



Earth Negotiations Bulletin

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A Reporting Service for the Environment and Development Negotiations

Vol. 12 No. 71

Published by the International Institute for Sustainable Development

Friday, 5 December 1997

HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 4 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 in the morning and afternoon. The groups continued their discussions on quantified emission limitation and reduction objectives (QELROs), sinks, policies and measures (P&Ms), advancing the implementation of Article 4.1 (commitments) and institutions and mechanisms. The Committee of the Whole (COW) met in an evening "stock-taking" Plenary session.

COMMITTEE OF THE WHOLE

Chair Raúl Estrada Oyuela (Argentina) indicated that considerable progress had been made on some elements of QELROs, while the more difficult ones remain to be solved during the high-level segment. He reported agreement on text for Articles 3.3 and 3.4 on commitments for countries with economies in transition and for Article 11 on periodic review of the implementation of the Protocol. He informed delegates that a paragraph on emissions borrowing (Article 3.14) was eliminated, and that a draft decision on methodologies for estimation of GHGs is to be recommended for adoption by the COP. On outstanding issues, he indicated that informal consultations had served to identify options on coverage of gases and on baskets. He said that an option listing gases separately was still open, and added that he would prepare a text on coverage of gases based on the discussions.

Luiz Gylvan Meira Filho (Brazil) reported on the informal consultations he had conducted on "multi-year targets," formerly known as "budgets." He stated that problems during the discussion arose from the meaning of the word "budget." Some delegations indicated confusion between the terms "emission budgets" and "budget periods." To solve the problem, these were replaced with "total emissions" and "commitment periods" respectively. He indicated that a text on QELROs reflecting these changes was available. He said there was increasing agreement that the range for "commitment periods" should be five years. Chair Estrada added that using the term "multi-year targets" had no implications for Parties' obligation to submit national communications on an annual basis. The US, supported by NEW ZEALAND, said that the term "total emissions" does not fully encompass the meaning of the word "budget," and noted the need to further reflect on the meaning of the term where it appeared in other parts of the text.

The Chair of the negotiating group on the proposed compensation fund (Iran) reported that there were still divergent views on the issue and that further consultations were needed.

Harald Dovaland (Norway) reported on informal consultations conducted on the European "bubble" contained in Article 4 and said that further clarifications were needed on the meaning of terms within the article. He said that the EU was trying to find ways to accommodate delegations' concerns. Chair Estrada urged the group to continue its consultations in order to report on progress to the COP as soon as possible. The EU stated that it would not be in a position to continue consultations until the Ministers arrived, given the significance of the issue for the EU. Chair Estrada ruled that he would not wait for the high-level segment and would proceed to submit existing proposals for decision by the COP. The Russian Federation supported the Chair's ruling.

Dámaso Luna (México), reported that further consultations were needed on voluntary commitments for non-Annex I Parties (Article 10).

Luiz Gylvan Meira Filho (Brazil) reported on consultations held on a proposed clean development fund (Article 18) and said that there was verbal consensus to include it in the text of the Protocol, but drafting to that effect was pending.

The Chair of the negotiating group on sinks, Antonio La Viña (Philippines) said that full agreement had not been possible and introduced a draft document containing three bracketed paragraphs. The first paragraph states that Annex I Parties shall ensure that their [gross] aggregate anthropogenic carbon dioxide equivalent emissions do not exceed their commitments. The second bracketed paragraph discusses net [changes in] GHG emissions from sources and removals by sinks resulting from direct human induced land-use change and forestry activities. It lists three options. Option A refers to variable changes in stocks. Option B refers to verifiable changes in stocks [up to xx per cent] of the QELROs. Option C is limited to afforestation, reforestation, deforestation, and harvesting since 1990 measured as verifiable changes in stocks used to meet QELROs. A third paragraph states that the MOP shall determine how and which human induced activities related to GHG emissions and removals in the land-use change and forestry activities category shall contribute to meeting QELROs commitments.

Chair Estrada observed that other issues are pending decision on QELROs and that definitions were needed. He said that not everyone would be happy but it is time to decide. AUSTRALIA proposed a new option for a fully comprehensive approach. She advocated a net approach and suggested that the other options would introduce inequities between countries, along with uncertainty. The new Australian text, with support from the RUSSIAN FEDERATION, provides for Annex I Parties to ensure that their net anthropogenic carbon dioxide equivalent emissions as listed in Annex A do not exceed their commitments in terms of emission budgets/target year, inscribed in Attachment I. It further states that the verifiable net GHG emissions from sources and removals by sinks in terms of carbon dioxide equivalents resulting from direct

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human-induced activities shall be used to meet the QELROS commitments of each Party in Annex I, and provides for reporting in a transparent and verifiable manner.

NEW ZEALAND described Option C as very limited and noted his support for including all verifiable categories. JAPAN said his basic approach continues to be the gross approach. He recalled that the IPCC Chair *Emeritus*, Bert Bolin, had raised problems concerning sinks. If Parties deny uncertainties, their entire effort to work out appropriate targets would lose its justification. He supported Option C. CANADA said Option C does not cover conservation of currently managed forests or agrarian practices and provides no incentive for biodiversity. BARBADOS supported Option C. The US said his own preference would be similar to the Australian proposal. He said Option C was limited, and "forest management and forest conservation" should be added. The UK commented on the complex mathematical issues raised by choosing either a gross or net approach and their implications. He suggested that it was going to be extremely problematic to negotiate the question, and the issue may have to be resolved politically.

