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HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 2 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) met in negotiating groups under the Committee of Whole (COW). Delegates discussed quantified emission limitation and reduction objectives (QELROs), institutions and mechanisms and Article 4.1. Informal consultations were held on the treatment of carbon sinks. A number of delegations, as well as the Chair of the COW, held press briefings.

QELROs

The negotiating group on QELROs, chaired by Raúl Estrada Oyuela (Argentina), met for the first time in the morning. Discussion focused mainly on budgets and differentiation. On budgets, one delegation explained once again its preference for the concept of the budget approach. A group of countries opposed the concept, saying that there was confusion between the terms "budget periods" and "emission budgets." As a way to alleviate confusion, one delegation proposed using the term "compliance period" within a paragraph on timing for QELROs. A contact group was formed to consider language to describe the "budget/compliance" period. There seemed to be increasing agreement that the range for the initial "budget period" should be five years. However, further negotiation will be needed to determine when it should begin.

The group also discussed possible parameters for differentiation on the basis of a recent offer by one delegation to be flexible on acceptance of the concept. A country indicated that differentiation might be appropriate if limited, and suggested a range of 0-5% as an example. A regional group indicated that differentiation should not be allowed to become a loophole. Concern was expressed that differentiation might result in an excuse for inaction.

Canada submitted a proposal on QELROs consisting of a 3% reduction of GHGs below 1990 levels by the year 2010. It also provides for an additional reduction of 5% by 2015, and indicates that the years 2010 and 2015 refer to the mid-point years of budget periods. Canada's objective is a protocol that provides for comprehensive coverage, including sinks and six greenhouse gases, and maximum flexibility in its implementation. Flexibility would entail measures such as emissions trading and the banking and borrowing of emissions budgets. Canada said joint implementation with credits offers the best combination of technology and financial transfer to developing countries and expressed the hope that developing countries would see its potential value. He also called for recognition of the potential contribution of other measures, including the export of energy with low carbon content.

Canada said that delegates must come away from Kyoto confident that key developing countries, especially those whose emissions are large and growing, will ultimately be part of a process leading to a solution. Developing countries should take care not to feed ammunition to those people who would cite their arguments as an excuse for doing nothing. Canada stated that equivalency of effort is an important objective if their target must be "sold" domestically. An acceptable way to appropriately recognize national circumstances must be found, and differentiated targets could be included. He said that while the EU's wish to act jointly is understandable, he remains unpersuaded that this approach would be equitable. A major problem inherent in the EU "bubble" approach is its allowance for wide differentiation of targets within the EU, while denying differentiation to others. The effect of future additions of EU member states also presents a problem.

Contact groups were formed to discuss differentiation and the number of gases to be covered by the legal instrument (coverage). The QELROs group continued its deliberations on gas coverage and sinks in an evening session.

INSTITUTIONS AND MECHANISMS

The working group on institutions and mechanisms convened in the morning and early evening. The Chair, Takao Shibata (Japan), identified a number of items in need of further consideration: the Meeting of the Parties, entry into force, and compliance. Having identified the key outstanding issues, Chair Shibata set up an informal contact group that will be chaired by Patrick Szell (UK). After its first meeting in the afternoon, the contact group reported some progress on the article dealing with the Meeting of the Parties and was expected to reconvene for further deliberation. Discussion was based on G-77/China proposals tabled at AGBM-8 in Bonn. The contact group discussed the inter-relationship between the Meeting of the Parties (MOP) and the Conference of the Parties, the way in which the article on the MOP should refer to the review of the adequacy of commitments under the FCCC, and other outstanding issues.

ARTICLE 4.1

Participants reported little movement in the negotiating group on advancing the implementation of FCCC Article 4.1 (Article 12 in the negotiating text), which is being co-chaired by John Ashe (Antigua and Barbuda) and Bo Skjellén (Sweden). Industrialized nations favored alternative text under which all Parties would, *inter alia*, implement national and regional programmes containing measures to mitigate climate change and facilitate adequate adaptation. Developing countries preferred an alternative stating that developed countries shall incorporate QELROs and P&Ms into their national programmes. Developed countries would also specify measure taken to finance technology transfer, provide financial resources and assist in meeting the costs of adaptation.

This issue of the *Earth Negotiations Bulletin* <enb@iisd.org> is written and edited by Paola Bettelli <paobe@ix.netcom.com>, Chad Carpenter, LL.M. <chadc@iisd.org>, Deborah Davenport <ddavenp@unix.cc.emory.edu>, Peter Doran <pdforan@ecology.u-net.com> and Steve Wise <swise@igc.apc.org>. Webmistress Stephanie Sim <stephsim@pacific.net.sg>. The Editor is Pamela Chasek, Ph.D. <pam@iisd.org> and the Managing Editor is Langston James "Kimo" Goree VI <kimo@iisd.org>. The sustaining donors of the *Bulletin* are the Netherlands Ministry for Development Cooperation, the Government of Canada and the United States of America (through USAID). Support for coverage of this meeting was provided by the UNFCCC Secretariat, the Ministry of Foreign Affairs of Norway, the Canadian Pulp and Paper Association and Keidanren: Japan Federation of Economic Organisations. General support for the *Bulletin* during 1997 is provided by the Department for International Development (DID) of the United Kingdom, the Ministry of Foreign Affairs of Denmark, the European Community (DG-XI), the German Ministry of Environment, Nature Conservation and Nuclear Safety, the Ministries of Environment and Foreign Affairs of Austria, the Ministry of Environment of Sweden, the Swiss Federal Office of the Environment, the Ministry of Environment of Finland and UNDP. During COP-3 the authors can be contacted at +81 (0)75 705 1234 Ext. 2618. 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 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 citation. 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 from 100,000 km above Kyoto, Copyright (c) 1997 The Living Earth, Inc. <http://livingearth.com>. For further information on ways to access, support or contact the *Earth Negotiations Bulletin*, send e-mail to <enb@iisd.org>.



