome of an appeal. Parties reached agreement on text providing that both the decision of the enforcement branch shall stand pending the decision on appeal, and that it shall become effective if, after 45 days, no appeal has been made against it.

The section on consequences applied by the enforcement branch, in particular that related to the development of a compliance action plan in cases of non-compliance with Articles 5.1, 5.2, 7.1, and 7.4, also constituted one element of the EU-Umbrella Group package deal. Japan expressed difficulties with the concept of a compliance action plan, while Canada said it had concerns with text providing that "further consequences" may be decided by the enforcement branch. The package deal gives Parties more flexibility with regard to the deadline for the submission of a compliance action plan and the timing for the submission of progress reports, and no longer provides for the possibility for further consequences to be decided by the enforcement branch.

Concerning other controversial issues discussed at COP-7, Parties decided that:

- questions of implementation relating to Article 3.14 (adverse effects) as well as with respect to supplementarity in the use of mechanisms fall within the scope of the mandate of the facilitative branch;
- the Compliance Committee is to take into account any "degree of flexibility" for EITs, and these countries may, like any other Party, benefit from the facilitation of financial and technical assistance;
- in exercising its responsibilities, the facilitative branch shall take into account the principle of common but differentiated responsibilities and respective capabilities, and also the circumstances of the case before it;
- hearings by the enforcement branch shall be public and information considered by either the enforcement or the facilitative branch shall be made public, unless decided otherwise by that branch; and
- the length of the additional period for fulfilling commitments is 100 days.

The COP decision, including the annex on procedures and mechanisms relating to compliance under the Protocol was adopted in Plenary on 9 November.

**COP Decision:** The decision (FCCC/CP/2001/L.21):

- notes that it is the prerogative of the COP/MOP to decide on the legal form of the procedures and mechanisms relating to compliance;
- adopts the procedures and mechanisms relating to compliance annexed thereto; and
- recommends that the COP/MOP-1 adopts these in terms of Article 18.

The annex provides that:

- a Compliance Committee is established and functions through a facilitative and an enforcement branch;
- the facilitative branch is responsible for providing advice and facilitation to any Party, through the facilitation of financial and technical assistance, or the formulation of recommendations;
- the enforcement branch is responsible for determining whether an Annex I Party is in compliance with Article 3.1 (assigned amount), methodological and reporting requirements under



Articles 5.1, 5.2, 7.1 and 7.2, and the mechanisms eligibility requirements; and,

- consequences applicable by the enforcement branch include: declaration of non-compliance; submission of a compliance action plan; deduction from the Party's assigned amount of the second commitment period of a number of tonnes equal to 1.3 times the amount, in tonnes, of excess emissions; and suspension of eligibility to use the mechanisms.

**Policies and Measures:** In the SBSTA meeting on 30 October, Chair Dovland noted the recent workshop on P&Ms, suggested that in-depth discussions on this issue be deferred to SBSTA-16, and said he would produce draft conclusions.

The conclusions were presented to SBSTA on 6 November. Saudi Arabia, opposed by Poland, Switzerland, Central African Republic and Canada, advocated deleting the paragraph inviting Parties to consider and submit their views on the workshop, and on further action to advance work on P&Ms. Following discussion, Dovland's proposed conclusions were approved and forwarded to the COP, which adopted them during its final Plenary on 10 November.

**Conclusions:** In the conclusions (FCCC/CP/2001/5/Add.2), the SBSTA takes note of a recent workshop on P&Ms, decides to further consider the issue at SBSTA-16 and invites Parties to submit their views in this regard, and requests the Secretariat to compile information on P&Ms from Parties national communications for consideration at SBSTA-17.

### **INPUT TO THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT**

Informal consultations on this matter, facilitated by Amb. Bo Kjellén (Sweden), took place throughout the meeting. On 2 November, delegates in the COP Plenary stressed: the principle of common but differentiated responsibilities; the importance of the "three pillars" of sustainable development; linkages between UNFCCC, Convention to Combat Desertification (CCD) and the Convention on Biological Diversity (CBD); and the opportunity offered by the WSSD to consider progress made since UNCED in 1992. A paper containing discussion elements for the COP's contribution to the WSSD was distributed later that day. During the High-Level Segment, consultations on a Marrakesh draft ministerial declaration were facilitated by Minister Valli Mossa (South Africa) and Philippe Roch (Switzerland). The text of a Marrakesh Ministerial Declaration was submitted on 8 November, as one of the four elements of a global package deal to be agreed upon at COP-7. All regional groups reportedly agreed to the proposal, which was adopted by the COP on 10 November.

**MARRAKESH DECLARATION:** In the Marrakesh Ministerial Declaration (FCCC/CP/2001/L.27), ministers and other heads of delegation, *inter alia*:

- welcome the Marrakesh Accords that pave the way for the timely entry into force of the Protocol;
- recognize that the synergies between the UNFCCC, CCD and CBD should continue to be explored;
- stress the importance of capacity building;
- emphasize that climate change and its adverse impacts have to be addressed through cooperation at all levels; and
- welcome the efforts of all Parties to implement the Convention.

### **THIRD ASSESSMENT REPORT OF THE IPCC**

At the SBSTA meeting on 29 October, IPCC Chair Bob Watson introduced the Synthesis Report of the Third Assessment Report (TAR), and delegates considered the implications of the TAR for the

future work of the SBSTA. The EU, supported by Japan, Canada, Malaysia, AOSIS, Norway, Switzerland and Australia, but opposed by Saudi Arabia, suggested holding a workshop on the implications of the TAR for the work of the SBSTA. Saudi Arabia and the G-77/China stressed the inclusion of developing country scientists, and literature in languages other than English. Chair Dovland invited Halldor Thorgeirsson (Iceland) to conduct informal consultations on a draft decision on the TAR.

On Tuesday, 6 November, Thorgeirsson reported that while a large group of Parties supported steps on follow-up on the TAR, delegates had been unable to reach consensus on the proposed draft conclusions. Saudi Arabia and Kuwait proposed deferring the issue to SBSTA-16. Following additional informal consultations, compromise text was agreed and adopted by the SBSTA. References to assessing "the implications" of the TAR were deleted, and the scope of the proposed workshop on the TAR was amended to include reference to "scientific uncertainty" and the "effects of measures." A decision was adopted by the COP Plenary on Friday, 9 November.

**COP DECISION:** In this decision (FCCC/SBSTA/2001/L.17/Add.1), the COP encourages continuing IPCC work, including preparation of the Fourth Assessment Report, and also encourages Parties to make full use of the information in the TAR. It urges Parties to continue providing financial support to the IPCC and to contribute to the IPCC trust fund to allow more developing country experts to participate in IPCC activities.

### **REPORT OF THE GEF**

The report of the Global Environment Facility prepared for COP-7 was referred by the COP to the SBI, which first took up the matter on 30 October. Commenting in the SBI on the report, the G-77/China highlighted concerns over the length of time between project approval and availability of funds, the impact of currency fluctuations, and the need for adequate funding for support programmes. Draft conclusions were subsequently prepared by SBI Chair John Ashe. On 6 November, the SBI approved these draft conclusions and forwarded them to the COP, which adopted them on Friday night, 9 November.