The MARSHALL ISLANDS, supported by GRENADA, cautioned against the uncertainties connected with measuring other activities and preferred putting them in Paragraph 3. CANADA and NORWAY noted their preference for Option A, saying the uncertainties are overdrawn. BRAZIL, supported by COSTA RICA, favored Option C as in the original Chair's text, or dropping the whole Article. ICELAND, URUGUAY, CANADA, MEXICO, COSTA RICA and NEW ZEALAND supported the US's concern that Option C refers to only a limited number of activities that can contribute to sinks. URUGUAY proposed adding "forest management, reforestation and any other forestry activity." MEXICO suggested "forest management and forest conservation" and COSTA RICA proposed "natural forest regeneration," and cautioned against allowing sink activities to disappear during the review discussed in Paragraph 3. ICELAND called for giving Parties credit for the changes occurring during a target year or budget period. NORWAY, supported by NEW ZEALAND, added brackets around "since 1990" in Option C, as in Options A and B. GRENADA queried how to measure 1990 sinks now if not already done and suggested giving a negative credit to countries when sinks are destroyed. ARGENTINA supported Option C, noting its relationship to forest conservation, the Convention to Combat Desertification and recovery of soils.

The Chair suggested that Option C appeared ready for consensus, evoking neither passionate support nor strong opposition. It is clearly a text to limit or set parameters to sinks. He said delegates would have to take US comments and their support into account, although definitions related to "forest management" could be a task for SBSTA. There was clear resistance to this option, but he felt the COW was ready to accept Option C, adding "forest management and forest conservation."

AUSTRALIA said she could accept the amended Option C, but that this depended on inclusion of a "net" approach and removal of an exclusion of land-use change and forestry in the article's first paragraph. VENEZUELA said the US amendments would reduce its reluctance regarding Option C. URUGUAY said the US amendments sought sustainable development. CANADA supported the modified Option C, as did HONDURAS, who supported Iceland on including soil productivity. BRAZIL and SAMOA expressed strong disagreement, SAMOA preferring to bracket "deforestation or harvesting." JAPAN supported the original Option C, but not with the US amendments, which tremendously increased ambiguities and uncertainties.

The Chair noted clear reaction against "forest management and forest conservation." He asked whether the US could support only "management." The US said the choice on sinks will have an enormous impact on a number. He said it was also necessary to ensure the numbers for sinks were transparent and verifiable.

The MARSHALL ISLANDS said he was not prepared to let Annex I Parties take credit for what nature is doing. He said he could not accept Option C without further consultations. The EU said the paragraph should remain bracketed for ministers. BARBADOS did not support Option C. PERU supported Option C but expressed doubts regarding methodology for forest management. GRENADA did not understand how conservation of forests improves the uptake of a sink. Management would maintain the sink but not increase its effectiveness.

NORWAY said limiting a comprehensive use of sinks limits a comprehensive policy approach and creates uncertainties to countries willing to undertake ambitious commitments. He called for inclusion of forest management and supported Iceland's call to include other land use sinks. BRAZIL said the question is: what are man-made activities for which credits should be given to increase emissions? He compared the 6 gigatonnes (Gt) of carbon emitted from fossil fuel and 1 Gt from land use change to natural uptake of 2 Gt by oceans and 2 Gt on continental surfaces. Given deep economic limitations and the inclusion of all countries, if all forests are considered managed this would grant a license for 30 percent more emissions. Because the FCCC includes an obligation to conserve and maintain sinks and reservoirs, he suggested a separate article to restate the obligation for all Parties to sustainably manage their sinks.

NEGOTIATING GROUPS

The negotiating group on policies and measures discussed a revised draft text prepared by Chair Mohamed Ould El Ghaouth (Mauritania). There has been some agreement on the kind of policies and measures to be considered and on their inclusion in the protocol. There are differences over whether policies and measures should apply to non-Annex I countries and whether their application should be adjusted according to national circumstances. A related discussion concerns the issue of "comparability." The options for coordination were also discussed.

A contact group on institutions and mechanisms, chaired by Patrick Szell (UK), reported progress on a number of Articles including those dealing with national communications, non-compliance, the Meeting/Conference of the Parties and amendments.

A participant in the negotiating group on Article 4.1 reported "slow but steady" progress. He said a revised text has been prepared, but delegates will continue their discussions Friday morning.

IN THE CORRIDORS

A number of the key elements in a final agreement are the subject of bilateral and multilateral contacts on the fringes of the negotiation. One important example is the bilateral contact between the US and Brazil to discuss the fate of the proposed clean development fund. Observers believe that the US has come to view the initiative as the key to a neat fix, linking a number of their interests, including emissions trading, and engaging some developing countries in meaningful participation with the promise of generating funds for technology. Asked about the US interest in the clean development fund, an EU representative warned that multiple loopholes would render targets meaningless.

THINGS TO LOOK FOR TODAY

COW: The COW is expected to meet in Plenary at 10:00 am to continue discussing sinks and other issues.

PLENARY: The COP is expected to meet in Plenary at 3:00pm.