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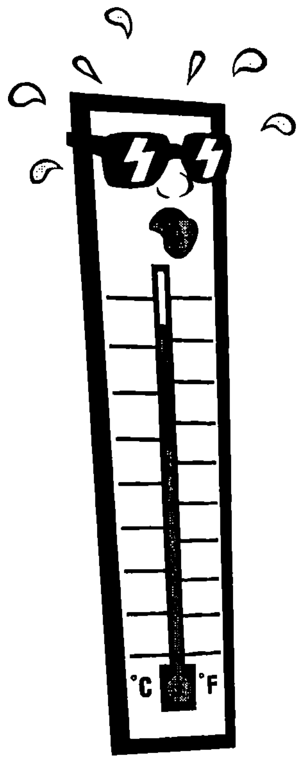
CLIMATE CHANGE
COP-6 PREP



Friday, October 27

8:00am G Staff Meeting

9:15am Strobe's AsstSecs Meeting

8:00pm Arena Stage (Pleasure of Seeing Her Again)

Sunday, October 28

Time TBD Dinner w/Jack and Libby Halaby (tentative)

Monday, October 30

8:00am Keynote - Int'l Climate Change Partnership's Earth Technologies Forum

Tuesday, October 31

9:15am Strobe's AsstSecs Meeting

2:00-5:00 D Cmte Meeting

UPCOMING EVENTS:

Fri., Nov. 3 5:30pm	**Dale's opening at Troyer Gallery followed by dinner at home**
Mon/Sat.,Nov.13-25	**COP 6 (The Hague) (High level Nov. 22-24)**
Tues., Nov. 14	**Host dinner for Mrs. Sadik**
Fri., Nov. 17	**Arena Stage (Play On) 8pm**
Sat., Nov. 18	**5:45pm Lv Dulles for The Hague (staying: Hotel Bel Air)**
Sunday, Nov. 19	**Thanksgiving Dinner at Amb. Schneider's**
Sunday, Nov. 26	**3pm Ar Dulles from The Hague**
Wed., Nov. 29	**Dr. Braun**
Thurs., Nov. 30	**CFR speech (in DC) per John B.**

Dec. 4-6,2000	Benin Conference on New and Restored Democracies (tentative)
Mon., Dec. 11 evening	Ar Palermo
Tues.,Dec. 12 to- Thurs., Dec. 14 am	Transnational Crime Convention (Palermo, Italy)
Wed., Dec. 13	Enchanted Holiday Evening (Youth For Understanding Foundation NYC (to be determined)
Fri., Dec. 22	Arena Stage (K2) 8pm
Sun., Dec. 24	7:45am Lv BWI on UA 221 10:25am Ar LA
Sun., Dec. 31	2:30pm Lv LA on UA 220 3:30pm Ar BWI
Fri., Feb. 9, 2001	Arena Stage (Tom Walker) 8pm
Feb. 24, 2001	Red Priest Baroque Ensemble 3133 Dumbarton Street (828-3090)
Fri., March 16, 2001	Arena Stage (Coyote Builds North America) 8pm
Thurs., March 29, 2001	Kennedy Center - (Washington Ballet) (7:30pm)
April 10, 2001 (8pm)	JFK Ctr (American Ballet Theatre)
Fri., April 13, 2001	Arena Stage (A Streetcar Named Desire) 8pm
Fri., May 18, 2001	Arena Stage (Constant Star) 8pm
May 22, 2001 (8pm)	JFK Ctr (Dance Theatre of Harlem)
May 29, 2001 (8pm)	JFK Ctr (Miami City Ballet)
June 5, 2001 (8pm)	JFK Ctr (Royal Ballet)

Thurs., May 10, 2001

Kennedy Center (Washington Ballet) (7:30pm)

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Divider Title: **Deputies Mtgs**

United States Department of State

Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

May 31,2000

TO : DISTRIBUTION LIST

FROM: David B. Sandalow

SUBJECT: Climate Meeting, Thursday, June 1

We will meet on Thursday, June 1 from 4:00-5:30 in Room 7835. There are two topics on the agenda:

(1) Sinks issues under Articles 3.3 and Article 3.4

(2) The use of overseas development assistance (ODA) in the CDM.

Papers attached.

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COP-6 Sinks Decisions:
General Approach

1. Introduction

Land use, land-use change and forestry activities (LULUCF) are addressed in Articles 3.3, 3.4 and 3.7 of the Kyoto Protocol.

- Article 3.3 requires that Parties, in meeting their targets, count emissions and removals from three specified land-use change and forestry activities: afforestation, reforestation and deforestation (ARD) since 1990.
- In addition, Article 3.4 allows the COP/MOP to include additional LULUCF activities – for example, conservation tillage – for the second and subsequent commitment periods. Parties may choose to apply any such decision to the first commitment period, for activities taking place since 1990.
- Finally, Article 3.7 provides that for states whose land-use change and forestry activities in 1990 were a net emission, the net land-use change emissions shall be included in the country's 1990 emissions baseline.

At COP-6, Parties will make a set of decisions regarding Articles 3.3 and 3.4. These decisions will likely include:

- definitions and accounting rules for ARD activities under Article 3.3;
- definitions of which additional LULUCF activities to include under Article 3.4, as well as accounting rules for these activities.

The package of COP-6 decisions could also include:

- limits on the degree to which Parties may count Article 3.4 activities in the first period
- a process for including additional LULUCF activities under Article 3.4 after COP-6
- elaboration of the land-use change elements of Article 3.7.

By August 1, 2000, Parties must submit their views and proposals concerning these Article 3.3 and 3.4 issues, including proposed definitions and accounting systems, along with national data and assessments of those proposals.

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2. Definitions and accounting for afforestation, reforestation, and deforestation (ARD) activities under Article 3.3

The COP-6 decision package will likely include definitions of ARD activities, perhaps providing Parties the option of choosing among a set of possible definitions or accounting approaches. The definitions of "afforestation" and "deforestation" are relatively uncontroversial from a political standpoint, but involve important technical considerations.

Reforestation is the most controversial aspect of Article 3.3. Different definitions (and accounting rules) would have markedly different implications for the United States (see Table 1 below).

International and internal U.S. discussions have focused on two possible definitions of reforestation: the FAO and the IPCC definitions. The *FAO definition* defines reforestation as replanting after harvest. Under some accounting rules, the FAO definition would allow countries to count the sequestration resulting from replanting, but not the emissions due to the harvest that brings the land into the system. In contrast, the *IPCC definition* defines reforestation as a land-use change from non-forest to forest. Under this definition, reforestation is essentially the same as afforestation; the only difference between the two is that, in the case of afforestation, the land is out of forest use for a longer period of time. The IPCC definition would avoid the issue of counting carbon sequestered on lands replanted after harvest, since replanting after harvest would not represent a land-use change and hence would not count as "reforestation."

Table 1 sets forth the implications for the U.S. of the IPCC vs. FAO definitions, assuming business-as-usual. Under the IPCC definition, the U.S. would gain virtually no net credits from ARD under Article 3.3. In contrast, the U.S. would gain a credit of approximately 100 MMTCE (about 7% of our 1990 emissions) under the FAO definition, in combination with an accounting rule that includes carbon sequestered during the regrowth of forests regenerated since 1990, but excludes the emissions from the initial harvest after 1990.[1]

[1] Note that during the first few years after harvest, land usually produces positive net carbon emissions because the slash left over from harvest is emitting at a rate greater than the sequestration from the new growth. This approach would count emissions from slash. Emissions from all harvests that occur after the first regrowth would count, but harvested carbon that goes into long-lived forest products would not be debited instantly.

4. Approach and future steps

In the next one to two months, we will need to decide the following key issues:

(a) What is our bottom line on sinks for COP-6?
(b) What positions on sinks should U.S. propose sinks in its August 1 submission?

We propose the following general approach, as we proceed to address these two core issues:

- Continue to advocate full carbon accounting as the most environmentally sound approach for the long run.

- Do not take a position on the definition of reforestation under Article 3.3.

  Instead of supporting either the FAO or the IPCC definition, we will continue to argue for addressing forestry (and other sink activities) in a more rational, comprehensive manner, through Article 3.4 decisions.

- Explore how to make up credits through Article 3.4, if we compromise by accepting the IPCC definition of reforestation under Article 3.3.

  Potentially, Article 3.3 and 3.4 could be treated as a package, in which we would accept the IPCC definition of reforestation (or something similar) in return for a satisfactory decision regarding additional sink activities under Article 3.4. Such a package might provide credit for some BAU activities (as Article 3.3 already does), as well as provide incentives to take *additional* action that could help Parties meet their targets in a cost-effective way.

- Explore departures from full carbon accounting that could be applied in the first commitment period.

  "Walkbacks" for the first commitment period could take the form of more narrowly defined activities under Article 3.4,or formulas that limit the applicability of full carbon accounts. We will outline various walkback options in a separate paper.

United States Department of State

Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

May 31,2000

TO : DISTRIBUTION LIST

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  Potentially, Article 3.3 and 3.4 could be treated as a package, in which we would accept the IPCC definition of reforestation (or something similar) in return for a satisfactory decision regarding additional sink activities under Article 3.4. Such a package might provide credit for some BAU activities (as Article 3.3 already does), as well as provide incentives to take *additional* action that could help Parties meet their targets in a cost-effective way.

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  "Walkbacks" for the first commitment period could take the form of more narrowly defined activities under Article 3.4,or formulas that limit the applicability of full carbon accounts. We will outline various walkback options in a separate paper.

and Sweden may as well. Since Kyoto, we have been reluctant to take a position on the definitions of ARD under Article 3.3. On the one hand, adopting the IPCC vs. the FAO definition of reforestation would represent a significant tightening of our target. On the other hand, we have been reluctant to endorse the FAO definition, given the controversy surrounding it. In our August 1 submission, we could propose either the IPCC or FAO definition, one of the other alternatives elaborated by the IPCC in its recent Special Report, some other definition, or we could propose options as part of a package with Article 3.4 activities.

3. Definitions and accounting for additional activities under Article 3.4

(a) Full carbon accounting through broad activities

During the Kyoto Protocol negotiations, we supported including sinks in a comprehensive fashion, so as to give Parties the maximum incentive to reduce emissions and enhance sequestration from LULUCF activities. Since Kyoto, we have continued to advocate the comprehensive approach pursuant to Article 3.4

To provide for full carbon accounting, the LULUCF activities included under Article 3.4 would need to be broad activities, and the system would need to count all carbon stock changes on the land during the commitment period. Possible activities include:

1. Forest management
2. Cropland management
3. Grazing land management
4. Land degradation and land restoration (possibly a package of activities to be selected together)

With full carbon accounting on managed forests, cropland, and grazing lands, carbon stock changes during the first commitment period are projected to be in excess of 200 MMTCE per year, assuming business as usual.

(b) Possible "Walkback" for the first commitment period

Most Parties have opposed the comprehensive approach. Some believe that carbon stock changes cannot be adequately monitoring and verified, although to some degree the recent IPCC Special Report allays that concern. Some are worried that the U.S. might try to take credit for large BAU sequestrations, possibly including the large "missing sink" (an unaccounted carbon sink that some scientists believe could be located in North America). Some also fear that LULUCF activities would undermine the emission reduction objectives of the Kyoto Protocol or create ancillary environmental problems.

One direction we are exploring for our August 1 submission is to propose full carbon accounting for all managed lands in the second and subsequent commitment periods, but claim only a share of the total carbon credits during the first commitment period. This is known as full carbon accounting with a "walkback" in the first commitment period.

Table 1:
U.S. Emissions and Removals from Afforestation, Reforestation, and Deforestation

U.S. Sink/Source	Annual MMTCE Carbon Sequestration (+) or Emissions (-) during the budget period (BAU Case) for the U.S.		
	2008-2012	2013-2017	2018-2022
IPCC definition of reforestation			
Afforestation/reforestation	10	9	8
Deforestation	-8	-7	-7
Total of ARD	**2**	**2**	**1**
FAO definition of reforestation (include carbon on forest lands replanted after harvest; exclude carbon emitted at the time of the first harvest after 1990)			
Reforestation under FAO definition	**102**	**99**	**116**
Reference: Comprehensive accounting of carbon stock changes in US Forests	217	200	184

Note: Estimates are derived from data and analysis based on 1992 US Forest Statistics. The forthcoming 1997 US Forest Statistics could change the magnitude and trends reported here.

The negotiating history of the Kyoto Protocol contains some support for the FAO definition of "reforestation." Moreover, to the extent that the U.S. assumed the FAO approach in taking its target, adopting an approach such as the IPCC definition would represent a significant tightening of our target (a difference of approximately 100 MMTCE).

However, several arguments have been advanced by Parties and NGOs against the FAO definition. First, it credits regrowth without debiting the first harvest (this is one form of "asymmetrical" accounting). Thus it selectively brings land into the system as it is about to start accumulating carbon, without counting the substantial emissions occurring earlier in the commitment period resulting from harvests. Second, some are concerned that the FAO definition could encourage harvesting old growth forests and replacing them with tree farms, so as to count the sequestration from replanting but not the emissions from harvesting. Finally, some Parties argue that the definitional issue is already decided by Article 5.2 of the Kyoto Protocol, which mandates the application of the 1996 Revised IPCC Guidelines. We do not accept that legal interpretation of the effect of Article 5.2.