**CONCLUSIONS:** The SBI Chair's conclusions (FCCC/SBI/2001/L.7) take note of the GEF report, and urge the GEF to streamline its procedures to reduce the time between project approval and disbursement of funds. The conclusions urge GEF financial support to non-Annex I Parties for second national communications, dissemination of the IPCC Third Assessment Report, and implementation of UNFCCC Article 6 (education, training and public awareness). In addition, the conclusions note some Parties' concerns regarding adequacy of GEF assistance for preparation of non-Annex I communications.

### **PROPOSALS TO AMEND THE LISTS IN UNFCCC ANNEXES I AND II**

**PROPOSAL BY TURKEY:** A proposal made by Turkey at COP-6 Part I to remove its name from the list in Annex II to the Convention was adopted by the COP Plenary on 9 November, following consideration by the SBI. The decision (FCCC/SBI/2001/L.8) notes that the entry into force of this amendment to the list in UNFCCC Annex II shall be subject to the same procedure as that for the entry into force of annexes to the UNFCCC in accordance with Article 16.3 (entry into force of the adoption of an Annex), and invites Parties to recognize the special circumstances of Turkey, which place it, after becoming a Party, in a situation different from that of the other Parties included in UNFCCC Annex I.





**PROPOSAL BY KAZAKHSTAN:** A proposal by Kazakhstan to add its name to the list in Annex I was taken up in the SBI and adopted by the COP on 9 November. The conclusions note that, in accordance with UNFCCC 4.2 (a) and (b) (P&Ms), Kazakhstan becomes an Annex I Party to the Protocol upon its ratification and the entry into force of the Protocol. They also note Kazakhstan's interest in engaging in negotiations with the objective of defining a quantified limitation or reductions commitment under Annex B of the Protocol, and recognize that it will continue to be a Party not included in Annex I for the purposes of the UNFCCC.

#### **NATIONAL COMMUNICATIONS**

**ANNEX I COMMUNICATIONS:** Three sub-issues were addressed under this agenda item: feasibility of developing guidelines for the review of national communications; third national communications, review and roster of experts; and reporting and review of greenhouse gas inventories in Annex I Parties.

**Feasibility of developing guidelines for the review of national communications:** Delegates agreed to a proposal by SBI Chair Ashe that this issue be considered after the review of third national communications. Conclusions were adopted and are contained in the report of the SBI (FCCC/SBI/2001/L.2). The conclusions take note of a workshop report on exchanging information on preparation of third national communications, and note that the SBI will return to this issue at a future session.

**Review and roster of experts in relation to third national communications:** Chair Ashe noted that these communications are due by 30 November 2001. The decision (FCCC/SBI/2001/L.5), adopted by the COP on 9 November, requests the Secretariat to prepare the compilation and synthesis of national communications at COP-8.

**Reporting and review of greenhouse gas inventories in Annex I Parties:** SBSTA took up the matter of Annex I Party inventories on 30 October. Chair Dovland recalled the SBSTA-12 invitation for Annex I submissions of experiences in preparing greenhouse gas inventories using IPCC good practice guidance. Noting that an inventory review expert meeting is to take place in December 2001, he proposed deferring evaluation of experiences to SBSTA-16. The decision on this matter (FCCC/SBSTA/2001/L.9/Add.1) was adopted by the COP on Friday, 9 November. In the decision, the COP defers the revision of the guidelines for the technical review of greenhouse gas inventories for consideration by SBSTA-16 and extends the trial period for their assessment until COP-8.

**NON-ANNEX I COMMUNICATIONS:** Regarding non-Annex I communications, Parties considered the third compilation and synthesis of initial communications; the report of the Consultative Group of Experts (CGE); and the provision of financial and technical support. Three decisions and one set of conclusions were adopted by the SBI and the COP on this item. The conclusions on the provision of financial and technical support were only considered by the SBI, and are summarized in the SBI section.

**National communications:** The decision on this agenda item was adopted by the SBI on 8 November and by the COP on 9 November. The decision on third compilation and synthesis of initial national communications from non-Annex I Parties (FCCC/SBI/2001/L.4) requests the Secretariat to prepare a fourth compilation and synthesis report for COP-8; concludes that non-Annex I Parties are fulfilling their commitments under UNFCCC Article 4.1 (communication of information); and notes the constraints and limitations encountered during the preparation of national communications.

**Consultative Group of Experts:** Two draft decisions and one set of draft conclusions on this item were considered by the SBI and a contact group chaired by Emily Ojoo-Massawa (Kenya) and in informal consultations. Following their approval in the SBI, all three texts were adopted by the COP on 9 November.

In the first SBI discussion on this matter, the US proposed that recommendations from the CGE be considered as a basis for improvements of the UNFCCC reporting guidelines. On the report of the CGE, Canada, with Australia, noted that there might be overlap between the report and the COP-6 Part II funding package, suggesting they be harmonized. The EU and Australia, opposed by Malaysia, China and Argentina, said the report provided a sound basis to initiate the revised guidelines. SBI Chair Ashe said this issue would be further considered in a contact group, along with the provision of financial and technical support.

In the contact group, Parties discussed the terms of reference for the CGE, in particular language in the document referring to LDCs. Several LDCs noted that the CGE did not have a mandate to address the LDC NAPA process. The EU stressed linkages between the processes of preparing national communications and NAPAs. Text referring to LDCs was bracketed and remained so until agreement on linkages was reached between LDCs and the CGE within the group discussing LDC issues.

On the composition of the CGE, the G-77/China requested removal of the expert from non-Annex I Parties in Europe proposed in the new terms of reference. The EU, Switzerland and Australia supported the initial composition, and Switzerland and Australia said further consideration of the terms of reference was not necessary.

On the improvement of guidelines for the preparation of non-Annex I communications, several Parties supported the extension of the current terms of reference, although consensus was not achieved. Delegates addressed at length the timing for three issues: the improvement and adoption of the guidelines; the preparation of draft improved guidelines and a workshop to be held on this; and the submission by Parties of proposals on the draft guidelines to the Secretariat. Uganda, for the LDCs, supported adopting the improved guidelines at COP-10, while the G-77/China preferred COP-9. The US, with Australia, supported doing this at COP-8, underscoring the relevant COP-5 decision that had scheduled this for COP-7, and stressed that it was not acceptable to postpone this for more than one year. Parties agreed to the adoption of the improved guidelines at COP-8, the holding of a workshop prior to SB-16, and the submission of Parties' proposals on these guidelines by 5 August 2002 for consideration at SBI-17. The US did not support deciding at COP-7 on the frequency of submission of national communications by non-LDC developing country Parties.

On the terms of reference, participants discussed: the cut-off time for reviewing national communications and for inclusion in the Secretariat's compilation and synthesis report; the number of workshops to be held; and the number of experts to be invited to these workshops. Regarding dates for workshops, and the review of the terms of reference for the CGE, the G-77/China proposed two workshops be held in 2002, and that the terms of reference be reviewed at COP-8, to which delegates agreed.

