A DAILY REPORT ON THE SECOND CONFERENCE OF THE PARTIES TO THE FRAMEWORK CONVENTION ON CLIMATE CHANGE

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HIGHLIGHTS OF FCCC COP-2 MONDAY, 15 JULY 1996

The sixth day of the Second Conference of the Parties (COP-2) to the Framework Convention on Climate Change (FCCC) commenced with meetings of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and an informal Round Table organized by the *Ad Hoc* Group on the Berlin Mandate (AGBM). Both SBSTA and a formal session of the AGBM met in the afternoon, while contact groups of the Subsidiary Body for Implementation (SBI) met all day.

AD HOC GROUP ON THE BERLIN MANDATE INFORMAL ROUND TABLE

IMPACTS ON DEVELOPING COUNTRY PARTIES: A Round Table discussion convened by the *Ad Hoc* Group on the Berlin Mandate considered impacts of Annex 1 measures on developing countries. Chair Kilaparti Ramakrishna (US) invited comments on costs and benefits by panelists from the Philippines, Saudi Arabia, the US, Trinidad and Tobago, and Brazil. They called for mechanisms to share the burden of impacts of Annex I actions resulting in, *inter alia*, lower growth and inflationary pressures. It is not clear short term economic measures will result in a slow down.

Responses can stimulate technological innovation, increasing economic and welfare gains. They also discussed: the limitations of economic modeling; consideration of the costs of inaction including non-economic implications; and how flexible and adaptive economies in fossil fuel importing countries may experience positive impacts.

The participants then considered the differential benefit/cost ratio of action vs. inaction to implement the Berlin Mandate. There was general agreement that imposing only "punitive" measures such as carbon taxes would have a disproportionate effect on developing country economies, especially those dependent upon petroleum. One industry representative stated that economic models predict a negative but minimal initial impact of emissions limitations, reducing growth by about 0.5%.

Several speakers suggested that the process of reducing emissions could build a new base for global economic growth inclusive of developing countries. Another participant specifically referred to flexible market-based policies allowing maximum innovation, though many emphasized fairness and common but differentiated responsibility.

During subsequent discussion, it was stated that a study of the benefit/cost ratio over 20 years of the US Clean Air Act had yielded a figure of greater than 16 to 1. Another speaker pointed out that, despite this, there was substantial opposition from business to the renewal of the law. Other participants discussed: using competitiveness to disseminate new technologies; Annex 1 countries with links to Pacific territories should note the impact of climate change on their regional interests.

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Several pending items were considered and the Chair reminded SBSTA of the need to achieve consensus on remaining items by Wednesday's Plenary. The Secretariat read the draft text and conclusions on Agenda Item 5(d) (activities implemented jointly). Both were adopted without amendment. On Agenda Item 4(a) (Annex I communications), some amendments were proposed for the guidelines for the preparation of national communications. POLAND proposed that Parties with economies in transition present emission level projections from "base years" rather than 1990.

The US proposed that Annex II Parties separately provide information "in accordance with" or "on" each of their commitments under Articles 4.3-4.5, rather than "to fulfill" their commitments. They should also provide information on measures taken to promote, facilitate and finance access "as appropriate". The Co-Chair of the contact group recommended that Annex II Parties "give effect to" rather than "fulfill" their commitments. The Co-chair's proposal was adopted. The US suggested that Parties carry out "as supplemental information" adjustments on inventory data. This proposal was later withdrawn at DENMARK's urging. The text for the guidelines was then adopted.