Many Parties, including a number of Umbrella Group countries, support the IPCC definition. Canada has been one of the few countries to publicly support the FAO definition. Finland

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USE OF OFFICIAL DEVELOPMENT ASSISTANCE AND THE CLEAN DEVELOPMENT MECHANISM

Issues:

1. Can government funds used to support projects under the Clean Development Mechanism in a manner which generates CERs that accrue to the financing government be counted as Official Development Assistance.
2. Would ODA used for CDM, especially ODA that result in CERs accruing to the donor, have to be new and additional?
3. Would the use of ODA to acquire CERs promote "good development"?

BACKGROUND:

Japan has proposed that government financing from ODA accounts be used to directly support CDM projects, and that donor governments be allowed to accrue CERs as a result of such support. Japan has made it clear that they do not believe that they can meet their Kyoto target for the first budget period without acquiring CERs from other countries. They feel that they would be heavily criticized domestically for funding projects that produced CERs that would not automatically accrue to them.

The Japanese proposal raises a number of issues. Resolution of many of these issues will require engagement of agencies and individuals not normally a part of the Sandalow group.

Most donors agree that ODA can and should be used in support of the CDM. Capacity building, policy and legal reform, development of CDM institutions, creating market infrastructure, and other expenditures generally in support of a developing country's ability to participate in the Mechanism are likely components of post-ratification ODA regimes. With the exception of project feasibility studies, however, direct project finance has not been seen as a likely target for ODA, for three fundamental reasons:

1. The large cost of projects would be a very large proportion of ODA budgets,
2. The use of ODA in this manner would potentially distort markets, and
3. For most donors it would require a diversion of funding from other ODA purposes.

Official Development Assistance is defined as grants and loans to developing countries on the DAC Part I list of aid recipients which:

- are undertaken by the government,
- promote economic development and social welfare <u>as the primary objective</u>,
- are concessional (grant component of at least 25%)

The Development Assistance Committee of the OECD determines levels of ODA *ex post facto* based on national submissions. A key consideration for DAC reporting and ODA qualification is that CERs either are or will be recognized as economic assets that have value and are tradable. Under the United Nations System of National Accounts (SNA), the value of economic assets must be recorded as production flows in the economic accounts of the nation where they are created. International transactions in economic assets (sales or transfers) must be recorded in a nation's international accounts under the conventions of the IMF Balance of Payments Manual. The value of a sale or transfer of assets may be deducted from a donor's ODA flows.

ISSUE 1: Can government funds used to support projects under the Clean Development Mechanism in a manner which generates CERs that accrue to the financing government be counted as Official Development Assistance.

Two questions must be answered:

1. Does the donor expenditure meet the criteria for ODA? The most difficult test will be whether economic and social development of the recipient remains the primary purpose, particularly if donors expenditures shift substantially in a relatively short period of time?

2. Does the donor receive economic assets in return for its investment? The most difficult to analyze complication is caused by the intent to accrue CERs to the donor. The possibility of including CERs in DAC reporting has not been raised to date at either the DAC High Level Meeting or the DAC Statistical Working Party. It is unlikely, therefore, that the issue will be authoritatively addressed by COP6. If CERs are generated by ODA-funded projects, the value of the sale or transfer of the CERs to the donor may constitute a reduction in ODA. In addition, the methods of calculating "concessionality" may have to be adjusted to allow for the value of the CERs to the donor country.

ISSUE 2: Does ODA used for CDM, especially ODA that result in CERs accruing to the donor, have to be new and additional?

Raising the issue of the use of ODA to support CDM, with a focus on project support that generates CERs that accrue to the donor, insures that the question of "additionality" will be raised by developing countries and by NGOs. Developing countries are likely to insist on stipulating that ODA investments intended to produce CERs must be "new and additional" because CER generating activities could potentially divert ODA away from other objectives.

Donors may be constrained to argue that such investments are "additional" expenditures in order to meet the environmental additionality criteria. In addition, a direct financial interest on the part of major donors in the debate surrounding environmental additionality may affect the direction and dynamic of the emissions baselines debate. All of this is complicated by the lack of a baseline for determining ODA additionality.

With reductions in overall ODA levels, the political implications of OECD countries seeking direct financial benefit from the ODA expenditures could have a negative effect on other aspects of the COP6 negotiations, especially those involving transfer of resources.

ISSUE 3: Does the use of ODA to acquire CERs promote "good development"?

Japan has argued that ODA use is justified because it promotes economic development and social welfare, and because it is necessary to support projects that are "not profitable on a commercial basis", and to promote the "equitable" distribution of CDM projects.

While the argument can be made that GHG reduction and sequestration projects support economic development and social welfare, and that such projects are already part of donors' portfolios, Japan's proposal to directly acquire CERs as a result of ODA investment calls into question whether these goals are the primary purpose.

Even for the Japanese, fully financing projects is relatively rare. Based on available information, it seems that fully financing projects will require a substantial increase in funding, which is likely to come at the expense of other development priorities unless there is a stipulation that such resources be "new and additional". (One Japanese response to this issue is that "all resources are 'new and additional' since the funds must be appropriated each year.")

Aside from difficult issues as to how private sector partners (winners) will be selected, the investment, per se, of donor capital in viable private sector projects will be very controversial with developing countries, and the investments themselves will compete with private sector capital. If the Japanese pick the most viable projects, impacts on markets could be considerable, and the overall flow of resources to developing countries may well be reduced.

In addition, the financing of large projects will require donors to decide whether to invest directly in private sector projects or public sector projects. If ODA is targeted at public sector projects, particularly economically non-viable projects, efforts by the United States and others to promote structural and market reform, including full cost recovery/reductions of subsidies, privatization, and decentralization could suffer.

The Japanese claim (apparently persuasive to some G-77 countries) that they will use ODA to promote the "concept of equity of opportunity for developing countries" seems difficult to substantiate. On one hand, countries with economically viable projects that will generate substantial numbers of CERs will have a ready market. On the other, it is difficult to believe that the Japanese, whose primary motivation is the acquisition of CERs, will really be willing to invest in countries that have few CERs to offer and where the generation of CERs will be more expensive.

Promoting "equity of opportunity" will require a shift away from Japan's traditional strategic targets for ODA, or increases in total ODA. Only one African or island nation is in the top 15 recipients of ODA from Japan, and no African or island nation receives more than one-percent of Japanese ODA.

A more likely scenario is that the approval of the use of ODA to acquire CERs will result in investments in countries that are strategically and economically important to Japan (China, India, S.E.Asia) with potential long-term advantages to the Japanese private sector.

Moreover, the accrual of CERs to donor countries has implications for the issue of "tied aid". Tied Aid is loans, grants or financial packages that are conditional upon the procurement of goods or services from the financing country (i.e. practices that have direct economic benefit for the donor country). Tied Aid can only support projects that:

- have 35% grant element (50% for least developed countries),
- are financially non-viable, (coal gasification and renewable energy projects usually qualify)
- are in countries with per capita GDP < $3,030.

At a minimum, the method of calculating the grant element will have to allow for the value of the CERs to the donor country. In addition, the very inclusion of CERs that can only be sold or transferred to the donor may well demand a revised definition of "tied aid" because of the obvious benefits to Japan.

Finally, depending on how the Japanese distribute the benefits domestically, WTO compliance issues may also arise.

OPTIONS:

Option 1: Restrict ODA use to capacity building actions and those that create enabling conditions.

The USG can support the use of ODA to support the CDM generally, and it may well be that such support could focus on specific projects, as long as that support does not result in the direct accrual of CERs. This option would require no revision of DAC guidelines, but would not meet Japanese goals and would have limited added value in negotiations.

If the US (or Japan) wants to acquire the CERs it could acquire them on the market, at fair value, with the proceeds going to the developing country partner. These proceeds could be targeted for development purposes. It could be that we could even argue that the value of the proceeds could be counted as ODA, and credited to the donor's ODA totals for the year in which the proceeds were received. A variant of this approach would be for donors to retain CERs, which would be monetized either at a negotiated amount, or at market price, with the proceeds going to the project host country as development assistance.

Option 2: Support the use of developed country government financing of CDM projects to generate CERs that would accrue to the developed country, with such financing not counting as ODA.

The Protocol is essentially silent on this point, and such investments would seem to be policy decisions of developed countries. If this funding were to divert funds from development assistance, and if new and additional funding were not made available, donor country ODA amounts would be substantially reduced, and potentially redirected geographically and among sectors. The potential for market distortions and policy impact would still have to be carefully considered. This approach is unlikely to be satisfactory to Japan.

Option 3: Support the development of DAC procedures that would allow donors to receive CERs, while subtracting the value of CERs from total ODA.

While Japan would prefer to receive full credit in both accounts, they have discussed the possibility of deducting the value of CERs from their ODA totals. Details as to how the CERs would be valued, and when deductions would be applied are not available. This option would require eventual approval of the DAC, and substantial procedural issues would have to be resolved. All of the concerns identified under Issue 3 would still have to be addressed.

Option 4: Support development of DAC procedures that allow ODA to be used to generate CERs without deduction of value from ODA.

While the Japanese would prefer this option, it would require a major redefinition of DAC ODA criteria and accounting procedures. All of the concerns identified under Issue 3 would still have to be addressed. This approach would be likely to divert ODA from current geographical and sectoral patterns, and would be unlikely to result in increased flow of resources to LDCs.

Discussion:

The USG has several criteria to meet in addressing this issue:

- maintain umbrella group cohesion
- support Japan where possible
- avoid undercutting development assistance commitments and policies
- avoid undercutting trade and investment commitments and policies
- finding creative ways to identify new and additional funds for developing countries

Crafting a substantive position that meets these policy criteria requires analysis by agencies and individuals not routinely participating in the Sandalow group. In addition, the information available from the Japanese does not respond to several potentially serious issues. Despite requests, no written proposal from the Japanese has been forthcoming, nor have they raised the issue with the appropriate OECD-DAC groups. The Japanese, while absolutely clear on the purpose or goal of the use of ODA via CDM to accrue CERs, have been exceptionally vague on the details.

It may be that the US can craft a position that generally supports the use of ODA for CDM support, subject to OECD definitions, and procedural determinations by the executive board of

the CDM, while avoiding the issue of CER accrual until after COP6. The USG could indicate that the appropriate forum for determining this issue is the High Level Meeting of the DAC. Simultaneously, we should formally seek a detailed proposal from Japan for analysis of State EB, USAID/ G, and PPC, Treasury, Commerce, OPIC, EXIM, and others.

ASSISTANT SECRETARIES LIST FOR CLIMATE MEETING
4:00pm – Wednesday, May 17, Room 7835

ALDY, Joe (CEA)	395-1455	395-6870
ANDERSON, Margot	586-5316	586-3047
BALLENTINE, Roger	456-1782	456-1736
BIERBAUM, Rosina	456-6077	456-6025
BOWLES, Ian	456-6540	456-9240
CUMBY, Bob	622-0572	622-2633
DELGADO, Linda	720-6158	720-5437
DONIGER, David	564-7401	501-0986
ENGLISH, Kate	586-5316	586-0861
GARDINER, David	395-2343	395-2311
HALES, David	712-1750	216-3174
LAWRENCE, Robert	395-5046	395-6958
STERN, Todd	622-0654	622-0073

TO: ROGER BALLENTINE
DEBBIE REED
JOHN GIBSON

FROM: DAVID GARDINER

RE: ASSISTANT SECRETARY MEETING ON SINKS

June 22, 2000

The Assistant Secretaries group met yesterday to discuss options for Article 3.4 and a "walkback" from the full carbon accounting that we have been advocating. These talks were designed to provide input for negotiators who are attending a forum on this topic in Warsaw in mid-July and for the US submission on sinks due on August 1.

Discussion centered on the attached options paper. Three major concerns from other countries about our positions dominated the discussion. They [redacted] oppose:

- giving us credit for business as usual activities.
- Giving us credit for the "missing sink" which may be located in North America.
- Allowing us to undermine our commitment through excessive use of sinks.

There seemed to be a general preference for options 3 and 4, with a minority view for option 6. There was also an extensive discussion about whether we favored a threshold or floor that a country would have to exceed before it could start crediting sinks, and it would function like an additionality test. The purpose of this would be to respond to the general uncertainty of measuring, monitoring and verifying sinks, and to avoid getting credit for business as usual activities. There seemed to be general support for this. A minority view was also expressed that the US should also favor a cap on how much credit could be taken for sinks activity generally.

State will be drafting an intervention for the Warsaw meeting for review. It will focus on broaching the walkback option and specifically the threshold issue. Further work will be done to explore the feasibility of options 3,4, and 6.

Paper for A/S mtg on Wed

THRESHOLD

BAU - MISSING SINK

HUMAN INDUCED?

CEILING

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Article 3.4

Background

The U.S. has supported including broad land management activities under Article 3.4. One key advantage of including these broad activities, coupled with a land-based accounting system that counts changes in all the relevant carbon stocks on the land across the period, is that it would create the greatest incentive to maximize sequestration and minimize emissions. A broad approach would provide the most environmentally sound approach for the long run because all human contributions to emissions would be accounted for. It would also allow GHG reductions in the sectors where they are most cost effective.