**CGE Decisions and Conclusions:** The conclusions on the report of the CGE (FCCC/SBI/2001/CRP.4) note the excellent work of the CGE and recommend two draft decisions that were adopted by the COP.



The decision on the report of the CGE on other matters relating to communications from non-Annex I Parties (FCCC/CP/2001/L.20) states that: the process of reviewing the guidelines for the preparation of national communications should be continued with a view to improving these at COP-8; and that the improvement of guidelines shall take into account information on the use of guidelines contained in third compilation and synthesis report, national communications, and recommendations by the CGE. It also decides that the Secretariat shall prepare draft guidelines on the preparation of national communications, invites Parties to submit proposals on the matter by 5 August 2002, and requests the Secretariat to prepare an information document on Parties' views for consideration by SB-17.

The decision on the CGE (FCCC/SBI/2001/L.10/Rev.1) states that at least one member of the CGE from LDCs and at least one member of the CGE from an Annex II Party should also be members of the LDC Expert Group, in order to establish linkage on issues related to adaptation; that the CGE shall conduct two workshops in 2002; that during 2002 the Secretariat shall organize a meeting of the LDC Expert Group back to back with a meeting of the CGE; and that the terms of reference of the CGE shall be reviewed at COP-8.

#### **PROGRAMME BUDGET FOR THE BIENNIUM 2002-2003**

This matter was referred by the COP to the SBI, which first took up the matter on Monday, 29 October. UNFCCC Executive Secretary Cutajar introduced the revised UNFCCC programme budget, produced following SBI's recommendation at SB-14 of a budget for 2002-2003 of US\$32.8 million. Consultations were held on the draft decision and adopted by the SBI on 8 November and by the COP on 9 November, with an amendment inviting Parties to make contributions in the order of US\$6.8 million rather than US\$6.5 million to support activities relating to "prompt start" of the CDM. The decision (FCCC/CP/2001/L.3) approves the programme budget of US\$32,837,100 and approves a contingency budget for conference servicing of US\$5,661,800.

#### **OTHER MATTERS**

##### **LETTER FROM THE CENTRAL ASIA, CAUCASUS, ALBANIA AND MOLDOVA GROUP OF COUNTRIES (CAC&M GROUP) ON THEIR STATUS UNDER THE CONVENTION:**

This agenda item, based on a letter stating that the CAC&M group considers COP-6 and COP-7 decisions relating to developing countries should also apply to members of the group, was taken up by the COP on Monday, 29 October, and referred to informal consultations. On Friday, 2 November, the COP adopted a decision (FCCC/CP/2001/L.17) inviting SBI-16 to give further consideration to the request and to make recommendations to the COP.

**PARTICIPATION OF WOMEN:** On Friday, 9 November, the COP adopted by acclamation a draft decision (FCCC/CP/2001/L.22) proposed by COP-7 President Elyazghi on improving the participation of women in the representation of Parties in bodies established under the UNFCCC and its Protocol. The decision invites Parties to give active consideration to the nomination of women for elective posts in any body established under the UNFCCC and the Protocol; requests the Secretariat to bring this decision to the attention of Parties whenever a vacancy arises for any elective post in any body established under the UNFCCC and the Protocol; and further requests the Secretariat to maintain information on the gender composition of each body with elective posts established under the UNFCCC and the Protocol, and to bring this information to the attention of Parties whenever such a vacancy occurs.

#### **REPORTS OF THE SUBSIDIARY BODIES**

The subsidiary bodies to the UNFCCC met for their fifteenth sessions from 29 October – 8 November. On Monday, 29 October, 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 over the next week, which resulted in draft conclusions adopted by the two subsidiary bodies in meetings held on Tuesday, 6 November, and Thursday, 8 November. Issues addressed include, for the SBI, the programme budget for 2002-2003 and national communications, and, for SBSTA, methodological issues, technology transfer, and education, awareness and training. SBSTA adopted its report for the session (FCCC/SBSTA/2001/L.6) on 6 November, while the SBI adopted its report (FCCC/SBI/2001/L.2) on 8 November. 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 SCIENTIFIC AND TECHNOLOGICAL ADVICE (SBSTA):**

The fifteenth session of the SBSTA, chaired by Harald Dovland (Norway), met five times from 29 October – 6 November. On 29 October, delegates adopted the agenda and agreed on its organization of work. On 6 November, following consultations, delegates elected Philip Weech (the Bahamas) as SBSTA Vice-Chair and Tatyana Ososkova (Uzbekistan) as SBSTA Rapporteur.

During the COP Plenary on 9 November, Chair Dovland reported on the work of SBSTA-15. He listed the issues on which SBSTA had adopted draft conclusions and submitted, for the consideration of the COP, the draft report of SBSTA-15 (FCCC/SBSTA/2001/L.6) and the report of SBSTA-14 (FCCC/SBSTA/2001/L.2).

**Methodological Issues: *Bunker Fuels*:** This issue was considered on Tuesday, 30 October. The EU reiterated concerns about increasing greenhouse gas emissions from international aviation and called for guidelines compatible with the Protocol for emissions allocation methodologies. He urged the International Maritime Organization (IMO) to work on emissions reductions activities. Switzerland proposed that the International Civil Aviation Organization (ICAO) Council continue initiatives on guidelines on emissions reductions. The G-77/China proposed that work take place within the framework of Protocol Article 2.2, which stipulates that Annex I Parties shall limit emissions from aviation and marine bunker fuels, working through the ICAO and IMO. Informal consultations on this issue were convened by José Romero (Switzerland). On 6 November, Romero reported that full agreement had been reached.

The conclusions (FCCC/SBSTA/2001/L.11) note with appreciation an IPCC presentation on reporting aspects and an ICAO resolution regarding policies and practices on environmental protection. It also requests the Secretariat to continue cooperation with ICAO and IMO, and invites the ICAO, IMO and Secretariat to explore opportunities for improving the quality of data reporting and comparability.

**Methods and tools to evaluate impacts and adaptation:** These issues were examined on 30 October. Canada proposed that regional workshops on integrated assessment include consideration of impacts and adaptation. Malaysia and Thailand proposed joint research projects between developed and developing countries. The issues were addressed in informal consultations convened by Pierre Giroux (Canada) and Martha Yvette Munguia de Aguilar (El Salvador). The conclusions were adopted on 6 November.



The conclusions (FCCC/SBSTA/2001/L.10) take note of a recent workshop and Party submissions, notes the need for more scientific work on development of methodologies to assess impacts and adaptation, and requests the Secretariat to consult with other UN bodies and organizations and hold a workshop prior to SBSTA-17.

**Development of good practice guidance and other information for the LULUCF sector:** This item was considered on 30 October. IPCC Chair Bob Watson outlined the future of the IPCC and highlighted the LULUCF work programme under the IPCC National Greenhouse Gas Inventory programme. The EU, supported by Indonesia, proposed that the SBSTA develop terms of reference for IPCC work on CDM modalities for LULUCF during its current session. The US, Russian Federation, Canada and Australia cautioned that the draft decision on LULUCF has yet to be finalized. Tuvalu, for AOSIS, stressed that issues related to Protocol Articles 5, 7 and 8 need to be resolved before further guidance is given to the IPCC, and supported broader consultation. The matter was examined in informal consultations convened by Margaret Mukahanana-Sangarwe (Zimbabwe) and Audun Rosland (Norway). SBSTA adopted the conclusions on 6 November.