Regarding the draft decision on Annex I communications, POLAND sought clarification on the SBI's role in dealing with Parties with economies in transition. The Chair noted that this was an issue to be determined by SBI not SBSTA. VENEZUELA and BURKINA FASO expressed concern about a tandem review process where both SBSTA and SBI review the joint contact groups' guidelines and decisions. The Chair stated this could not be avoided and that each subsidiary body was empowered only to adopt those provisions it would take part in administering. On Agenda Item 9 (report to the COP), he said that he will present general comments on SBSTA's work on any unresolved items. SBSTA was then adjourned until 5:00 p.m. to allow for meetings of contact groups on the roster of experts, the

This issue of the *Earth Negotiations Bulletin*© <enb@econet.apc.org> is written and edited by Chad Carpenter LL.M. <ccarpenter@igc.apc.org>, Peter Doran <PF.Doran@ulst.ac.uk>, Emily Gardner M.S.,J.D.<egardner@hawaii.edu>, and Daniel Putterman, Ph.D. <dputterman@igc.apc.org>. French language version by Mongi Gadhoum. The Managing Editor is Langston James "Kimo" Goree VI <kimo@dti.net>. The sustaining donors of the *Bulletin* are the International Institute for Sustainable Development <iisd@web.apc.org>, the Dutch Ministry for Development Cooperation and the Pew Charitable Trusts. General support for the *Bulletin* during 1996 is provided by the Overseas Development Administration (ODA) of the United Kingdom, the Ministry of Foreign Affairs of Denmark, the Swedish Ministry of Environment, the Swiss Federal Office of the Environment, the Australian Ministry of Foreign Affairs, the Ministry of the Environment of Iceland, the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and the Norwegian Ministry of Environment. Specific funding for this volume of the *Bulletin* has been provided by the FCCC Secretariat and the Norwegian Ministry of Foreign Affairs and ACCT/IEPF for the French version. The authors can be contacted during COP-2 at tel: +33 50 40 30 55 and fax: +33 50 40 30 00 and at their electronic mail addresses. IISD can be contacted at 161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba R3B 0Y4, Canada; tel: +1-204-958-7700; fax: +1-204-958-7710. The opinions expressed in *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 other publications with appropriate citation. Electronic versions of the *Bulletin* are automatically sent to e-mail distribution lists (ASCII and PDF format) and can be found on the gopher at <gopher.igc.apc.org> and in hypertext through the *Linkages* WWW-server at <http://www.iisd.ca/linkages/> on the Internet.

development and transfer of technology, use of scientific assessments, and non-Annex I communications.

The Chair and the Co-Chairs for the contact group on the use of scientific assessments introduced the Chair's summary of SBSTA's discussion and draft decisions regarding use of the SAR. The Chair reaffirmed SBSTA's mandate to advise the COP on this issue. SAUDI ARABIA noted that the views of all delegations, including his own, were not acknowledged in the Chair's summary. He urged that the lack of scientific certainty be better reflected as well as Parties' cost differentials in implementing the FCCC.

The RUSSIAN FEDERATION stated that the summary should be adopted at an official session with interpretation and that the text should reflect the exact language submitted by delegations. KUWAIT disagreed with a reference to the SAR as a "clear indication" of the likelihood of climate change, and noted that the optimum strategy for addressing the problem will depend on the circumstances of each country. The EU said that individual members of the EU will make interventions on specific points.

The Chair noted that the exact wording of the proposals for each delegation was not reflected but the message of each was included. The US noted that the balance in the paragraph noting the divergent views did not represent SBSTA's discussion. The G-77/CHINA recommended referring to the "human face" of climate change and to developing countries suffering the effects of climate change.

Following a brief consultation with the G-77/CHINA, Saudi Arabia and the EU, the Chair amended a reference to the SAR as "an assessment," rather than a "clear indication" of the likelihood of climate change. He added a sentence noting large cost differentials of reducing GHGs among countries, and inserted a reference to areas such as agriculture, water resources and human health in regard to the socio-economic impacts on developing countries. The US, the MARSHALL ISLANDS, the EU, CANADA, NORWAY, JAPAN and AOSIS voiced concern that the text was not balanced and asked that their objection be noted on the record. The Chair stated it was "useless" to continue deliberations on this issue.