Despite the long term advantages, we are unlikely to achieve full carbon accounting in the first commitment period, and pushing for full carbon accounting and only full carbon accounting could damage our chances for getting anything at the Hague. Our August 1 submission is an opportunity to advance a framework that might be accepted there. Thus, we need to consider our priorities – and bottom lines – for COP6 in this area and what to advance in our August 1 submission in that context.

Possible Broad Article 3.4 Activities

Forest management:
- Would include large areas and important stakeholders for U.S.
- Could provide significant BAU credits (approximately 200 MMTCE per year)
- Likely to be supported by Japan, Canada, Finland, Sweden, and France

Cropland management (agricultural soils):
- Would provide relatively few credits
- Could be politically important
- Likely to be supported strongly by Canada

Grazing land management (soils and vegetation on pasture, rangeland, etc.)
- Would provide relatively few credits
- Probably not politically important
- Not likely to be supported strongly by other Parties
- Large land area

Revegetation and/or Restoration of Degraded Lands
- Includes establishment of vegetation that would not qualify as forest
- Likely to be proposed by Australia, New Zealand, and Iceland
- Likely to provide significant BAU tons for other Parties, but not the U.S. (i.e., not really a

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broad activity for the U.S.)

General approaches to limiting first commitment period sinks

Limiting sink credits in the first commitment period without moving towards narrow activities is known as a "walkback" from full carbon accounting. Different walkback approaches may be desirable for different sink activities, and some activities may require no walkback at all.

1. **Exclude some of the broad land management activities in the first period.**

For example, Parties could include comprehensive accounting for forest management, but not grazing land management.

Pros:
- Relatively straightforward to calculate.
- Clear relationship between activity (i.e. land management category) and carbon accounts.

Cons:
- We would be unlikely to get forest management included, given its large contribution to our assigned amount (approximately 200 MMTCE for BAU activities, or more than 10% of our assigned amount). The broad categories more likely to be accepted, such as cropland management, would give us relatively few credits in the first commitment period.
- Since different activities are important to different Parties, it may be difficult to negotiate a single set of first period activities.
- Wouldn't encourage cost-effective additional sequestration (above BAU) from activities excluded in the first period.
- Wouldn't encourage development of monitoring and verifying capacity for excluded activities, unless there were a clear signal that these activities would be counted later.
- Could distort incentives across different land uses, depending on domestic implementation
- Domestic political problem of excluding certain sectors from possible credits.
- Especially hard to evaluate our deal relative to others'.
- Could leave important atmosphere exchanges unaccounted for.

2. **Limit the number of sink tons to a fixed percent of the total sequestration.**

Pros:
- Relatively straightforward to negotiate the discount level and to calculate credits.
- Would arguably affect all Parties proportionately the same.
- Provides incentives for across-the-board additional sequestration, but not at full value.

Cons:
- Raises the issue of whether land-related emissions should also be discounted, or whether only

sequestration would be discounted. If the latter, a Party could potentially get a net debit even if its full account from sink activities was positive.

- Raises the issue of what discount factor to use, and whether the discount factor would any scientific basis.

3. Limit the number of sink tons to the share of the full carbon account that is arguably due to human-induced land management changes.

For example, factor out x% or X tons for BAU, y% or Y tons for indirect human-induced effects such as CO_2 fertilization and/or z% for natural variation (e.g., the El Niño cycle).

Pros:

- Although negotiating x, y and/or z may be difficult in practice, the conceptual approach is relatively straightforward, and, once these numbers were agreed, they could be applied relatively easily to calculate credits.
- Tons that would be accounted would arguably be related to human effect on GHG concentrations.
- Provides incentives for across-the-board additional sequestration, but possibly not at full value, depending on how the accounting system is set up.

Cons:

- If it turns out the missing sink is due to human factors such as improved fire suppression as some scientists believe, then this could result in large credits.
- Indirect human factors and natural variability are uncertain. Thus, it may be difficult to get agreement on particular numbers if confidence intervals are large.
- May not provide many tons.

4. Limit credits to the reported stock change above some predetermined threshold level.

Pros:

- Would provide broad incentives for additional sequestration unless the threshold level is too high to achieve.
- Once thresholds are set, carbon accounts would be relatively easy to calculate.
- Could combine with a discount factor for indirect human effects or natural variability (see option 3 above).

Cons:

- May provide few tons, depending on threshold.
- Raises the issue of how to set the threshold levels. For example, the number should vary by Party. Thus it would have to be a function of Party-level data such as:
  a) a BAU projection or extrapolation of stock changes in the commitment period

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b) stock changes during a historical base period, e.g. 1990 to 1995
c) x% above or below BAU or historical stock changes,
d) estimate of Party's possible share of "missing sink"
e) some other number as negotiated

- Challenging to negotiate different threshold levels for each Party.
- Doesn't put an upper bound on credit, which would leave some Parties fearful we could get credit for the "missing sink."
- Raises the issue of how to count LULUCF activities if total sinks turn out to be below the threshold. One option would be to provide for one-way accounting, under which Parties would receive credit for additional sequestration above the threshold, but would not be debited if they fell short of their threshold.
- Could introduce disputes over how to do projections or construct other uncertain measures that would factor into the threshold.
- Especially hard to evaluate our deal relative to the deals other Parties get.

5. Calculate sink credits based on a measure of progress in energy investments or some other indicator

Pros:

- May get support from some environmental NGOs, if total credits are sufficiently limited.
- Sink credits would be available for Parties that demonstrate progress on the gross emissions side, or who can show energy-related improvements. The credits could be seen as "matching funds," which encourage domestic abatement.

Cons:

- Could provide sink credits in inverse proportion to how much they are needed to achieve targets.
- Hard to measure progress objectively, and raises the issue of whether to count "anyway progress."

6. Limit credits to the reported stock change on a reasonably defined subset of the land within an activity.

For example, we could count only the most intensively-managed lands in the first period. This would likely include lands on which most of the stock changes are occurring, and exclude lands that are not managed for commercial purposes. The meaning of "intensively managed" is not obvious, however, so we would have to find better modifiers to express exactly what subset of land of each type (forest, cropland, etc.) would count. It may be hard to find modifiers that work throughout Annex I.

Pros:

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- Provides fully-valued additional incentives, but only for the included lands.
- Could allow selective exclusion of the most controversial land, such as old growth forest and wilderness.
- Arguably related to human-induced factors.

Cons:
- Could leave important atmosphere exchanges unaccounted for.
- Many indirect and natural effects could be on heavily managed land, so critics might argue that this approach would not exclude the possibility of receiving credit for the missing sink.

Clinton Presidential Records
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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **POSITION PAPERS**

U.S. Views on Land Use, Land-Use Change and Forests Framework Convention on Climate Change

COP-6

Fact sheet released by the Bureau of Oceans and International Environmental and Scientific Affairs
U.S. Department of State, August 1, 2000

The United States today released detailed views concerning the role of forests and agricultural lands under the Kyoto Protocol. U.S. views were described in a submission under the Framework Convention on Climate Change ("Framework Convention").

BACKGROUND

Carbon sinks can play an important role in meeting the challenge of climate change. Today, managed lands remove significant amounts of carbon dioxide from the atmosphere. Reducing the rate of deforestation and increasing the rate of sequestration through improved forest and cropland management would result in even greater net removals of carbon from the atmosphere, counterbalancing in part the effects of fossil fuel emissions.

The Kyoto Protocol clearly recognized the positive role of carbon sinks in assisting countries in addressing climate change and meeting their targets, but leaves open the exact ways that sinks will count. One of the central issues at the next Conference of the Parties to the Framework Convention (scheduled for November 13-24 in The Hague) will be to elaborate the Protocol's carbon sinks provisions. Currently, the Protocol addresses only a few limited land-use change activities such as reforestation and deforestation. The inclusion of other land-use activities such as forest, cropland and grazing land management will require a decision of the Parties. In preparation, the Intergovernmental Panel on Climate Change (IPCC) recently completed a detailed study on the role of land use, land-use change and forestry in combating climate change, providing essential scientific information for sound decisions on sinks at COP-6.

U.S. VIEWS

The United States has long supported a comprehensive approach to emissions and removals of greenhouse gases from managed lands under the Kyoto Protocol. The United States believes that a comprehensive approach would best account for the full range of natural and human activities that could affect the global climate system.

In today's submission, the United States:

- Strongly reaffirms the important role of forests and agricultural lands in meeting the challenge of climate change.
- Insists that decisions be based on sound science.
- Proposes strong incentives to remove carbon from the atmosphere through sound land management and to protect existing reservoirs of carbon, for example those in mature forests.
- Proposes inclusion of broad land management categories -- e.g. forest management, cropland management, and grazing land management -- together with comprehensive greenhouse gas accounting.
    - Rejects narrower approaches, citing its concerns about incompleteness,

difficulty of measurement, and potentially unbalanced treatment of emissions and removals.

- Is willing to consider a "phase-in" for the first commitment period (2008 to 2012) to address the concerns of some countries about the effect of comprehensive greenhouse gas accounting on the first budget period targets.
  - Under a phase-in, countries would receive credit towards meeting their first budget period targets for only a portion of their total net removals of carbon from land management activities. Possible approaches to a phase-in include applying a discount rate or counting removals only above a pre-defined threshold. The exact approach will require further negotiations, but must ensure that the United States receives significant credit for the substantial sequestrations by its forests, as contemplated at Kyoto.
- Strongly supports rules -- including definitions of key terms such as reforestation -- that help protect forests and avoid creating "perverse incentives" (for example, to log old growth forests).
- Proposes a strict accounting system that looks at the total impact of land management on carbon stock changes, including both emissions and removals, and that requires Parties to be able to accurately monitor and verify emissions and removals.

The comprehensive, broad-based approach proposed by the United States:

- Provides the greatest long-term incentive to protect existing carbon reservoirs, increase carbon removals, and reduce greenhouse gas emissions through better land management practices.
- Best reflects "what the atmosphere sees".
- Prevents countries from picking and choosing only those activities that sequester carbon, while ignoring other activities that emit carbon.
- Is easier to monitor and verify than activity-based accounting.
- Allows flexibility and provides incentives to develop new land management practices.
- Minimizes leakage and double counting.
- Addresses many of the accounting problems identified by the Intergovernmental Panel on Climate Change in its recent scientific report on carbon sinks.
- Provides substantial "co-benefits," since practices that enhance carbon also tend to improve soil, water and air quality, and maintain biodiversity in forests.

While the U.S. projects it would remove approximately 300 million tons of carbon per year through land management activities during the Kyoto commitment period, the actual number of credits that will count towards meeting the U.S. target will depend on the outcome of discussions on a phase-in approach.

[End of Document]

Link to 8/1/00 U.S. Submission to UNFCCC on Land-Use, Land-Use Change, and Forestry (3,029 KB .pdf file)

U.S. Views on Articles 5, 7 and 8

Submitted to the UN Framework Convention on Climate Change (UNFCCC) Secretariat, August 4, 2000

Released by the Bureau of Oceans and International Environmental and Scientific Affairs, U.S. Department of State, August 7, 2000

The US would like to take this opportunity to present further views on Articles 5, 7, and 8 of the Kyoto Protocol. Much progress has been made to date on these issues and we expect that this progress will continue. Given the short timeframe between now and COP6, it is imperative that Parties define the overall scope and framework of 5,7 and 8, particularly those aspects which are essential for the integrity of the mechanisms and the compliance regime. Our comments seek to clarify those aspects of Articles 5,7 and 8, which we consider the highest priority.

Adjustments under 5.2

As the United States has noted in previous submissions, the adjustment of inventory estimates submitted by Parties will be necessary to verify compliance with Article 3.1, if an estimate is incomplete or is prepared in a manner inconsistent with the IPCC Guidelines, as elaborated by the Good Practice Guidance.

In our view, adjustments serve an important policy purpose - to ensure that Parties have sufficient confidence in emission estimates to verify Annex I Parties compliance with Article 3.1. In this regard, methodologies for adjustments should result in adjusted estimates that provide assurance that emissions are not underestimated and removals by sinks and base year emissions are not overestimated. At the same time, they should not unreasonably inflate or deflate emissions numbers.

The IPCC Greenhouse gas inventory program is best suited to provide the technical input on methodologies for adjustments. Given that the development of methodologies will draw on existing methodologies for greenhouse gas estimation, we do not anticipate that this work will create a significant added burden for the IPCC inventory group. Rather, we envisage that two or three workshops would be sufficient to develop adjustment methodologies. This work should begin as soon as possible to enable input to be provided to the SBSTA at its 16^{th} session. This would enable the COP to take a decision on adjustment methodologies at its 8^{th} session.

Attached is a proposed decision for COP 6 that:

1) initiates the technical work necessary to support the application of adjustments (the annex to the decision gives technical guidance to the IPCC to develop more detailed methodologies for adjustments); and
2) recommends a decision to the COP/moP defining the scope and purpose of adjustments under Article 5.2.