In the conclusions (FCCC/SBSTA/2001/L.12), the SBSTA:

- notes IPCC work progress with regard to LULUCF;
- welcomes its proposed work programme relating to good practice guidance, with a separate section for Protocol purposes containing specific requirements as elaborated in the draft COP/MOP-1 decision on Article 7;
- takes note of the IPCC plan to address consistent representation of land areas;
- takes note of a proposed IPCC scoping paper on the development of definitions for direct human-induced degradation and methodological options for inventorying and reporting in this regard;
- takes note of a proposed IPCC scoping paper on development of methodologies for factoring out direct human-induced carbon stock changes from changes due to indirect human-induced and natural effects and effects of past practices;
- welcomes a workshop organized by FAO, IPCC and the Center for International Forestry Research on forest-related definitions; and
- invites the IPCC to report on work progress at its next session.

**Issues relating to emissions from forest harvesting and wood products:** This issue was considered in the SBSTA meeting on 30 October. The EU, supported by AOSIS, China and Saudi Arabia, opposed the inclusion of harvested wood products (HWP) in the first commitment period. New Zealand noted slow progress on the development of technical methodologies and, supported by Japan, Canada and Malaysia, suggested further technical review. It was agreed that this issue be examined in the informal discussions on good practice guidance and other information on LULUCF. On 6 November, SBSTA adopted the conclusions.

In its conclusions (FCCC/SBSTA/2001/L.12), the SBSTA:

- notes the IPCC intention to include HWP in its development of good practice guidance;
- encourages further work on HWP by interested Parties;
- invites Party submissions for consideration at SBSTA-18;
- requests the Secretariat to prepare a technical paper on HWP accounting; and
- decides to further consider the issue at SBSTA-20 and SBSTA-21.

**Cooperation with Relevant International Organizations:** This issue was considered on Tuesday, 30 October. The Global Climate Observing System (GCOS) reported on its regional workshop

programme and on a proposal for a second assessment of the adequacy of observing systems. Several Parties expressed concern at the deterioration of networks. An informal contact group on this issue was convened under Sue Barrell (Australia) and Sok Appadu (Mauritius) and reached agreement on relevant draft conclusions.

On cooperation with other multilateral environmental agreements, the IPCC reported on its technical paper on interlinkages between climate change, biodiversity and desertification, and on the relevance of the Millennium Ecosystem Assessment to the climate change process. Presentations were also provided by the CBD, the CCD, the Ramsar Convention on Wetlands and the World Health Organization. In the ensuing discussion, Parties stressed enhancing cooperation between conventions, strengthening such cooperation at the national level, and furthering the international environmental governance process. Informal consultations were convened by Jimena Nieto Carrasco (Colombia) and Ian Carruthers (Australia) and reached agreement on relevant draft conclusions.

**SBSTA Conclusions:** These conclusions (FCCC/SBSTA/2001/L.14), adopted on 6 November, include sections on cooperation with scientific organizations, other conventions and UN bodies. Under cooperation with scientific organizations, the SBSTA welcomes the GCOS statement and encourages GCOS to continue addressing the deterioration of the global observation systems. The SBSTA further notes the holding of regional workshops to identify capacity-building needs, and encourages GCOS to expedite further workshops.

Under cooperation with other conventions, the SBSTA: reaffirms the need for enhanced cooperation with the CBD and CCD; notes with appreciation an IPCC technical paper being developed on the interlinkages between climate change, biodiversity and desertification; and welcomes cooperation with the Ramsar Convention. The SBSTA requests a joint liaison group to collect information on the work programmes and operations of the three conventions and to examine the possibility of holding a joint workshop prior to SBSTA-18.

Under cooperation with UN bodies, the SBSTA notes with appreciation the work of the WHO relating to climate change and invites it to make more information available at SBSTA-16.

**Article 6 of the Convention: Education, Training and Public Awareness:** Delegates addressed this issue on Wednesday, 31 October. Malaysia and China stressed the importance of a concrete implementation work programme. The US suggested that a workshop be held on the prioritization of activities and on setting a work programme. Senegal and Central African Republic called for a Climate Change Day. China suggested that each Party should focus on promoting public awareness on the IPCC TAR, and Mauritius said Article 6 implementation should take place at the grassroots level in both developed and developing countries. Informal consultations were convened by Teresa Fogelberg (The Netherlands) and Gladys Kenabetsho Ramothwa (Botswana). The SBSTA adopted the conclusions on 6 November.

**SBSTA Conclusions:** In these conclusions (FCCC/SBSTA/2001/L.13), the SBSTA:

- reaffirms the importance of work in this area and invites Parties to contribute funding;
- encourages the Secretariat to facilitate cost-effective information dissemination, and to develop a new website as a resource center;
- requests the Secretariat to organize a workshop to develop a work programme on Article 6 activities, with the terms of reference attached as an annex;
- recognizes the need to disseminate the results of the TAR;





- requests the Secretariat to report on Article 6 implementation based on Annex I Party national communications for consideration at SBSTA-17; and
- notes the potential awareness-raising role of a UN Climate Change Day.

**Other Matters: Proposal on cleaner or less greenhouse gas-emitting energy:** On 31 October, a number of delegates supported Canada's proposal to hold a workshop to follow-up on a recent meeting in Calgary on the "cleaner or less greenhouse gas-emitting energy trade." The matter was referred to informal consultations convened by Mohammad Barkindo (Nigeria). The SBSTA adopted the conclusions on 6 November. In the conclusions (FCCC/SBSTA/2001/L.19), the SBSTA requests the Secretariat to organize a workshop on the matter, if possible prior to SBSTA-16, notes Canada's offer to host the workshop, and invites Parties to submit views on it.

**Special circumstances of Croatia under Convention Article 4.6:** On 31 October, Croatia underlined the importance of utilizing UNFCCC Article 4.6 (flexibility for EITs). On Tuesday, 6 November, SBSTA adopted conclusions (FCCC/SBSTA/2001/L.8) where SBSTA invites Parties to send views on this matter by 15 February 2002, requests the Secretariat to review Croatia's national communication, and decides to further consider the matter at its sixteenth session.

**Issues relating to hydrofluorocarbons and perfluorocarbons:** This issue was considered on 31 October, when the EU suggested it should be a substantive agenda item at SBSTA-16. Chair Dovland undertook to develop conclusions based on informal consultations. On 6 November, SBSTA adopted the conclusions on the matters. These were amended to provide for China's proposal that only Annex I Parties be encouraged to update information on means for limiting such emissions.

In these conclusions (FCCC/SBSTA/2001/L.16), the SBSTA recalls a COP-5 decision and requests Annex I Parties and other relevant entities to update information on ways and means of emissions limitation, invites Parties' views on information aspects noted in the COP-5 decision and decides to further consider the issue at SBSTA-16.