The issue of whether the SAR is to be used "as a basis for urgent action to implement the convention" or "taken into account during consideration of the implementation of the FCCC...bearing in mind the lack of scientific certainty in some of the information" will be left to the COP to decide. SBSTA will resume debate with the hope of reaching consensus on the remaining points of decision and solidifying its recommendations for the COP.

AD HOC GROUP ON THE BERLIN MANDATE

The Chair commenced by summarizing previous discussion on Agenda Item 5 (possible features of a protocol or other instrument), stating that: the form of the legal instrument should flow from its substance; the new instrument should be served by existing institutions; and many Parties supported a simple protocol which was open to all FCCC Parties and was flexible. Chairs of the Round Table discussions on Policies and Measures, and on QELROs, then gave their summaries.

Following this, Ian Pickard (UK), chair of the Annex I Expert Group, presented a summary (FCCC/AGBM/1996/Misc.1/Add.2) of a study entitled "Policies and Measures for Possible Common Action". The report differentiates between Annex I developed countries and those with economies in transition.

The Chair then invited general comments on policies and measures and QELROs. ROMANIA agreed with the concept of differentiated commitments but cautioned against using 1990 data for his country because GHG emissions decreased 20-40% due to major political changes. BANGLADESH emphasized developed countries' obligations to reduce GHG emissions.

The EU described previous work on policies and measures for a protocol, including impacts on international competitiveness. He called the SAR of the IPCC the "principal reference report" for global emissions reduction objectives. The EU prefers to see GHG emissions levels below 550 ppmv, and it is essential for Parties to bring specific proposals for a legally binding instrument to the table at AGBM-5.

AUSTRALIA cautioned that the potential to limit GHG emissions without seriously undermining economic growth is limited. She stated that flat emissions reductions are not environmentally- or cost-effective or equitable. Calling differentiation "central", she suggested three illustrative approaches to differentiation, with emissions reductions based on: projected emissions trends; factors such as population growth; and considerations embodied in trade.

NORWAY favored binding commitments that are differentiated, cost-effective, equitable and verifiable. The US said proposals will have to be concluded early in 1997 for adoption at COP-3. The REPUBLIC OF KOREA and KUWAIT called for equity and fair burden sharing. NEW ZEALAND said flexibility will be a key factor in AGBM process and outcomes. JAPAN said it is essential to allow each Party to choose policies and measures.

SWITZERLAND, supported by MALI, called for a dynamic approach and proposed three categories of commitment. CANADA said policies and measures should reinforce a positive relationship between the economy and the environment. The RUSSIAN FEDERATION said policies and measures must acknowledge a right to sustainable development. AOSIS, supported by the PHILIPPINES and the MALDIVES, said the SAR is sufficient to allow agreement on QELROs.

URUGUAY said measures must be incumbent on Parties beyond their contamination threshold. The NETHERLANDS underscored support for policies based on a view that a temperature increase exceeding 2 degrees is not tolerable. The PHILIPPINES stated that QELROs should be legally binding.

IN THE CORRIDORS I

Contact groups of the SBI met today. Among the issues discussed was communications from non-Annex I Parties. According to some delegates, developing countries objected to the suggestion that non-Annex I national reports include information on mitigation measures. This opposition, it was reported, is linked to objections to funding GHG mitigation projects by the Global Environment Facility. Mitigation, it was claimed, should be first pursued by developed countries.

IN THE CORRIDORS II

Reliable sources confirmed that the venue for COP-3 will be Kyoto, Japan.

THINGS TO LOOK FOR TODAY

SUBSIDIARY BODY ON SCIENTIFIC AND TECHNOLOGICAL ADVICE: SBSTA will meet at 10:00 a.m. Please check the board for room assignment.

***AD HOC* GROUP ON THE BERLIN MANDATE:** AGBM will meet at 10:00 a.m. in room XIX and reconvene in the afternoon.

SUBSIDIARY BODY ON IMPLEMENTATION: SBI will meet at 3:00 p.m. in room XX.