Attachment: Proposed COP6 Decision on 5.2

US Proposed Decision [--CP.6]: Good Practice and Adjustments under Article 5.2

The Conference of Parties,

Recognizing the essential role of high quality greenhouse gas inventories under the United Nations Framework Convention on Climate Change and the Kyoto Protocol,

Recognizing the need for confidence in estimates of emissions and removals in order to enable verification of compliance with Article 3.1 of the Kyoto Protocol,

Acknowledging the importance of ensuring that anthropogenic emissions are not underestimated and that removals by sinks and base year emissions are not overestimated,

1. *Requests* the IPCC Inventory Taskforce to prepare a report on methodologies for adjustments, based on the guidance provided in the Annex to this decision, for consideration by SBSTA at its 16th session.

2. *Requests* SBSTA to consider this report and to recommend a decision on methodologies for the COP at its 8th session to agree to recommend to the Conference of the Parties serving as the meeting of the Parties to the Protocol.

3. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Protocol, at its first session, adopt the following decision:

Decision -/[CMP.1]

Good Practice and Adjustments under Article 5.2

The Conference of the Parties serving as the meeting of the Parties to the Protocol:

Emphasizing that adjustments should not be used as a substitute for Parties' obligation to estimate and report emissions of greenhouse gases and removals by sinks, as set forth in and under Articles 5 and 7;

Affirming that the adjustment procedure is intended to be a policy tool to enable verification of Parties' compliance with Article 3.1:

1. *Adopts* the IPCC Report on Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories as an elaboration of the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories.

2. *Decides* that such Good Practice Guidance shall be used by Parties listed in Annex I in their estimation of greenhouse gas emissions.

3. *Reaffirms* that adjustments shall be applied to estimates of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol where an estimate is incomplete or is prepared in a manner inconsistent with IPCC Guidelines for National Greenhouse Gas Inventories, as elaborated by the Good Practice Guidance.

4. *Decides:*

(a) that the adjustment procedure shall commence only after a Party has been provided an opportunity to correct any deficiencies, in accordance with the timeline set forth in the guidelines for inventory review under Article 8;

(b) that the adjustment procedure should result in adjusted estimates that provide assurance that emissions are not underestimated and removals by sinks and base year emissions are not overestimated and, at the same time, do not unreasonably inflate or deflate emissions numbers;

(c) that adjustment procedures should be applied at the most disaggregated level that is sufficient to correct the inventory problem, subject to the availability of data, so that inventory estimates prepared in accordance with the IPCC Guidelines, as elaborated by the Good Practice Guidance, are not unduly adjusted;

(d) that adjusted emission estimates shall be used for the accounting of emissions and assigned amounts under Article 8;

(e) that adjusted estimates shall be calculated in accordance with the technical guidance on methodologies for adjustments set forth in Annex [ ] [to be added through a recommendation from COP 8].

5. *Decides* that a Party will only be rendered in non-compliance with Article 5.2 if, at any point during the commitment period, the sum of the percent difference for each year between the Party's adjusted annual inventory and its submitted annual inventory, relative to the submitted inventory, exceeds 30 percent, i.e. when

Σ((adjusted inventory - submitted inventory) / (submitted inventory)) >.30

ANNEX

Guidance for the development of adjustment methodologies under Article 5.2

Objectives

1. The objectives of this work is to provide technical input on methodologies for adjustments under Article 5.2 that will:

(a) facilitate the use of consistent methods for adjustments for inventory problems;
(b) enable adjustments to be calculated in an objective, transparent and timely manner; and
(c) produce estimates that provide assurance that emissions are not underestimated and removals by sinks and base year emissions are not overestimated and, at the same time, do not unreasonably inflate or deflate emissions numbers;

General Approach

2. One or more adjustment methods should be identified for the following inventory problems:

(a) missing or incomplete estimates;
(b) misallocation of estimates;
(c) incorrect or misapplied emission factors, model parameters, or activity data;
(d) methods that are inconsistent with the IPCC Guidelines, as elaborated by the Good Practice Guidance;
(e) time series inconsistencies;
(f) unsubstantiated reductions; and
(g) missing or incomplete documentation of emission factors, activity data, or methodological approaches.

3. Guidance should be provided regarding the selection among a hierarchy of available adjustment methods. This guidance should take into account the characteristics of each sector and source category, and the following general criteria:

(a) availability and quality of emission factor and activity data;
(b) simplicity in approach to ensure transparency and timely implementation by expert review teams;
(c) a minimum number of steps involving expert judgment;
(d) minimal additional data collection by taking advantage of acceptable data already submitted by Parties and available international data sets;
(e) the substitution of new data only in situations where data are not reported transparently, or where existing data are considered to be inconsistent with the IPCC Guidelines, as elaborated by the Good Practice Guidance,

4. Guidance for adjustments to estimates of emissions and removals by sinks from the land-use, land-use change and forestry sector will be requested in a separate, future decision by the COP.

5. Adjustment methodologies should produce adjusted estimates in accordance with the definition in this decision, giving consideration to the nature of specific problems and individual sectors and source categories.

Further US Views on Article 7

The United States would like to take this opportunity to provide more detailed views on Article 7. As we have stated previously, the COP6 decision should cover the elements to be reported under Article 7.1 and 7.2; however, detailed guidelines on the format for reporting should be developed after COP6. Additionally, the COP6 decisions should elaborate the basic modalities for accounting for assigned amount under Article 7.4, including the process to establish initial assigned amounts. We provide general comments on Article 7 below. Our proposed revision to the guidelines based on the draft elements of guidelines (Annex II of SBSTA Inf.5/Add.2) is attached.

Annual Reporting of information under 7.1

Information on Parties' inventories and assigned amount is essential to verify compliance with Article 3.1, and to ensure the integrity of the mechanisms. For this reason, annual reporting of inventories and assigned amount should be mandatory for all Annex I Parties, including both regional economic integration organizations and their member states under Article 24.

On the inventory side, the guidelines must explicitly require submission of an inventory consistent with 5.2.

Additionally, the inventory should include estimates of emissions and removals related to the assigned amounts under Articles 3.3 and 3.4, clearly distinguished from other parts of the inventory. Although this information would be submitted as part of the annual inventory reports, Parties would not necessarily be required to update it annually. Requirements for when estimation of emissions and removals from land-use, land-use change and forestry are reported will depend on decisions under Articles 3.4 and 3.4. The issuance and cancellation of assigned amount resulting from these estimates should be reviewed against the estimate by expert review teams under Article 8.

With respect to assigned amount information, we note that establishment of national registries will enable (and require) electronic transmission of detailed assigned amount information at the end of the year. This information need not be replicated in its entirety in hard copy. Rather, Parties should be required to submit a summary of its assigned amount information with the annual inventory. This assigned amount information in the summary would cover the same categories already transmitted by the registry, but in aggregate. Thus, for example, the summary report would include the total number of AAUs transferred to other Parties during the previous year, and would identify the acquiring Parties, but it would not provide the serial numbers for these units.

We recommend deletion of the sections of the elements text on adjustments and compliance. Since Parties would only accept adjustments, not apply them, they can not be expected to provide information on adjustments in their annual reports. As compliance with Article 3.1 will be ascertained only at the end of the commitment period, this is not an annual reporting issue.

Reporting under 7.2

We have a few general comments on the draft guidelines for reporting under Article 7.2. Detailed comments are provided in the attachment. First, as under 7.1, requirements for reporting under Article 7.2 should apply equally for all Annex I Parties, including regional economic integration organizations and their member states.

We recognize the importance of achieving demonstrable progress by 2005 and the role of the first national communication submitted under the Protocol in demonstrating Parties' progress in meeting their commitments. One important way in which a Party could demonstrate progress would be to show the institutional and legal steps they have taken to prepare to meet the Article 3.1 obligation, e.g.:

> a) the institutions and infrastructure necessary to meet the obligations, such as national systems for greenhouse gas estimation and national registries for accounting for assigned amount;
> b) passage of domestic legislation to implement the obligation; and
> c) programs for domestic compliance and enforcement relevant to the obligation.

Since the 7.2 guidelines under the Protocol will provide for detailed reporting on these areas, it would be redundant to elaborate an additional section on demonstrable progress in the guidelines. Therefore, the COP6 decision adopting guidelines for Article 7 should explicitly state that the sections of the first national communication covering the areas listed above are relevant to demonstrate progress toward meeting Protocol commitments pursuant to Article 3.2.

With respect to Articles 6,12, and 17, we note that several other areas of the guidelines cover implementation of commitments related to the mechanisms, specifically national registries and assigned amount reporting. Additionally, Parties would be expected to report on domestic trading programs as a policy and measure under Article 2, and on joint implementation projects under Article 6. Therefore, any additional requirements for reporting on Articles 6,12 and 17 should not duplicate these areas. Instead, Parties should report on the institutional arrangements and decision-making procedures that it has in place to coordinate activities related to participation in the mechanism(s), including the participation of legal entities.

The flexibility in implementation of commitments provided to Parties operating under Articles 4 and 24 merits specific consideration in the reporting guidelines. We note that Article 4 requires Parties operating under Article 4 to notify the Secretariat of the terms of the agreement in their instruments of ratification. However, Article 4 does not specify the scope of information to be provided; nor does it provide for information on continuing implementation of Article 4. For this reason, regional economic integration organizations operating under Article 24 should be required to report measures taken to ensure the integrity of the Article 4 arrangement. We have included language to this effect in the attachment.

Article 7.4 - Modalities for accounting for assigned amount

The United States proposes that an additional section - "modalities for accounting for assigned amount" - be elaborated in the Article 7 guidelines. This section will contain two basic components: the process for establishing initial assigned amount; and the requirements for national registries for tracking assigned amount.

On the first point, we would like to reiterate that it is essential that the initial assigned amounts of Parties be established prior to the commitment period, and that, once established, the initial assigned amounts remain fixed for the duration of the commitment period. To initiate this process, each Annex I Party would be required to submit a pre-commitment period report to demonstrate its capacity to track emissions and assigned amount. A Party could submit its report as late as January 1, 2007 (when Annex I Parties are required to have national systems in place.) However, we believe that most Parties would choose to submit the report earlier in order to prepare for the commitment period.

The report would include

a) a complete greenhouse gas inventory and inventory report containing complete inventories from the baseyear up to the current inventory, prepared in accordance with IPCC methodologies and good practice;
b) identification of the Party's selected baseyear under Article 3.7;
c) the Party's calculation of its initial assigned amount pursuant to Article 3.7 and serial numbers for the entire amount;
d) a description of its national system;
e) a description of its national registry;
f) its election of forest parameters (i.e. canopy cover threshold and minimum forest area) in accordance with Article 3.3 and 3.4 requirements; and
g) its election of any additional activities under Article 3.4 that it intends to apply during the first commitment period.

In addition, Parties operating under an Article 4 arrangement would be required to report the serial numbers of initial assigned amount transferred or acquired pursuant to the Article 4 arrangement.

The pre-commitment period report would be subject to review under Article 8. The review team would review the inventory for consistency with good practice, and, if necessary, recommend any adjustment(s) to baseyear estimates. The team would review the Party's calculation of its assigned amount for conformity with its baseyear estimates and the requirements of 3.7 and review other elements for conformity with relevant requirements. The Party's initial assigned amount would then be recorded in tonnes of carbon dioxide equivalent in the Secretariat's database for accounting for emissions and assigned amount. Once recorded, each Party's initial assigned amount would be fixed for the duration of the commitment period.

Modalities for accounting for assigned amount under Article 7.4 should also cover requirements for national registries, since registries are essential for tracking assigned amount for all Annex I Parties. Therefore, we propose that the negotiations of registry guidelines be moved to the Article 5,7,8 working group. The registry section of the chairman's text on mechanisms, together with recent submissions by Parties on this text, should be the basis for registry negotiations in the 5,7,8 group.

ATTACHMENT: Revised Guidelines for Article 7

Revised Guidelines for Article 7

1. The application of these provisions is mandatory for each Party included in Annex I (including regional economic integration organizations and their member states), except for

those expressed in non-mandatory language.

I. OBJECTIVES

2. The objectives of the guidelines under Article 7 of the Kyoto Protocol are:

(a) to promote the reporting of consistent, transparent, comparable, accurate and complete information by Parties included in Annex I;

(b) to enable the Compliance [Institution] to assess compliance with Article 3.1; and

(c) to provide information for the Conference of the Parties serving as the meeting of the Parties to the Protocol (COP/MOP) on the implementation of the Kyoto Protocol by Annex I Parties.

II. REPORTING OF INFORMATION UNDER ARTICLE 7.1

3. Each Party included in Annex I shall annually submit to the Secretariat a single report containing the information required by these guidelines.

A. Greenhouse Gas Inventory Information

4. Each Party shall submit an inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol, prepared in accordance with Article 5.2 and relevant decisions of the COP and the COP/MOP. A Party need not separately submit an inventory under Article 12 of the Convention.

5. Each Party shall include information on the estimation of emissions and removals from land-use, land-use change and forestry under Articles 3.3 and 3.4, in accordance with any requirements that may be adopted by the COP/MOP. These estimates shall be clearly distinguished from other parts of the inventory.

B. National systems in accordance with Article 5.1

6. Each Party included in Annex I shall include in its national inventory report information on any changes that have occurred in its national system since its last submission.