**SUBSIDIARY BODY FOR IMPLEMENTATION (SBI):** The fifteenth session of the SBI met in four Plenary meetings chaired by John Ashe (Antigua and Barbuda), and adopted its agenda (FCCC/SBI/2001/10) at its first meeting. Delegates elected Daniela Stoytcheva (Bulgaria) as SBI Vice-Chair and Emily Ojoo-Massawa (Kenya) as SBI Rapporteur. The SBI referred several items to contact groups and informal consultations, as well as to the COP.

**Matters relating to LDCs:** This issue was taken up by the SBI on Monday, 29 October, and referred to a contact group chaired by Sibusiso Gamede (South Africa). Negotiations in this group, and in a drafting group, resulted in three draft decisions and one set of draft conclusions, adopted by the SBI on 8 November, and by the COP on 10 November. Delegates addressed: the establishment of an LDC Expert Group; support for the preparation of National Adaptation Programmes of Action (NAPAs); and guidance to the LDC Fund.

Contentious issues under this agenda item included: whether the guidance to the Fund should be considered at this or the subsequent COP; whether there should be explicit linkages between the LDC Expert Group and NAPA process, and the CGE; the composition of the LDC Expert Group; and the identity of the entity operating as a financial mechanism to the LDC Fund.

Under support for the preparation of NAPAs, Malawi introduced a proposal that delegates examined throughout the negotiations. In a meeting of the contact group on 31 October, Chair Gamede noted progress, but said some Parties had proposed enlisting more expert assistance on the guidelines.

On a draft proposal for a COP decision on the establishment of an LDC Expert Group, including an annex containing terms of reference for the group, a number of Annex I Parties raised concerns. The US and Switzerland noted similar discussions taking place in the CGE group, and the EU suggested that the groups might be combined at some point. Several LDCs highlighted the efficiency and value of an expert group in NAPA preparation and implementation, and underscored the distinction between the NAPA process and the work of the CGE.

Guidance to an operating entity of the financial mechanism on the LDC Fund remained the outstanding issue in consultations towards the end of the first week. Mali, for the LDCs, underscored a simplified operating procedure for the Fund, enabling project approval within four months, and employment of local and regional expertise. The EU suggested that the legal and technical review carried out by the Secretariat as a result of delays in the intergovernmental process had not taken into account the document on guidance to the Fund and, with the US, Japan, and Norway, said developing guidance to the Fund should be considered at COP-8. Chair Gamede requested Parties to consider this informally, and said that if no agreement was reached, the matter of guidance to the Fund would be referred to ministers. Consultations continued until 7 November.

In the final meeting of the contact group, the US stressed a package deal on all three draft decisions, and said they should remain bracketed in their entirety when being forwarded to SBI. All other Parties supported removing the brackets. The draft conclusions on the status of the implementation of UNFCCC Article 4.9 (LDCs) were agreed with brackets remaining around the reference to the three other decisions on LDCs, at the request of the US.

Following further informal consultations prior to formal adoption by the SBI, the brackets were removed from all documents. Agreement to remove the brackets was reached in exchange for inclusion of a paragraph that notes the unique circumstances of LDCs, and that the establishment of the LDC Expert Group "does not set a precedent for the establishment of similar groups for other categories of countries."

**Decisions and Conclusions:** The draft decision on the establishment of the LDC Expert Group (FCCC/CP/2001/L.26) further outlines the terms of reference in an annex, defining the group as twelve experts, of which five from African LDC Parties, two from Asian LDC Parties, two from LDC SIDS, and three from Annex II Parties.

The draft decision on guidance to the LDC Fund (FCCC/SBI/2001/L.12) requests the operating entity of the Fund to: meet the full cost of preparing NAPAs; adopt simplified procedures and arrange for expedited access to the Fund by LDCs; encourage the use of national and, where appropriate, regional experts; and adopt streamlined procedures for the operation of the Fund.

The draft decision on guidelines for the preparation of NAPAs (FCCC/SBI/2001/L.14) decides to adopt the guidelines included in an annex, and invites Parties to make submissions with a view to improving the guidelines for consideration at SBI-17.

Draft conclusions on the assessment of the status of implementation of UNFCCC Article 4.9 (FCCC/SBI/2001/L.11), adopted by the SBI on 8 November and by the COP on 10 November, note that prompt



steps needed to be taken to expedite the process of provision of funding in support of NAPA preparation, and the need for a further assessment of the status of implementation of Article 4.9 at COP-9.

**Financial and Technical Support for non-Annex I Communications:** On 6 November, the SBI adopted draft conclusions (FCCC/SBI/2001/CRP.3) taking note of progress made by non-Annex I Parties in the preparation of their national communications and greenhouse gas abatement projects submitted for funding and recommending these projects be brought to the attention of the GEF, and other bilateral and multilateral financing institutions.

**Administrative and Financial Matters:** Three sub-items were considered under this agenda item: interim financial performance for 2000-2001; possible options to respond to late payment of contributions; and implementation of the Headquarters Agreement. Delegates adopted a draft decision on the interim financial performance for 2000-2001 (FCCC/SBI/2001/L.6) on 6 November. The decision takes note of the interim financial statements as of 31 December 2001, expresses appreciation to Parties that made their indicative contributions to the core budget in a timely manner, and expresses concern at the trend toward late payment of contributions.

On possible options to respond to late payment of contributions, Chair Ashe and Philip Weech (the Bahamas) held informal consultations. The informal group considered text outstanding from SB-12, on problems and inconveniences that could be faced by the UNFCCC as a result of late payments to the core budget, and additional options the SBI might wish to consider as a basis for recommendations to the COP. However, possible options to respond to late payment of contributions had not been agreed by 6 November, and delegates decided to forward the matter to SBI-16.

On implementation of the Headquarters Agreement, Germany reported progress on the building of a UN campus, the development of a congress center and matters relating to Secretariat staff and their families. Informal consultations were unable to lead to further progress. Conclusions were adopted, contained in the report of the session (FCCC/SBI/2001/L.2).

### **HIGH-LEVEL SEGMENT**

The High-Level Segment took place from 7-8 November, attended by ministers and other heads of delegation. Participants heard statements from over 70 Parties as well as from UN bodies and specialized agencies, observer states, youth representatives, intergovernmental organizations and NGOs.

**WELCOMING CEREMONY:** On Wednesday morning, 7 November, an official welcoming ceremony for participants at the High-Level Segment was held. UNEP Executive Director Klaus Töpfer, on behalf of UN Secretary-General Kofi Annan, highlighted the environment and development elements of climate change, noted the need for significant long-term changes in social and economic behaviors, expressed appreciation for the work of COP-6 President Pronk, noting that Pronk would serve as his special envoy to the WSSD, and underlined the importance of multilateralism.

Prince Moulay Rachid of Morocco, speaking on behalf of King Mohammed VI, underlined the need for internationally-shared ethical values, and urged international solidarity in addressing environmental concerns, calling for technology transfer, new and additional financial resources, and reducing external debt burdens.