Some delegates expressed concern over who would bear the costs of proposals to, *inter alia*, formulate programmes to improve protection measures for infrastructure and deploy adaptation technologies. On Article 13 (financial resources), some developing countries objected to bracketed language that would have financial resources to meet their full agreed costs provided [through the mechanism defined by the Convention].

CONSULTATIONS ON SINKS

The contact group on sinks chaired by Antonio la Viña (Philippines) met in the morning to discuss a Chair's draft on sinks. The draft would set QELROs on gross emissions and measure compliance with net emissions. It refers to "verifiable changes . . . resulting from direct human induced land-use change and forestry activities since 1990" to achieve compliance. The sinks would be limited to a verifiable change in stocks covered in the land-use change and forestry sector of the IPCC guidelines.

Delegates reiterated divergent, previously stated positions about whether or how to include sinks in QELROs. They debated the meaning of a number of terms included in the Chair's draft, with some noting that "new" and "direct" appeared vague. Concern was also raised with the reference to 1990 as a base year. No agreement was reached, and the contact group resumed an evening session to develop recommendations to the QELROs negotiating group.

PRESS BRIEFINGS

CHAIR OF THE COW: COW Chair Raúl Estrada Oyuela reported there had been some progress in the discussions and noted Canada's official presentation of its targets. He also noted discussions on target years versus budget periods, whereby targets are established either as a percentage of reduction for specific years or for a number of years. He said problems with transparency and flexibility will need further consideration.

On differentiation, he recalled that there has been a long-standing discussion of flat rate versus differentiated reductions among countries and noted that the difficulty arises in deciding what criteria to use for differentiation. He said Parties have been choosing targets that best suit their needs and much work is needed to make them compatible. He expressed concern that when differentiation is discussed, proposed reduction goals "will go to the floor, not the ceiling." He noted that no Party has yet said it would reduce more than the others.

When asked if delegates had discussed the "evolution" of the Convention, Estrada said the item has not been assigned to the COW. He cautioned that FCCC Article 4.1 contains commitments for all Parties, and the question refers to quantified commitments with regard to emissions. He said quantitative commitments will come in due time for developing countries. When asked if differentiation could be settled in the short time remaining, Estrada noted that many Parties already have a clear position on what they intend to do. He also noted that there was a tendency toward multiple year targets.

OTHER PRESS BRIEFINGS: The G-77/China, the European Community (EC), Japan, the US and Canada were among those giving press briefings. The G-77/China reiterated the need to preserve the principle of common but differentiated responsibilities as defined in the FCCC and indicated that the US proposal on "voluntary but binding" commitments for developing countries counter to this principle.

The EC said that there was growing consensus regarding a 5-year time frame for "budget periods," but indicated that further consultations were needed to determine when the first budget period would begin. He spoke of differentiation based on a 0 - 5% range of reductions of emissions. However, he indicated that the EU was not in a position to accept this range because a ministerial decision would be needed to change the QELROs target it had set for itself.

The Japanese briefing emphasized that differentiation should acknowledge equivalence of efforts by different countries, and that additional criteria could be discussed within that framework. He pointed out that the "floor to ceiling" differentiation of 0 - 5% that had been discussed reflected the Japanese proposal. The US indicated that joint implementation with credits is a least-cost win-win solution.

IN THE CORRIDORS

Observers noted increasing efforts by the United States and others to attack the European Union's positions, particularly on QELROs and the "bubble." The aggressive tone was joined in the corridors by comments that the EU could not sustain a 15 percent target were it not for large emissions reductions unmotivated by climate change concerns and its refusal so far to address all gases. EU representatives called the critique of the bubble "a tactic," but some NGOs said the vehemence of the criticisms compelled them to come to the EU's defense because, they said, the EU wasn't defending itself. Some observers suggested that a greater threat to the EU's coordination of a group position may be ongoing informal courtship of some EU members by proponents of competing QELROs proposals.

IN THE CORRIDORS II

A day after the US' expression of interest in differentiation, this hurdle to an agreement may be receding in discussions within the QELROs group. Some participants say that a narrow band of differentiation could make deeper cuts palatable for some countries, resulting in a greater aggregate reduction in global emissions than otherwise possible. Others would be satisfied if it at least makes it possible to reach an agreement that all countries can live with. Some participants worried, however, about the impact of an agreement based on differentiated targets. Pleas were heard that differentiation not become a loophole, as was the fear that providing a "floor to ceiling" range would encourage countries to head for the floor.

IN THE CORRIDORS III

News that Al Gore is to fly into Kyoto Sunday was greeted with speculation about the significance of the Vice President's attendance for the US negotiating position. Optimists were quick to suggest that Gore would be unlikely to attend the COP only to defend the current US target for stabilisation. Instead, they argued, the visit suggested he might preside over an improved offer on GHG reduction targets. Noting that Gore would spend only eight hours in Kyoto, an NGO observer said she did not believe the Vice President would negotiate.

THINGS TO LOOK FOR TODAY

Plenary: Plenary will meet at 10:00 am and is expected to meet in the afternoon.

Voluntary Initiatives Symposium: A Symposium on Voluntary Business Initiatives for Mitigating Climate Change will be held from 10:00 am - 6:30 pm at the Hotel Genvia Kyoto, Kyoto Station Building. The Symposium is sponsored by Keidanren (Japan Federation of Economic Organizations), the International Chamber of Commerce and the World Business Council for Sustainable Development.