C. Information on Assigned Amount

7. Each Party included in Annex I shall report, in standard format, the following information:

(a) Total holdings of assigned amount (AAUs,ERUs and CERs) at the beginning of the calendar year;
(b) Total quantity of assigned amount issued by the Party during the previous calendar year under Articles 3.3 or 3.4;
(c) Total quantity of assigned amount acquired during the previous calendar year and identification of each transferring Party;
(d) Total quantity of assigned amount transferred during the previous calendar year and identification of each acquiring Party;
(e) Total quantity of assigned amount retired or cancelled during the previous calendar year.
(f) Total holdings of assigned amount at the end of the calendar year.

8. Additionally, each Party included in Annex I shall annually transmit electronically from its registry to the Secretariat the following information in standard format:

a) The serial numbers of any assigned amount issued in the Party's national registry under Article 3.3 and 3.4 during the year through December 31 (23:59 GMT) and the reason(s) for the issuance;

b) The serial numbers of any assigned amount transferred under Articles 6 and 17 to another Party's national registry during the year through December 31 (23:59 GMT) and the identity of the acquiring Party for each;

c) The serial numbers of any assigned amount acquired under Articles 6, and 17 from another Party's national registry during the year through December 31 (23:59 GMT) and the identity of the transferring Party for each;

d) The serial numbers of any assigned amount acquired under Article 12 during the year through December 31 (23:59 GMT);

e) The serial number of any assigned amount moved to the Party's retirement account during the year through December 31 (23:59 GMT);

f) The serial numbers of any assigned amount moved to the Party's cancellation account during the year through December 31 (23:59 GMT); and

g) The serial numbers of any assigned amount held in the national registry, excluding holdings in the retirement and cancellation accounts, at the end of the year (December 31, 23:59 GMT).

9. Any Party that has acquired assigned amount in accordance with Article 12.10, from 2000 up to and including the year prior to the first commitment period shall report the serial numbers of such assigned amount in its first registry transmission.

10. Upon expiration of the 'true-up period' after the commitment period, each Party included in Annex I shall transmit from its registry to the Secretariat the following information:

a) The serial number of all assigned amount held in its retirement account; and

b) The serial numbers of any assigned amount that the Party intends to add to its assigned amount for the subsequent commitment period.

D. National Registries

11. Each Party included in Annex I shall report any changes in its national registry that have occurred since its last submission.

III. REPORTING OF INFORMATION UNDER ARTICLE 7.2

12. In its national communication submitted under Article 12 of the Convention and in accordance with relevant decisions of the COP, each Party included in Annex I shall include the information required under paragraphs 12 - 17 below.

A. National registries

13. Each Party included in Annex I shall provide a description of its national registry. The description shall include the following information:

a) The name and contact information for the designated representative responsible for the Party's national registry;

b) A description of the database structure used in the Party's national registry;

c) A list of and the electronic format of the information transmitted electronically from the Party's national registry to an acquiring Party's national registry when transferring assigned amount;

d) A list of and electronic format of the information that would be transmitted electronically from the Party's national registry to the independent transaction log when issuing, transferring, acquiring, retiring, and canceling assigned amount;

e) An explanation of the procedures employed in the Party's national registry to prevent discrepancies in the transfer, acquisition, and retirement of assigned amount;

f) An overview of security measures employed in the Party's national registry to deter computer attacks and minimize operator error;

g) A list of publicly accessible data elements available through the electronic interface (e.g., world-wide web site) to the Party's national registry; and

h) An explanation of how to access information through the electronic interface to the Party's national registry.

B. Implementation of Articles 6, 12 and 17

14. Any Party included in Annex I that participates in a Kyoto mechanism under Articles 6,12 or 17 shall provide a description of any institutional arrangements and decision-making procedures that it has in place to coordinate activities related to participation in the mechanism(s), including the participation of legal entities;

C. Joint fulfillment of commitments in accordance with Article 4

15. A regional economic integration organization (REIO) that becomes a Party to this Protocol pursuant to Article 24.1 shall include in its national communication information on the implementation of:

a) any measures aimed at enforcing the respective emission levels of members set forth in an agreement under Article 4 to fulfil their commitments under Article 3 jointly;
b) the respective roles and responsibilities of the REIO and its member states with respect to their participation in the Kyoto mechanisms; and
c) measures taken to ensure the consistency of inventory and assigned amount information gathered and reported by the REIO and by its member states.

D. National systems in accordance with Article 5.1

16. Each Party included in Annex I shall provide a description of its national systems under Article 5.1.The description shall provide an overview of the entire inventory process, including:

a) the name and contact information for the designated representative responsible for the Party's national inventory;
b) roles and responsibilities of various agencies and entities involved in the inventory development process;
c) the activity data collection process- who collects what, how often data is collected, where background data is archived;

d) the process for selection of emission factors and methods, including the results of key source identification, and archiving of test data;
e) the process for development of emission estimates - who calculates what, how estimates are compiled and integrated, how recalculations are conducted;
f) the QA/QC plan and implementation - who reviews the inventory, role of public or external reviewers, uncertainty assessment; and
g) procedures for official consideration and approval of the inventory.

E. Policies and measures

17. Each Party included in Annex I shall provide information on policies and measures taken to implement its commitments under the Kyoto Protocol.

F. Domestic Compliance Programs

18. Each Party included in Annex I shall report any relevant information on the its domestic compliance measures. This information shall include:

a) a description of relevant domestic compliance and enforcement programs a Party has in place to meet its commitments under Article 3.1 of the Protocol, including the legal authority for such programs, how they are implemented, and what resources are devoted to implementation;

b) a description of the effectiveness of the above programs, including a summary of actions to identify, prevent, address, and enforce against cases of non-compliance with domestic law;

c) a description of how information related to domestic compliance/enforcement (e.g. rules on compliance and enforcement procedures, actions taken) is made public.

IV. MODALITIES FOR ACCOUNTING FOR ASSIGNED AMOUNT UNDER ARTICLE 7.4

A. Establishment of Initial Assigned Amount

19. By January 1, 2007, each Party included in Annex I, including each Party operating under Article 4, shall individually submit to the Secretariat a report to establish its initial assigned amount and to demonstrate its capacity to account for its emissions and assigned amount during the commitment period. This report shall include the following information:

a) a greenhouse gas inventory and national inventory report containing complete inventories for all years from 1990, or other approved baseyear under Article 3.5, to the most recent year available, including emissions and removals from land-use, land-use change and forestry; in accordance with paragraph 3 of these guidelines;

b) identification of its selected baseyear under Article 3.8;

c) calculation of its initial assigned amount, pursuant to Article 3.7;

d) serial numbers for its entire initial assigned amount, in accordance with relevant decisions of the COP/MoP;

e) a description of its national system for greenhouse gas estimation reported in accordance with paragraph 16 of these guidelines; and

f) a description of its national registry for tracking its assigned amount reported in accordance with paragraph 13 of these guidelines.

20. Any Party operating under Article 4 of the Protocol shall report the serial numbers of initial assigned amount that it has transferred or acquired pursuant to its Article 4 arrangement, and identify each acquiring or transferring Party.

21. The initial assigned amount of each Annex I Party, calculated pursuant to Article 3.7, shall be recorded in the Secretariat's database for accounting for emissions and assigned amount. Once the initial assigned amount is recorded, it shall remain fixed for the duration of the commitment period.

B. National Registry requirements

(Current working draft from mechanisms group)

V. LANGUAGE

22. The information reported in accordance with these guidelines shall be submitted in one of the official languages of the United Nations. Annex I Parties are encouraged to submit, where applicable, a translation of this information in English.

VI. UPDATING OF THE GUIDELINES

23. These guidelines shall be reviewed and revised, as appropriate, by consensus in accordance with decisions of the COP/MOP, taking into account any relevant decisions of the COP.

US Views on Article 8

Since we have not had sufficient time to consider the Secretariat's draft guidelines on Article 8 (FCCC/SBSTA/2000/7) at length, we will provide only general comments at this time.

Part I

On the composition of the review teams, it is critical that we design a process that will enable timely, thorough and consistent reviews of all Annex 1 parties. While many details of the team composition can be determined at a later date, we believe that the workload associated with the annual review of inventories and assigned amount information will require a standing team, of approximately 8-10 members. Experts on the standing team would be nominated by Parties to ensure accountability to Parties. However, formal procedures for selection of the experts will be necessary to ensure that the team is comprehensive, diverse and highly qualified. For some tasks, including the review of national communications, additional experts could be selected on an ad hoc basis to assist the standing team.

Given the current workload, decisions regarding the exact size and composition of the standing team, as well as the procedures for selection of the experts do not need to be made prior to COP6. However, the guidelines should be clear that the experts will not be selected on an ad hoc basis, and will not be selected by the Secretariat.

Part II

Part II of the guidelines on inventory review needs clarification. In our view, the initial check should be a very basic and automatic review of the inventory (principally or entirely focusing on the CRF), completed within 2 weeks of the due date of submission and posted in 6 weeks. Its purpose is to quickly identify if a submission is timely, complete, and in the correct format to facilitate the in-depth individual review. Additionally, the initial check would enable certain obvious "first-order" problems to be identified quickly. The initial check is not intended to provide a thorough review of methodologies, and efforts to extend its scope will only detract from its usefulness as a quick status check. For additional US views on the initial check and, on the identification of problems at this stage, see our previous submissions.

The current draft of the guidelines also does not adequately describe the individual inventory review process. Although it is not necessary to fully elaborate the procedures for this stage prior to COP6, it will be important to establish clearly the steps involved, and the opportunities for Party response. In this regard, the timeline for inventory review laid out in Secretariat's draft is overly detailed, and provides too many opportunities for Party comment. We do not consider it necessary to establish exact time frames for all of the review steps now, provided that the guidelines are clear that the entire annual review will be completed in under a year.

On the procedure for adjustments, we reiterate our strong view that the review team should calculate and propose adjustments. We do not consider it appropriate for Parties to calculate adjustments, since Parties have the obligation, and will already have had the opportunity, to prepare inventories in accordance with IPCC methodologies and good practice. Further, proposals to create a separate 'adjustments team' are inefficient and could lead to inconsistent calculation of adjustments. Instead, adjustments should be calculated and recommended by the standing expert team. This approach will promote consistent and objective calculation of adjustments, and will avoid the need for additional experts.

Parts III-VII

The United States does not support review of Article 6 projects under Article 8. If the Article 6 rules establish national level requirements, these would be reported in the national communication and reviewed under Article 8. Project reporting and project review would be handled by a separate procedure under Article 6. For this reason, Part VI of the guidelines should be deleted.

We do not consider the remainder of the guidelines - review of national systems, registries and national communications - to be a priority for COP6. These sections should be further elaborated after completion of the guidelines for national registries and reporting under Article 7.

[end of document]

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Divider Title: **Hambleygrams**

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List of Recipients for Periodic Reporting
from the Twelfth Sessions of the Subsidiary Bodies
of the UN Framework Convention on Climate Change (SB12)
June 5-16, 2000
Bonn, Germany

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State/L/OES	Sue Biniaz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer et. al.	202 647-0191
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647
WH	Roger Ballentine	202 456-1736
USAID	Hales/Barrett	202 216-3174
WH/OSTP	Rosina Bierbaum	202 456-6025
WH	Ian Bowles	202 456-2710
Treasury	Todd Stern	202 622-0073
Treasury	Robert Crumby	202 622-2633
Commerce	Robert Festa	202 482-4636
WH/CEQ	George Frampton	202 456-2710
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
Energy	David Goldwyn	202 586-0861
WH/CEA	Robert Lawrence	202 395-6958
Energy	Margot Anderson	202 586-3047
WH/OVP	Michael Orfini	202 456-9500
EPA	Robert Perciaspepe	202 260-5155
Energy	Dan Reicher	202 586-9260
EPA	Bill White	202 260-4852

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5 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 1 from SB12 (Sunday/Monday, June 4/5)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the subsidiary bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from Sunday, June 4, to Monday, June 5. Also included for reference is a copy of the Earth Negotiations Bulletin that provides a useful scene setter through its description of some of the workshops that have been held since the Fifth Conference of the Parties (COP-5) last November.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

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5 June 2000

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SB12 Periodic Update No. 1: Informals Start in Pleasant Demeanor, with Pledges of Cooperation, and Calls for Action

Atmospherics

The work of the Twelfth Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (or SB12 of the UNFCCC in climate change jargon) started their work on June 5 in a mood of cordiality. In sidebars and during the informal sessions themselves, most delegations pledged to cooperate during this two week conference. Many from both Annex I and non-Annex I Parties also called for "action" to replace words (although no specifics were cited).

This first week's work is something of an experiment, as it consists of a week of informal sessions without translation. Even so, the two co-chairs ((John Ashe of Antigua/Barbuda who chairs the Subsidiary Body on Implementation (SBI) and Harold Dovland of Norway who chairs the Subsidiary Body on Scientific and Technological Advice (SBSTA)) both expressed their hope that delegates would be able to move on from statements and posturing. They hope that delegates will be able to provide actual textual language that can be addressed during the formal SBI/SBSTA sessions that start during the work week of June 12.

No one quibbled with the chairs' remarks on June 5. In fact the only substantive comment came from Nigeria speaking on behalf of the G-77/China who called for the replacement of the Friends of the Chair discussions on technology transfer with a normal contact group. The delegate indicated that Dovland had stolen his thunder somewhat by his earlier suggestion that – for this week's informals at least – no contact group is envisioned. Dovland had also indicated that his "friends" grouping is open to any country that wishes to participate.