In his final speech in a High-Level Segment, UNFCCC Executive Secretary Michael Zammit Cutajar congratulated the Secretariat staff on their dynamism and commitment, and thanked Parties for their trust

and for not engaging in micro-management. He wished delegates well in moving the UNFCCC forward. Delegates thanked him for his contribution with a standing ovation.

**STATEMENTS BY PARTIES:** In their statements, many Parties highlighted the importance of maintaining the environmental integrity of the Protocol. They also drew attention to success in the negotiations on compliance, and called for completion at COP-7 of work under the BAPA, with many stating that this would support ratification and entry into force in time for the WSSD in September 2002. In addition, several speakers noted that the events of 11 September 2001 demonstrate the need for multilateral solutions to those global problems that cannot be tackled by only one country. A number of delegates drew attention to the IPCC TAR that demonstrates the need for urgent action to address climate change.

On the current negotiations at COP-7, Switzerland said it could not accept changes that weaken the Bonn Agreements, and stated that no country can shirk its responsibilities. Iran, for the G-77/China, stated that neither COP-7 nor the WSSD was the appropriate forum for raising the issue of new commitments for developing countries. Canada highlighted the need to be responsive to those whose participation is critical to entry into force of the Protocol. On ratification of the Protocol, New Zealand said it was currently the only Umbrella Group Party to have made a commitment to ratify in time for WSSD, although he predicted that he "will be in good company before too long."

On mechanisms, the Republic of Korea said the full potential of the mechanisms should be realized, including unilateral CDM. Ukraine said JI should be given priority and that the main goal should be the reduction, rather than the redistribution, of emissions.

Regarding the circumstances and needs of developing countries and LDCs, many speakers underscored the need for capacity building, adaptation and technology transfer. Tanzania, Benin and Djibouti noted that LDCs will be most affected by climate change and have the least capacity to cope. Regarding assistance to countries highly dependent on fossil fuel exports, Kuwait proposed removal of tax incentives and exemptions relating to emissions, and assistance for diversifying economies.

On next steps in the climate change process, Samoa, for AOSIS, said that once work on the BAPA is completed, Parties should review commitments under this regime, and suggested that they be stronger and more extensive. The US said it would continue to play a leading role in addressing climate change and is moving ahead with science-based measures. Brazil said it looked forward to negotiations on the second commitment period, taking into account the "Brazilian proposal" based on the share of responsibility for causing climate change. Bangladesh supported the speedy application of the Adaptation and LDC Funds, and highlighted the particular vulnerability of low lying and small island States.

**STATEMENTS BY OBSERVER STATES, UN BODIES, AND INTERGOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS:** Turkey, an observer State, said it was looking forward to COP-7's adoption of a decision removing Turkey from the Annex II list and recognizing its special circumstances as an Annex I Party.

The WMO highlighted the IPCC's TAR, noting new and stronger evidence of the contribution of human activities to climate change. UNEP underlined the need to address the global crises of ecological degradation and extreme poverty. The GEF underlined its commitment to supporting capacity building, technology transfer and adaptation, acknowledged the need for a more consultative process in the GEF



Council, and undertook to address the concerns raised in the recent evaluation of its performance. Emphasizing the links between development and climate change, UNDP noted, *inter alia*, that its country-office presence is being reinforced. The IPCC summarized key findings of the TAR, noting that developing countries will suffer disproportionate impacts.

Morocco's Children's Parliament, Francophone Young People's Parliament, and the World Youth Organization on Climate Change gave presentations, with the final speaker urging a move toward a low carbon-emitting future, entry into force of the Protocol as the start of a "long path" in combating climate change, and completion at COP-7 of decision texts without weakening the Bonn Agreements.

The International Energy Agency highlighted market-based solutions to achieve realistic climate change objectives. He highlighted renewable energy options in combating climate change, while advocating that no possible fuel or technology solution be excluded. OPEC highlighted the impacts of climate change response measures on economies dependent on fossil fuel exports, and suggested that the "entire philosophy of energy taxation" be reconsidered.

Climate Action Network South called for clear commitments to the various funds agreed at COP-6 Part II, labeling current financial undertakings as "pathetic." The International Chamber of Commerce advocated early negotiations on second and third commitment periods, and implementation of the UNFCCC in a manner that would allow full business participation. The Indigenous Peoples' Organizations requested a COP decision to grant indigenous peoples a specific status in the climate change process, and said it should create an *ad hoc* intersessional open-ended working group. Global Legislators Organization for a Balanced Environment supported a rigorous compliance system, limits on the use of sinks, and a CDM that involves as many developing countries and LDCs as possible and includes small-scale projects. Climate Action Network North linked climate change to health and poverty issues.

The US and European Business Councils For Sustainable Energy supported a fast track for CDM projects, early crediting, full transferability of CERs, and a binding compliance regime. The International Confederation of Free Trade Unions, Trade Union Advisory Committee to the OECD and European Confederation of Free Trade Unions highlighted the potential for job creation resulting from climate change measures and called for employment transition programmes.

### **CLOSING PLENARY**

COP-7 President Elyazghi opened the final Plenary on Saturday morning, 10 November 2001 after a long night of negotiations. The COP adopted decisions relating to a number of agenda items, including on the implementation of the Buenos Aires Plan of Action and input to the World Summit on Sustainable Development.

In their closing statements, many Parties expressed satisfaction that consensus had been achieved on all outstanding work under the BAPA, thus bringing to a close this stage of negotiations, and preparing the way for ratification and entry into force of the Protocol. Parties also noted that COP-7 was the first COP held in Africa, a developing country region highly vulnerable to climate change. Saudi Arabia, Kuwait, the United Arab Emirates and Nigeria drew attention to Protocol Article 2.3 (adverse effects of P&Ms) and said this should be on the agenda for substantive consideration at SB-16. Canada, the EU and Japan expressed the view that this issue did not require a separate process, as it was considered under other relevant agenda items.

The EU said COP-7 had marked an important milestone in making the Kyoto process irreversible. The Russian Federation said COP-7 had opened up the path for the ratification of the Protocol by all countries. The Republic of Korea, noted its view that the decision on the CDM does not exclude any particular projects, including unilateral ones. The G-77/China said the agreement marked the "end of a long journey" toward achieving ratification of the Protocol, and said there had been many sacrifices made to gain agreement, particularly on the part of developing countries. Japan said climate negotiations will now enter a new stage, and looked forward to consideration of ways to take further steps at COP-8. Australia said it did not intend to make use of Article 3.4 as it believes it can rely on relevant activities under Article 3.3. Noting the events of 11 September, Argentina observed that work on the BAPA had been completed at a time some might not have thought ideal, and said terrorism had not stood in the way of the momentum to complete this cycle of negotiations.

The COP then adopted the report of the session (FCCC/CP/2001/L.16 Add.1-3), as well as a decision expressing great appreciation to Michael Zammit Cutajar, the Executive Secretary of the UNFCCC, for his ten years of "excellent service" to the climate change process. The decision was adopted by standing ovation. The COP also adopted a resolution thanking Morocco and Marrakesh for hosting COP-7.