Similar professional airs were evinced in the meetings of the contact group that were held on June 5 (at least during those held by the time of this writing). These included groups on Convention Articles 4.8/4.9 and Protocol Articles 2.3 and 3.14; and on Articles 5, 7, & 8. It should be noted that all of these sessions are "open." They can be attended by anyone with accreditation. However, Ashe and Dovland both maintained that they may be closed at the request of the various co-chairs when circumstances dictate (i.e., if and when negotiations begin).

The following paragraphs are the expectations for the various topics under consideration during this first week of informals as expressed by co-chairs Ashe and Dovland:

(a) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14:** Some five sessions have been allotted to this topic during the first week. Ashe indicated that the co-chairs of this group (Salamat of Iran and Kjellen of Sweden) have been authorized to hold separate sessions on Article 3.14. (Note: This article has the disadvantage of focusing only on Annex I responsibilities to strive to minimize adverse impacts.

5 7 8

End Note) At the first June 5 session, the co-chairs managed to avoid serious bloodletting over this issue by stating that there should first be a run through of the three topics. Then, it could be decided at the end of the third session on Wednesday how to handle the question of Article 3.14. The co-chairs made reference to the report from the March workshop on these topics (Articles 4.8/4.9) and suggested that Parties take these as their departure points for the current discussions.

This permitted several countries (the U.S., Samoa, Tanzania, Egypt, Zimbabwe, the Netherlands, Guyana, Australia, Canada, and others) to make suggestions as to the direction they hope the discussions take. Saudi Arabia's Al-Sabban was blunt in indicating that he wants two separate decisions on both 4.8/4.9 and on 3.14. Portugal (speaking for the EU) stated that his group would not accept a division of labor between these two essentially overlapping topics.

(Comment: The co-chairs asked several delegations, including the U.S., for written statements of their remarks. These may be used to develop some kind of negotiating text, although the co-chairs have not as yet indicated that this is their intent. Once more, as has become his mantra, Al-Sabban warned in private conversation that without progress in this area, there will be no progress in any other areas. **End Comment.)**

(b) **Technology Transfer**: Ashe referred to the two workshops that have taken place since COP-5 in both Manila and El Salvador on this important topic. Dovland indicated that he will continue to head the Friends of the Chair group that has been active in both consultations. He invited other Parties to join the friends and indicated that he wants the group to develop the elements of a draft decision over the next two weeks. Dovland said that he intends to expand the group into a formal working group at an appropriate time in the future (he did not back down following the G-77's intervention on this point).

(c) **Kyoto Mechanisms**: Malaysia's Chow Kok Kee will continue to chair this important joint working group that meets for the first time on Monday afternoon. A revised document is being made available, and a second workshop will be held this week to try to simplify or at least clarify it further.

(d) **Compliance**: This joint working group will be headed by SBSTA Chair Dovland and by Samoa's Ambassador Slade. An additional consultation will be held on Monday afternoon, prior to two "formal informal" sessions on June 6. **(Comment**: It is clear that this work has been complicated by the draconian proposals circulated by the EU. First reactions will probably not be given until Tuesday, however. **End Comment.)**

(e) **Policies and Measures (PAMs)**: No formal contact group has been established. While SBSTA chair Dovland indicates that he has adopted a 'wait and see' approach on this question, he has admitted privately that the establishment of one will probably be inevitable. EU attitudes on the PAMs discussion remain unclear. At the March Copenhagen conference, the EU appeared to downplay its earlier insistence on harmonization of various policies and measures. It is not clear if this suggestion was for tactical purposes only or if this is an indication of a new mood among our European colleagues.

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(f) **Articles 5/7/&8 (on methodologies, reporting and review):** Once more, this working group will be co-chaired by New Zealand and Brazil. The first meeting on June 5 was devoted mostly to process related issues, with a decision being taken that Article 5.1 on national systems will be handled in a contact group, with other elements for the time-being being handled by the working group as a whole.

(g) **Land Use and Land Use Change and Forestry (LULUCF):** Ashe noted that the IPCC has now completed its special report on LULUCF and will give a presentation of its results at a four hour session on June 7. Iceland and Uganda remain the co-chairs. The first meeting will be on the afternoon of June 5.

(h) **Capacity Building:** Ashe noted that responsibility for this important issue will be held by himself in the absence of his co-chair, Daniel Reifsnyder of the U.S. He said that the he will hold consultations on the draft elements for a decision. The group is first scheduled to meet on Wednesday evening (June 7).

(i) **Cross-Cutting Issues:** Ashe noted that several issues related to compliance, the mechanisms and Articles 5/7/&8 are cross-cutting in nature. Several sessions will be held during this week in an effort to ensure that these issues are treated in a coherent manner. The first session will be held on Tuesday evening (June 6).

The June 4 Umbrella Meeting

Seven of the nine umbrella partners (neither Ukraine nor the Russian Federation was present) met for a short update on events since the last meeting in Montebello, Quebec, in May. The main point of interest was the rather broadbased concern expressed by colleagues about the EU's compliance suggestions. These were termed as "punitive" by Canada. Some Parties talked about the possibility and timeliness of raising Article 4 "bubble" and related parity concerns during the course of this meeting. The U.S. was one Party that signaled that serious consideration is being given to this step. No one interposed any objection.

Several consultations among the various umbrella group Parties are underway. The mechanisms group met on June 4 and others on sinks and compliance, to name but a few more, are scheduled for June 5.

The Group also endorsed the suggestion by Norway that JUSCANZ meetings be scheduled for Tuesday and Thursday (June 6 and 8) of this week and daily next week during the formal session. The Umbrella Group will meet on an ad hoc basis.

The Game of "Bureau": Jockeying for Bureau Membership Begins

The Game of "Bureau" (or the bi-annual effort to select officers and members of the UNFCCC Bureau) will begin in earnest sometime over the next two week period. We will have to decide whether we (the U.S.) want to gain a formal foothold as the replacement for Norway whose term expires at COP-6 in November.

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#1

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TWELFTH SESSIONS OF THE SUBSIDIARY BODIES OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE 5-16 JUNE 2000

The twelfth sessions of the subsidiary bodies (SB-12) of the United Nations Framework Convention on Climate Change (FCCC) will take place from 12-16 June 2000 in Bonn, Germany, preceded by one week of informal meetings scheduled for 5-10 June. Delegates to SB-12 and the informal meetings will work toward fulfilling the Buenos Aires Plan of Action (BAPA) adopted at the Fourth Conference of the Parties (COP-4) in November 1998. Under the BAPA, Parties set a two-year deadline for strengthening FCCC implementation and preparing for the future entry into force of the Kyoto Protocol. The Sixth Conference of the Parties (COP-6), scheduled to take place from 13-24 November 2000, in The Hague, the Netherlands, will mark the culmination of this two-year process.

SB-12 will focus on a range of technical and political issues aimed at laying the foundations for negotiations on a comprehensive agreement to be completed at COP-6. The Subsidiary Body for Implementation (SBI) will consider a number of issues, including national communications and the financial mechanism. The Subsidiary Body for Scientific and Technological Advice (SBSTA) will consider, *inter alia*: best practices in policies and measures among Parties included in Annex I to the FCCC; land use, land-use change and forestry; guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); and the development and transfer of technologies. SBSTA and SBI will jointly consider the Protocol mechanisms, implementation of FCCC Article 4.8 and 4.9 and matters relating to Article 3.14 of the Protocol (adverse effects). The joint SBI-SBSTA working group on compliance under the Protocol (JWG) will resume work started during previous sessions of the subsidiary bodies. In addition, the Intergovernmental Panel on Climate Change (IPCC) will present its recent scientific and technical reports.

INTERSESSIONAL HIGHLIGHTS

WORKSHOP ON COMPLIANCE UNDER THE KYOTO PROTOCOL: The workshop on compliance under the Kyoto Protocol was held from 1-3 March 2000 in Bonn, Germany. The workshop was designed to assist in developing elements of procedures and mechanisms relating to a compliance system for in-depth consideration at forthcoming meetings of the JWG. It was organized by the FCCC Secretariat and the Co-Chairs of the JWG. Participants heard presentations and discussed various issues, including: linkages between Articles 5, 7 and 8 and the compliance system; institutional design; outcomes or consequences of non-compliance or potential non-compliance; general provisions; and a framework. On the basis of discussions during the workshop, as well as their working paper resulting from consultations held in Montreux in February, the Co-Chairs developed a text that will help form the basis for negotiations at SB-12. For more information visit: http://www.iisd.ca/climate/cop6/tech_ws/compliance/index.html

WORKSHOPS ON FCCC ARTICLE 4.8 AND 4.9: ADVERSE EFFECTS OF CLIMATE CHANGE AND THE IMPACT OF IMPLEMENTATION OF RESPONSE MEASURES: Two workshops on FCCC Article 4.8 and 4.9 were held from 9-11 and 13-15 March 2000 in Bonn, Germany. They were organized by the FCCC Secretariat and the Chairs of the FCCC subsidiary bodies. The first workshop was held from 9-11 March to consider initial actions to meet the specific needs and concerns of developing country Parties and the specific needs and special situations of the least developed countries (LDCs) arising from the adverse effects of climate change. Participants heard presentations and engaged in discussions on the adverse effects of climate change on food security, water resources, economic activities, coastal zones and human health. They also considered initial actions related to funding, insurance and the transfer of technolog[y] to meet the needs and circumstances of developing countries. Other issues addressed included actions to: enhance capacity for monitoring, systematic observation and vulnerability assessment in developing countries; build capacity in environmental management and integrated assessment; and identify adaptation options and facilitate appropriate adaptation.

The second workshop was held from 13-15 March to consider the impact of the implementation of response measures to climate change. Participants considered methodological approaches and actions necessary under the FCCC relating to the impact of implementation of response measures on, *inter alia*, terms of trade, international capital flows and developmental efforts, in accordance with FCCC Article 4.8 and 4.9 and in the light of matters related to Protocol Article 3.14 (adverse effects). Participants also considered the nature, content and sources of information required, procedures and modalities for the provision of information, and actions needed. The specific needs and special situations of LDCs were also considered.

This issue of the Earth Negotiations Bulletin © <enb@iisd.org> is written and edited by Angela Churie <angela@iisd.org>, Jon Hanks <jon.hanks@iiiee.lu.se>, Lavanya Rajamani <lavanya@iisd.org>, Malena Sell <malena@iisd.org>, Chris Spence <chris@iisd.org> and Juliette Voinov <cedrickohler@email.msn.com>. The Digital Editors are Andrei Henry <andrei@iisd.org> and Ken Tong <ken@iisd.org>. The Editor is Pamela S. Chasek, Ph.D. <pam@iisd.org> and the Managing Director 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 and DFAIT), the United States (through USAID), the Swiss Agency for Environment, Forests and Landscape (SAEFL), the United Kingdom Department for International Development (DFID) and the European Commission (DG-ENV). General Support for the Bulletin during 2000 is provided by the German Federal Ministry of Environment (BMU) and the German Federal Ministry of Development Cooperation (BMZ), the Danish Ministry of Foreign Affairs, the Ministry of Environment of Austria, the Ministries of Foreign Affairs and Environment of Norway, the Ministries of Foreign Affairs and Environment of Finland, the Government of Australia, the Global Environment Facility (GEF) and BP Amoco. Logistical support has been provided at this meeting by the UNFCCC Secretariat. 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 Managing Editor. 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/linkages/. The satellite image was taken above Bonn ©2000 The Living Earth, Inc. http://livingearth.com. For information on the Earth Negotiations Bulletin, send e-mail to the Managing Director at <kimo@iisd.org>.