In his closing remarks, President Elyazghi said COP-7 had sent a message of hope for combating climate and for the WSSD, and declared the meeting closed at 6:45 am.

### **CDM EXECUTIVE BOARD**

Following the conclusion of COP-7, the newly elected Executive Board of the Clean Development Mechanism held its first meeting. The Board elected John Ashe (Antigua and Barbuda) as its first Chair and Sozaburo Okamatsu (Japan) as Vice Chair. The Board also set the agenda for its second meeting, which will be held from 21-23 January 2002 in Bonn.

## **A BRIEF ANALYSIS OF COP-7**

### **THE CLIMATE CHANGE CARAVAN MOVES TO MARRAKESH**

Not far from the *Palais des Congrès de Marrakech*, site of the COP-7 climate negotiations, is Jemaa el-Fna, the centuries old market square that forms the heart of Marrakesh. This is the place where traders and artists, storytellers and acrobats, carpet-sellers and snake charmers come together to entertain, and – amidst great wringing of hands and shaking of heads – to close a good deal. For the last two weeks the spirited performers and wily traders that dominate this historic square have been competing for attention with the seasoned negotiators of the climate change caravan. Although not quite as accessible – or as entertaining – to the general public, the antics of the climate negotiators have nevertheless provided a good lesson to those seeking to understand the art of driving a hard bargain.

### **CLINCHING A DEAL...**

Delegates came to Marrakesh with the aim of building on the historic – although at times seemingly fragile – political deal concluded at Bonn, and to resolve the outstanding "technical" issues relating to the structure of the Kyoto Protocol, thereby clearing the way for the Protocol's "timely" entry into force. Despite what the world media seems to have thought, the conclusion of the Bonn Agreements did not imply that all the political issues had been sufficiently resolved. Indeed, during the final days of the Bonn negotiations it had become apparent not only that some of the Parties were seeking to re-





interpret the Agreements, but also that many of the remaining “technical” issues themselves had significant political undertones. The stakes at Marrakesh were thus high, and the threat of failure remained a distinct possibility.

Aware of these concerns, the EU and the G-77/China arrived in Marrakesh determined to “sell” a deal that would ensure sufficient ratifications for entry into force of the Protocol, preferably in time for the Johannesburg Summit in September 2002. In the early hours of Saturday, 10 November, it became apparent that such a deal had indeed been struck, as a result of which ratification of the Protocol is now a more realistic possibility. But it was apparent that in making this deal, the EU and the G-77/China had been compelled to concede to many of the demands of key Umbrella Group countries. The market for a ratifiable Kyoto Protocol was very much a buyer’s market.

### ...*BUT AT WHAT PRICE?*

In the knowledge that their participation was essential for entry into force of the Protocol, the Russian Federation, Japan, Australia, and Canada used this leverage – both collectively and individually – to drive down the “price” of ratification. Playing the ratification card on a number of occasions, they sought to weaken the compliance system, lower the eligibility requirements for mechanisms, undermine opportunities for public participation and transparency, and minimize requirements for providing information on sinks.

The true extent of their bargaining power, as well as the level of their determination to protect national interests, became most apparent as the three years of negotiating the implementation of the Buenos Aires Plan of Action drew to a climax. Late on the evening of Thursday, 8 November, Ministers Moosa and Roch presented a global package deal aimed at addressing the stalemate in negotiations. The deal, which proved acceptable to all other Parties, was rejected by members of the Umbrella Group, with the following five areas of contention proving the greatest stumbling blocks:

- whether Annex I Parties’ use of the mechanisms should be “subject to the procedures and mechanisms on compliance”;
- whether Annex I Parties’ use of the mechanisms should be dependent upon the reporting of LULUCF data;
- whether the newly created “removal units” could be carried over to subsequent commitment periods;
- the extent to which Parties should be required to report on the implementation of Article 3.14 (adverse effects); and
- whether and how the principles governing the use of sinks should be operationalized.

The best part of Friday, and the early hours of Saturday morning, found ministers and high-level negotiators behind closed doors, seeking to find a compromise solution on these and related issues. Although the nature of these discussions remains unclear (transparency was not a distinguishing feature of Marrakesh), the final outcome suggests a remarkable level of intransigence amongst certain Parties, most notably the Russian Federation, Japan and Canada, all of whom secured favorable deals as a precondition for their ratification.

### *BELLIGERENT BARGAINING*

Throughout the two weeks in Marrakesh, many observers expressed despair with the intransigent negotiating style of the Russians. Despite the insistence of almost all Parties that the Bonn Agreements were sacrosanct, the Russian Federation succeeded – through sheer belligerence – in renegotiating its “Appendix Z” sinks allowances from 17 to 33 megatons of carbon. They were persistent, too, in seeking to remove two key eligibility requirements for use of

the mechanisms (submission of sinks inventories, and adoption of the compliance regime), as well as in striving to limit procedures for public scrutiny and participation.

The negotiating tactics of the Japanese delegation – which numbered over 80 delegates – was further cause for comment. In the negotiating group on Articles 5, 7 and 8, for example, they proved to be particularly stubborn. At one point, the G-77/China responded to a Japanese request with a deeply felt “you must be joking!” But they were not, and their stubbornness paid off, as evidenced in particular by their success in securing an expedited procedure for the reinstatement of mechanisms’ eligibility.

Australia and Canada, in addition to supporting various interventions by Japan and the Russian Federation, were themselves vocal on a number of key issues. Australia, for example, was the driver in seeking to delete reference to a Party-to-Party trigger in the compliance regime, while Canada sought to undermine the reporting requirements on sinks issues.

Frustration with the negotiating tactics of different Parties extended to the Chairs of the negotiating groups. Chair Dovland, for example, was prompted to express “extreme disappointment” with the lack of progress within the group on Articles 5, 7 and 8, while, in a similar vein, Co-Chair of the mechanisms group, Raúl Estrada, felt compelled to interject in his group’s proceedings. Following a request from Japan and Canada for clarity on the meaning of “sound” rules, he called on them to define “filibuster.”

### *A CHEAP DEAL, BETTER THAN NO DEAL*

Although the final deal will leave many observers understandably disappointed, it is suggested that there is nevertheless room for cautious optimism, tempered in particular by a healthy dose of realism as to what is politically and economically feasible. Notwithstanding the obduracy of Umbrella Group countries on the final deal, useful progress was made on a number of key issues.

Cameroon, speaking for the African Group, reflected some of the positive achievements when he expressed pride in the results, arguing that the Marrakesh Accords would result in the prompt implementation of the Protocol, and declaring high hopes regarding access to funds for LDCs and to the fruits of CDM projects. Important steps in this regard include the election of the CDM Executive Board, and agreement on the prompt start of certain CDM projects. (The extent to which CDM projects will actually have a meaningful impact within Africa remains to be seen).