The Chairs of the FCCC subsidiary bodies produced a report that will provide input for discussions on these issues at SB-12 and SB-13, to be held in June and September 2000 respectively. For e information visit: http://www.iisd.ca/climate/cop6/tech_ws/ 4.9/index.html

WORKSHOP ON ISSUES RELATED TO ARTICLES 5, 7 & 8 OF THE KYOTO PROTOCOL: The workshop on issues related to Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information) took place from 14-16 March 2000, in Bonn, Germany. Participants met in three working groups to consider: guidelines for national systems under Article 5.1; issues related to adjustments under Article 5.2 and to guidelines under Article 8; and issues related to guidelines under Article 7. Participants agreed upon a number of elements to be considered for inclusion in the guidelines. They also agreed to: use the FCCC reporting guidelines on annual inventories and national communications and the FCCC guidelines for the technical review of greenhouse gas inventories of Annex I Parties as a basis for the development of guidelines; and aim for the early adoption of these guidelines in order to facilitate preparations for the implementation of the Protocol by Annex I Parties. For more information visit: http://www.unfccc.int/sessions/workshop/000314/ index.html

PACIFIC ISLANDS CLIMATE CHANGE CONFERENCE: This meeting was held from 3-7 April 2000, in Rarotonga, Cook Islands. The meeting was organized by the South Pacific Regional Environment Programme (SPREP) in partnership with the National Tidal Facility, UNDP and the GEF, through the Pacific Islands Climate Change Assistance Programme. Participants considered a variety of climate change issues relevant to ific Island States, including: current knowledge and under- ding of climate change and its impacts; scientific aspects of climate change; vulnerability and adaptation; capacity building; stakeholder involvement; and country reports and experiences. For more information visit: http://www.sprep.org.ws/whatsnew_.htm

WORKSHOP ON BEST PRACTICES IN POLICIES AND MEASURES: The Workshop on Best Practices in Policies and Measures (P&Ms) under the FCCC was held from 11-13 April 2000 in Copenhagen, Denmark. The workshop sought to: clarify the concept of best practices in P&Ms; identify the criteria used by countries to select, monitor and evaluate these practices; and enable countries to improve and enhance their reporting on best practice P&Ms. The meeting was co-sponsored by Denmark and France and organized by the FCCC Secretariat in cooperation with the SBSTA Chair. Participants met in seven working groups to discuss: national programmes; cross-cutting issues; indicators; methodological and institutional issues; and best practices in P&Ms to address CO2 emissions from energy supply, industry, transport, household and commercial sectors, and emissions of non-CO2 gases from energy, industry, agriculture, forestry and waste. A Chair's report of the workshop will be presented to SBSTA-12. For more information visit: http://www.iisd.ca/climate/cop6/tech_ws/ policies/info.htm

EFIEA CLIMATE POLICY WORKSHOP "FROM KYOTO TO THE HAGUE - EUROPEAN PERSPECTIVES ON MAKING THE KYOTO PROTOCOL WORK": The Second European Forum for International Environmental Assessent (EFIEA) Climate Workshop, "From Kyoto to the Hague - opean Perspectives on Making the Kyoto Protocol Work," took ace from 18-19 April 2000, at the Royal Netherlands Academy of Sciences in Amsterdam. It was sponsored by the Dutch National Research Programme on Global Air Pollution and Climate Change. The workshop aimed to bring together state-of-the-art scientific information from European research that is relevant to the European Union (EU) and its member States in preparing for COP-6, and to enhance the policy relevance of climate-related research in Europe. The workshop was divided into four thematic sessions: Kyoto mechanisms, sinks, implementation issues and European international climate strategies/leadership. Regarding the mechanisms, participants highlighted the potential benefits of the use of the mechanisms, while noting that there are sound reasons for domestic action. On EU leadership, it was noted that the EU has a long-term vision and can integrate climate change policy with other issues. A number of participants urged the EU to work to maintain the environmental credibility of the Protocol. On implementation, it was noted that EU enlargement is not relevant to implementing existing obligations under the Protocol. For more information visit: http://www.iisd.ca/sd/EFIEA/index.html

CONFERENCE ON INNOVATIVE POLICY SOLUTIONS TO GLOBAL CLIMATE CHANGE: This conference, co-hosted by the Pew Center on Global Climate Change and the Royal Institute of International Affairs, took place from 25-26 April 2000 in Washington DC, USA. Participants considered innovative policy measures being implemented by industrialized country governments and the private sector. Conference topics included: common policy approaches, such as taxes, trading and negotiated agreements; cross-cutting issues, including competitiveness and trade; energy and transport sector policies; and state and local programmes. For more information visit: http:// www.pewclimate.org/forms/innov_conf.html

16TH SESSION OF THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE: This meeting took place from 1-8 May 2000, in Montreal, Canada. Participants considered the IPCC programme and budget for 2001-2003, the report of the previous session, and progress reports on the IPCC's Third Assessment Report. They also approved new IPCC reports on Land Use, Land-Use Change and Forestry (LULUCF); Methodological and Technological issues in Technology Transfer; Emissions Scenarios; and Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories. For more information visit: http://www.ipcc.ch/

THINGS TO LOOK FOR TODAY

INITIAL BRIEFING AND INFORMAL MEETINGS: An initial briefing for participants attending this week's informal meetings will be held at 10:00 am. It will be followed by informal meetings in parallel sessions on: Guidelines under Protocol Articles 5, 7 and 8; and FCCC Article 4.8 and 4.9 and Protocol Article 3.14. These two meetings will conclude at 1:00 pm and resume from 7:00 pm – 9:00 pm. An informal meeting on LULUCF and a session on the Protocol mechanisms are both scheduled to begin at 1:00 pm. Consult the announcement board for further details.

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6 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 2 from SB12 (Mon/Tues, June 5/6)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Monday, June 5, to the afternoon on Tuesday, June 6.

Three additional reports prepared by USDEL members and detailing afternoon and evening discussions are also included: (A) events in the compensation/adaptation discussions (Articles 4.8/4.9), prepared by USAID's Duane Lakich Muller; (B) a report on the discussions in Articles 5/7&8 prepared by EPA's Sharon Saile and Wiley Barbour and (C) a report on the mechanisms discussion prepared by EPA's Jennifer Macedonia.

Also included for reference is a copy of the **Earth Negotiations Bulletin** that provides a useful supplement on activities on June 5. It is prepared by NGOs with government subsidies and generally tends to be unbiased in its coverage.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

6 June 2000

SB12 Periodic Update No. 2: Delegates Moving Ahead Diligently Despite Continuing Saudi Noise

Atmospherics

The work of the Twelfth Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB12) continued to make headway during their afternoon, evening and morning sessions. Because the meetings are informal, the work schedule officially runs until 9 PM. No two groups meet at any given time, but there are multiple time slots set aside in an effort to accommodate the substantial work load.

The mood continues to be professional and workmanlike. The Saudis continue to insist that they want progress on their issues or that they will bloc progress in other areas. They attempted (with Indian connivance) to do so in the mechanisms, but thus far do not have the backing of any other key G-77 member. Still, the Saudis are present in almost every working group (even the one on sinks), where they are making their presence felt.

Relationships with the EU have been relatively good, although some strain may be brewing in mechanisms, sinks, and Articles 5/7/&8 particularly. The EU has been insisting on raising the issue of policies and measures (PAMs) in the various discussions, with their emphasis on the necessity for demonstrable progress through PAMs by the 2005 review being their current flavor of the moment. We are having some burps with some of our umbrella partners are various small items, but these are being handled. Thus far, neither the Russians nor the Ukrainians have surfaced at these meetings.

The following paragraphs provide insights into the status of the various topics under consideration during this first week of informal discussion.

(a) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14:** A summary of the current state of play is contained in the accompanying detailed note. Suffice it to note that we have two main problems confronting us at the moment. First, we are trying to avoid having two decisions to address, one on Convention Articles 4.8/4.9 and the second on Protocol Article 3.14. The latter article specifies action only by Annex I Parties and would undoubtedly lead to calls for additional action. Second, the co-chairs have called for Parties to provide submissions by Thursday to prepare a text for negotiation. Most Annex I Parties are resisting this idea, but it is not clear that we will prevail. We would prefer to develop elements for a decision at this meeting with a text emerging at the September meetings in Lyon.

(b) **Technology Transfer**: Our representative, State's Duncan Marsh, met with Canada and the UK on Monday night (June 5) and will continue informal consultations on June 6. The first meeting of the (expanded) Friends of the Chair will meet on this issue on June 7. As reported earlier, Chair Dovland feels under increasing pressure to convene a formal contact group on this issue. He is resisting and would prefer to make progress through the proven mechanism of 'the friends' at least until September. The odds would appear to be against him, however, in view of the G-77/China's rather strident position on this issue.

(c) **Kyoto Mechanisms**: Malaysia's Chow Kok Kee, the chair of this group, turned in an impressive performance on June 5. Although the Saudis attempted to stall progress by trying to open a discussion on the principles, nature, and scope of the mechanisms, he was only supported by India in this move. Chow beat him back and instead marched the large gathering "through his garden" of project cycle and structure of the CDM. Chow's presentation was well-received. The new Chinese delegate, Gao Feng, called it "a fair lady." In studiously flawless English, Mr. Feng nevertheless also made the point that Annex I Parties must take full responsibility for all CDM projects (a point that we question).

In a contact group that followed this meeting (Canada and Norway represented the umbrella group), the main issue concerned the disposition of the revised text that Chow is known to have prepared. We understand that this text, aside from being shorter than the current 140 page plus compendium document, has incorporated the "principles" into the chapeau chapters and not in each of the sections on the three mechanisms. Chow is considering issuing the text next week following additional consultations. Most Annex I Parties would like it to be issued prior to the weekend to allow us to study it in detail.

One noteworthy development has been indications that the EU is considering supporting the G-77/China's call for extension of the CDM adaptation fund to joint implementation and international emissions trading. The rationale is that this would "force" us to take more domestic measures by making the mechanisms less attractive. We are looking at ways to nip the EU's ardor for such nonsense in the bud. We may do this by noting, inter alia, that this would raise a parity issue involving the EU bubbling arrangements under Article 4 of the Protocol.

(d) **Compliance**: We understand that co-chairs Dovland (Norway) and Slade (Samoa) have prepared a text. At a contact group meeting on June 5, discussion focused on whether to circulate this text or not. Parts of the text look acceptable as issues have been sufficiently vetted; other portions do not appear ripe for textualization and require additional discussion. The co-chairs intend to do this starting at the June 8 meeting. Additional views from Parties will be solicited.

As reported in Update No. 1, the EU has a new compliance proposal that includes financial penalties. It is not clear if this will be formally introduced in writing, although the EU believes that its ideas will have official standing, in any case, from the interventions they will be making on it. (**Comment**: We understand that the EU's position on financial penalties was initially pushed by UK economic ministries. As the UK intends to meet its target, it wants to ensure that others pay a price for failing to do so for competitiveness reasons. Germany was the hold-out, its economics minister being quite conservative in such matters. Once he changed his view, the position was adopted by the EU as a whole. **End Comment.**)

(e) **Policies and Measures (PAMs)**: This group met for the first time as an informal group under SBSTA Chair Dovland on June 6. The EU has been raising the issue of PAMs in several different settings (including the Article 5/7/&8 discussions. The current emphasis appears to be focused on using PAMs to demonstrate substantial progress by the 2005 review period stated in the Protocol.

(f) **Articles 5/7/&8 (on methodologies, reporting and review)**: A complete report on developments in this important group is included with this submission. Several differences in view with the EU were noted, but we are working to finds way around these. The G-77/China was well represented in this group. Among the more active delegates was from Saudi Arabia. While he did not comment substantively, he insisted on retaining text when various deletions were proposed.

(g) **Land Use and Land Use Change and Forestry (LULUCF)**: Two issues were addressed during the first meeting, (1) data table formats and (2) criteria and guiding principles. Three proposed formats for defining aforestation, deforestation, and reforestation and Article 3.4's extra categories have been proposed by the U.S., Australia, and the EU. At the June 5 JUSCANZ, the Norwegian representative suggested that he does not see many difficulties in accommodating all three systems (although the EU's version is much more complicated than either of the other two). At the evening LULUCF meeting scheduled for June 6, it is expected that criteria and guidelines for Article 3.4 will be addressed. The G-77/China (headed by Brazil) is well represented at this meeting. Once more, Saudi Arabia is present and attempting to draw linkages between this issue and those of Articles 4.8/4.9 and Article 3.14.

(h) **Capacity Building**: This topic has not as yet been addressed.

(i) **Cross-Cutting Issues**: This will not be first addressed until this afternoon (June

A

Informal Workshop, Articles 4.8/4.9 (3.14)
June 5, 2000 (6-7:30pm session)
Duane Lakich Muller

The evening session focused on 'Impacts of Response Measures.' Saudi Arabia called for the removal of market distortions and subsidies to coal industries, and for a focus on diversifying the economies of least developed countries (his idea that compensation is an insurance policy). Nigeria supported the need to develop renewable energy and energy efficiency technologies in developing countries. Zimbabwe backed Nigeria and Saudi Arabia, and expressed support for the March 2000 workshop report in FCCC/SB/2000/2, specifically the need to integrate poverty eradication and renewable energy (solar/wind) into climate change support. Samoa called for a broad interpretation of Art 3.14, and questioned who determines whether Parties seek and receive compensation. Co-Chair Bo Kjellen highlighted our current global economy. Portugal stressed the important role of national communications in information gathering. Uganda said least developed countries would suffer whether or not actions were taken. Australia complemented Samoa, indicating the need to avoid a discussion on compensation, and instead focus on minimizing impacts, making a clear distinction between the FCCC (4.8/4.9) and the Kyoto Protocol (3.14). The US stressed the linkages of 4.8/4.9 to other issues (capacity building, technology transfer, sinks, PAMs, and the ...) the need to close information gaps and preclude creating an incentive to avoid

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8 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 4 from SB12 (Wed/Thurs, June 7/8)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Wednesday, June 7, to the afternoon on Thursday, June 8.