On the issue of compliance, too, significant progress was made. This was the only “crunch-issue” that was fully resolved at a technical level, a fact that was warmly welcomed by observers who were pleasantly surprised not only with the swift completion of the compliance negotiations, but also in their outcome: the adoption of the most innovative and elaborate non-compliance procedure for any existing multi-lateral environmental agreement. Although the deal struck on the compliance text provides all Parties with cause for satisfaction, it is the EU and the G-77/China that gained the most, with almost all of their demands adopted. A key issue that will make or break the compliance regime – and one that has bedevilled the negotiations – relates to the legal nature of the decisions adopted by the enforcement branch. A number of observers expressed support for the outcome reached in Marrakesh, despite the fact that – as a result of Japan’s hardline stance, and contrary to the wishes of the EU and G-77/China – the outcome does not guarantee that the consequences will in fact be legally binding. The final agreement, as contained in the mechanisms’ text,



provides that approval of compliance procedures will be made "in decision form in addition to any amendment entailing binding consequences." The absence of a clear legally-binding compliance eligibility requirement to use the mechanisms considerably weakens the strength of the compliance regime. It remains to be seen whether proponents of a legally binding regime will indeed ratify a possible amendment adopting the compliance regime, and whether those Parties opting for non-ratification will have the goodwill to voluntarily comply with non-legally binding enforcement decisions.

Other positive and innovative developments include: the consideration of gender balance in future bodies established under the UNFCCC; integration of Principles on LULUCF in the Article 7 guidelines; and the establishment of the new "removal unit" (RMU) on the basis of a G-77/China proposal.

### **COP-7: FINDING WISDOM AND MODERATION IN THE BARGAINING PROCESS?**

In his address to the plenary, Morocco's Prince Moulay Rachid, speaking on behalf of King Mohammed VI, expressed the hope that "out of your blessed conference may emerge a message of optimism, of wisdom, of moderation and of hope, a message that is so badly needed by mankind today." In the negotiators' world of driving a hard bargain, particularly where the stakes are so high, seeking to find moderation in negotiating styles was perhaps unduly optimistic. But, in having successfully secured a deal – albeit one that many will find disappointing – it is possible that Marrakesh will serve as the foundation for a comprehensive multilateral approach.

To many observers, the real value of the Kyoto Protocol lies not in its direct impact on limiting greenhouse gas levels, but rather in serving as a precedent for concerted and coordinated global action on climate change. In this regard, the outcome of the COP-7 negotiations bodes well, as few Parties now have an excuse not to ratify the Protocol. Furthermore, as Jan Pronk was overheard saying at the close of the meeting, "COP-7 now provides the US with a suitable legal structure to join the process of combating global climate change."

It remains to be seen whether Marrakesh will be remembered for its wisdom and moderation in providing the first steps for a multilateral response to climate change, or whether it will be remembered for the belligerent bargaining tactics that many believe have unduly undermined the environmental integrity of the Kyoto Protocol.

## **THINGS TO LOOK FOR BEFORE COP-8**

**SOLAR WORLD CONGRESS OF THE INTERNATIONAL SOLAR ENERGY SOCIETY:** This congress will be held from 25 November to 2 December 2001, in Adelaide, Australia. The technical programme will cover various aspects of renewable energy and energy sustainability. For more information, contact: ISES 2001; tel: +61-8-8363-4399; fax: +61-8-8363-4577; e-mail: ises2001@hartleygmt.com.au; Internet: <http://www.unisa.edu.au/ises2001congress/home.html>

**MEETING OF THE EXECUTIVE BODY FOR THE CONVENTION ON LONG-RANGE TRANSBOUNDARY AIR POLLUTION:** This meeting will take place from 26-30 November 2001, in Geneva. For more information, contact: Yves Berthelot, UNECE; tel: +41-22-917-2670; fax: +41-22-917-0107; e-mail: [yves.berthelot@unece.org](mailto:yves.berthelot@unece.org); Internet: <http://www.unece.org/env/lrtap/>

**INTERNATIONAL SYMPOSIUM ON THE MANAGEMENT AND TECHNOLOGY OF ENERGY AND ENVIRONMENT:** This meeting will be held from 7-8 December 2001, in Vancouver, BC, Canada. It will seek to address energy, environmental management and technology issues, and provide a forum for information exchange among representatives of industry, government, and academia. For more information, contact ICEEE: tel. and fax: +1-714-898-8416; e-mail: [inquiries@iceee.org](mailto:inquiries@iceee.org); Internet: <http://www.iceee.org>

**INTERNATIONAL CONFERENCE ON RENEWABLE ENERGY FOR RURAL DEVELOPMENT:** This conference will be held from 19-21 January 2002, in Dhaka, Bangladesh, and will consider the technical scope of power generation from offshore wind, waves, current and tidal schemes. The conference will also consider technologies for the medium- to long-term and will address technical challenges in developing renewable energy sources. For more information, contact: A.K.M. Sadrul Islam; fax: +880-2-861-3046; e-mail: [sadrul@me.buet.edu](mailto:sadrul@me.buet.edu)

**THIRD INTERNATIONAL SYMPOSIUM ON NON-GREENHOUSE GASES:** This symposium will be held from 21-23 January 2002, in Maastricht, the Netherlands. For more information, contact: Symposium Secretariat; tel: +31-73-621-5985; fax: +31-73-621-6985; e-mail: [vvm@wxs.nl](mailto:vvm@wxs.nl); Internet: <http://www.milieukundigen.nl>

**EARTH TECHNOLOGIES FORUM:** This conference and exhibition on global climate change and ozone protection technologies and policies will be held from 25-27 March 2002, in Washington, DC. The conference is being sponsored by the international Climate Change Partnership and the Alliance for Responsible Atmospheric Policy. Participants will discuss current technologies and efforts to bring them into the marketplace. For more information, contact: tel: +1-703-807-4052; fax: +1-703-528-1734; e-mail: [earthforum@alcalde-fay.com](mailto:earthforum@alcalde-fay.com); Internet: <http://www.earthforum.com>

**16TH SESSION OF THE UNFCCC SUBSIDIARY BODIES:** SB-16 is provisionally planned to be held in Bonn, Germany, from 3-14 June 2002. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.de](mailto:secretariat@unfccc.de); Internet: <http://www.unfccc.de>

**2002 WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (WSSD):** The World Summit on Sustainable Development will take place ten years after the Rio Earth Summit (UNCED) in Johannesburg, South Africa, from 2-11 September 2002. The Preparatory Committee will meet from 28 January - 8 February and 25 March - 5 April 2001 at UN headquarters in New York, and from 27 May - 7 June 2001 in Indonesia. For more information, contact: Andrey Vasilyev, DESA, New York; tel: +1-212-963-5949; fax: +1-212-963-4260; e-mail: [vasilyev@un.org](mailto:vasilyev@un.org); Major groups contact: Zehra Aydin-Sipos, DESA; tel: +1-212-963-8811; fax: +1-212-963-1267; e-mail: [aydin@un.org](mailto:aydin@un.org); Internet: <http://www.johannesburgsummit.org/>

**EIGHTH CONFERENCE OF THE PARTIES TO THE UNFCCC:** COP-8 is provisionally planned to take place from 23 October - 1 November 2002, at a location to be determined. For more information, contact: the UNFCCC Secretariat, Bonn, Germany; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: [secretariat@unfccc.int](mailto:secretariat@unfccc.int); Internet: <http://www.unfccc.int/>