Additional reports prepared by USDEL members and detailing afternoon and evening discussions in various activities, plus the June 7 edition of the Earth Negotiations Bulletin are included as Update No. 5. We are including the June 8 edition of the Bulletin with this report. It provides a good summary of the Wednesday discussions and should be read as a supplement to our own comments. We are also including a copy of the NGO letter to us that is currently being circulated to other delegations. Please see the explanation in this report to place this letter in context.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

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8 June 2000

SB12 Periodic Update No. 4: Intensified Contacts between the EU and the Umbrella Bring a Positive Note, although Mechanisms' Fast Pace May be Slowing

Atmospherics

The work of the Twelfth Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB12) continued to make headway during their afternoon, evening and morning sessions on Wednesday and Thursday. Two points are of note. First, the EU and the Umbrella Group, in general, and the U.S. in particular are meeting regularly in small technical groups in efforts to development common understanding and to bridge gaps where possible. These meetings are occurring primarily in the areas of Art 5/7/&8, compliance, and the mechanisms. We are also trying to set up a meeting with the EU on LULUCF-related topics, and especiall those related to pre-commitment period eligibility. Bodansky, Miotke, and Talley had a very frank and productive bilateral with the British delegation on Wednesday night where we were able to explain our views on sinks, compliance and other areas where we do not often see eye-to-eye.

The second noteworthy atmospheric concerns dynamics within the G-77/China. Chairman Chow has been accused by the Saudis of moving at "supersonic" speed through the mechanisms work, while the Saudis complain that little progress has been made with regard to building text on Articles 4.8/4.9 and 3.14. This is likely to delay the issuance of the mechanisms revised text which we had been hoping to receive by the weekend. The count down on this one is not yet over, and we have many allies within the G-77 (principally many of the more progressive Latins). However, OPEC and some Africans are pushing hard for some kind of signal to Annex I that they want something in exchange for their "cooperation."

NGO Meeting – An Unfortunate Letter is Delivered

We had meetings with both the business community and environmental NGOs on Wednesday evening (June 7). The discussion portions went predictably. Most of the business questions focused on minutiae with regard to the mechanisms in general and on the CDM in particular. Among their specific questions were ones dealing with our approach on public participation and our attitude towards a list of project priorities.

The NGOs, on the other hand, were concerned mostly about the sinks discussions. Questions about the criteria we are interested in proposing for Article 3.4 additional acitivities were typical of this part of the discussion. In addition, capacity building and technology transfer were also discussed. Concerning the former, WWF said that we need an assessment on what has been done before moving on to future steps.

At the end of this meeting, the U.S. Climate Action Network provided us with an advance copy of a letter that they will be circulating to all delegations on June 8. The letter expresses deep concern about the U.S. negotiating position on key aspects of the Kyoto Protocol that they insist will impact on the agreement's environmental integrity. They blasted our position that we need flexibility for ratification. They said that this position is misguided and added that our call for unfettered emissions trading and our position on Article 3.4 in the sinks discussion will open the way for crediting business as usual activities.

In our initial response, we expressed disappointment with the inaccurate assessment of U.S. positions. David Doniger gave a particularly eloquent recitation of the way in which our policies are, in fact, very sensitive to environmental credibility. On June 8, reporting officer spoke to two representatives of Environmental Defense (ED), and indicated that they should expect a very chilly reception to this letter in Washington. They responded that ED had joined in supporting the letter in order to work within the environmental community and to keep "radical elements" from taking precipitous action now. They said a careful reading of the letter contains many nuances, and that it is not as bad as it seems.

We said we had read the letter carefully carefully. We saw no nuances and nothing to give us hope that U.S. positions are being given the credence and support they deserve. Annie Petsonk said that if the U.S. wanted to continue to dialogue with environmental groups on this issue, it might be useful for senior Washington officials to engage the signatories of the letter at the CEO level. We said we would pass this suggestion along to our superiors in Washington.

A copy of the letter (the cover note to us and well as the letter that was circulated) is included with this report. We did not include the attachment outlining domestic action which our interlocutors will already be familiar with.

Reaction to our Article 4 Efforts

Our efforts to put linkages between the EU bubble (Article 4) and several items under discussion in the mechanisms, compliance, and as cross-cutting issues has thus far proven successful. No backlash with our EU colleagues has as yet been detected; to the contrary, as noted, we are talking to them now more than ever before on a variety of technical details. In an umbrella group meeting, we raised our intention to press the EU on Article 4 in the context of the mechanisms with our colleagues. We were enthusiastically supported by Australia and New Zealand. Norway and Canada were somewhat skittish. Japan is believed to be nervous, as well, but did not voice any objection.

In a side comment on our presentation of this issue at the cross-cutting meeting on June 6, Richard Kinley – perhaps the wisest and most experienced hand on the climate secretariat, credited Dan Bodansky with delivering what he characterized as the best intervention he has heard since COP-3.

Status of the Negotiations

The following paragraphs provide insights into the status of the various topics under consideration during this first week of informal discussion.

(a) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14**: The first discussion of Article 3.14 occurred on June 7. The Saudis once more listed their demands for minimizing the impacts of response measures that include eliminating tax distortions and removing subsidies; discouraging nuclear energy; supporting wider use of CO2 sequestration technologies; helping with economic diversification; and providing compensation where adverse impacts are indicated. Annex I Parties took a firm and consistent line on this issue and during the discussion of minimizing the impacts of climate change, as well. The leading process debate continues to be over the question of whether Article 3.14 will be handled as a separate decision or not. Annex I uniformly said no. Saudi Arabia gained the support of China that said the decision should be separate, because Article 3.14 deals only with Annex I obligations 4.8/4.9. The Saudis pushed back hard on this point.

(b) **Technology Transfer**: There continues to be tussle over efforts by the G-77/China to turn Chair Dovland's productive Friends of the Chair group into a formal contact group. The June 7 discussions revolved around the IPCC contribution on this topic and on the web page that has been established.

(c) **Kyoto Mechanisms**: There were no formal meetings on Wednesday. They resume later today (June 8). Malaysia's Chow Kok Kee, the chair of this group, held a meeting with a contact group and reported that the G-77 had not as yet agreed to release his revised text. He hopes that following additional consultations within the group that this might be possible by Friday. If this is not the case, he will hold an additional general discussion next Monday (June 12) and will issue the text on Tuesday – if there are no objections raised by Parties. (**Comment**: We understand that the delay is being caused by the Saudis and their allies who insist that Chow has moved too quickly on mechanisms, leaving their issues at a disadvantage. The timing for the Article 4.8/4.9 discussions was shifted today to permit the holding of a mechanisms meeting in place of a session on cross-cutting issues. Article 14.8/4.9 is being allocated an additional three hour session on Saturday. **End Comment**)

(d) **Compliance**: As noted, the U.S. and the EU held a useful bilateral on this topic on June 7. We were impressed to note that some 16 EU delegates showed up, so there was no misinterpretation of our message to the broader group. The actual meetings on June 7 went better than expected. The participants went through the old elements text. They were invited to comment on the co-chairs' new text. The co-chairs then hope to develop a new document which can be reviewed by delegates during the formal meetings next week.

(e) **Policies and Measures (PAMs)**: Hopes for an early resolution of this issue to keep it from becoming a drag to the already overburdened September agenda have been diminished. According to SBSTA Chair Dovland, his efforts to put together the draft elements for a decision were complicated by EU submissions that call for the development of international indicators and for the delineation of policies that can measure substantial progress by the review expected in 2005. Both positions are opposed by the umbrella group and are not supported by many G-77 countries, either.

(f) **Land Use and Land Use Change and Forestry (LULUCF)**: During a marathon presentation of its report, various IPCC scientists – led by Chair Bob Watson – outlined the reports conclusions and responded to questions. More detailed reporting will be available in a future update. Suffice it to note the interest in this topic exhibited by developing countries, and especially by the Latins. Colombia's Black gave a particularly compelling intervention on the utility of sinks as CDM projects. Although the EU warned us to expect a "very tough" paper on sinks, the British appeared to have been impressed with the explanation we gave to them at our June 7 bilateral on the way we propose to handle Article 3.4's additional activities. We will make another push at a bilateral with the EU Presidency (Portugal) later on June 8.

(g) **Capacity Building**: The chair of this group, SBI Chair John Ashe (acting solo in the absence of Dan Reifsnyder) held his first meeting on this topic on June 7 with a focus on the needs of economies in transition. Aside from the Russians who indicated that they want to know how much money they can expect (!!), most of the other EIT member states were thoughtful interlocutors, many of whom expressed gratitude for the help they had already received. Ashe posed a number of questions he would like answered by the Parties. These are essentially in three broad categories: (a) What are the needs? (b) What are the means?, and (c) How do we get from here to there? Countries have been asked to prepare answers to these questions for the next discussion on this issue that will involve capacity building as it relates to developing countries.

(j) **Cross-Cutting Issues**: The second meeting scheduled for the afternoon of June 8 has been cancelled because it is not needed. As noted, the time slot has been given to the mechanisms working group.

US CLIMATE ACTION NETWORK

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FAX MEMORANDUM

Please Deliver Immediately

TO: The Honorable Frank E. Loy, Under Secretary of State for Global Affairs
The Honorable David Sandalow, Assistant Secretary of State

CC: Dan Bodansky, State Department
Jeff Miotke, State Department
David Gardiner, White House Climate Change Task Force
Ian Bowles, CEQ
Roger Ballentine, White House

FAX: 647-0191, 456-2710

FROM: Nathalie Eddy, USCAN, International Coordinator

DATE: June 7, 2000 PAGES: 6

RE: USCAN letter to Climate Negotiators

Dear U.S. Climate Delegation,

U.S. environmental organizations continue to be deeply concerned about the U.S. negotiating position on key elements of the Kyoto Protocol that will have a direct impact on its environmental integrity. We believe that measures the U.S promotes in the name of "full flexibility" could undermine the environmental effectiveness of the Kyoto Protocol. The U.S. position that such measures are a prerequisite for ratification is misguided. The real risk to ratification lies in weakening the Protocol. If it is not a strong agreement that leads to real reductions of greenhouse gas emissions, it will lack the grassroots support necessary to achieve ratification.

We have expressed our concerns on these matters to members of the U.S. delegation. Additionally, we feel it is necessary to relay these concerns to other negotiators via the attached letter. We are also distributing the attached update on U.S. Domestic Developments highlighting recent support for the Kyoto Protocol and reducing domestic greenhouse gas emissions demonstrated through local, state and national initiatives. This letter and update will be distributed to key negotiators in the next few days, and made available to negotiators attending the current negotiating sessions in Bonn, Germany.

Global warming is an urgent problem requiring immediate domestic and international action to reduce greenhouse gas emissions. We again urge you to ensure that rules negotiated under the Kyoto Protocol protect the planet by ensuring real reductions in emissions instead of creating loopholes that delay action even further.

Sincerely,

Nathalie Eddy
USCAN, International Coordinator

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American Council for an Energy Efficient Economy • Center for International Environmental Law • Climate Solutions • Environmental Defense • Environmental and Energy Study Institute • Friends of the Earth-US • Greenpeace-US • Minnesotans for an Energy-Efficient Economy • Natural Resources Defense Council • National Environmental Trust • • Ozone Action • Physicians for Social Responsibility • Sierra Club • Union of Concerned Scientists • United Methodist Church: General Board of Church and Society • US Public Interest Research Group • World Wildlife Fund

June 7, 2000

Dear Climate Negotiator,

As members of the US Climate Action Network (USCAN) we are writing to you regarding critical issues underlying the upcoming climate negotiating sessions in June, September and at COP6 in The Hague. These negotiations will do much to determine the long-term environmental integrity of the Kyoto Protocol. Whether the Protocol emerges from COP6 as an instrument that will spur action to reduce greenhouse gases, or as a loophole-ridden agreement that promises such action without delivering it depends on you. Should Parties choose not to negotiate sufficiently strong rules for the mechanisms, compliance and the role of sinks, real progress towards the objective of the Framework Convention will not be achieved, and support for the Kyoto Protocol will diminish worldwide.

The decisions to be taken at COP6 pose substantial methodological, institutional and technical challenges. But perhaps the most serious potential barrier to progress is US demands, in the name of "full flexibility," for concessions that could undermine the environmental effectiveness of the Kyoto Protocol as a pre-requisite for US ratification of the agreement. There is a serious risk that a combination of unfettered trading of "hot air" tons; broad definitions of additional Land-Use Change Forestry (LUCF) activities under Article 3.4 that would open the way for crediting business-as-usual LUCF practices; weak rules for Joint Implementation (JI) and Clean Development Mechanism (CDM) that would allow crediting of nuclear power, so-called "clean coal," large hydro and other dubious projects; and "borrowing" from future budget periods as the principal non-compliance remedy could result in a Protocol that does not require any change from business-as-usual emission trajectories.

The notion that measures like these are essential to secure ratification by the United States Senate is misguided. Sacrificing environmental integrity will do little to generate political support for the Kyoto Protocol in the US Congress. Rather, it is only through our broad-based mobilization of the environmental, religious and other grassroots constituencies, along with increasing public awareness and concern about global warming, that the political climate will be changed sufficiently to allow Senate ratification. The enthusiastic support of these constituencies for the Protocol, along with that of the growing group of US companies that actually wish to reduce emissions, would be threatened by decisions at COP6 to weaken its environmental integrity.

We are attaching a report on a number of encouraging US domestic developments on the global warming issue. We believe the political climate for taking action to reduce US GHG emissions is improving and will continue to improve in the months ahead. It would be short-sighted in the extreme for governments to agree to compromises at COP6 that weaken the Kyoto Protocol out of a mistaken belief that this provides any greater assurance of US ratification. We urge you to hold firm for COP6 decisions that strengthen, rather than undermine, the Protocol's environmental effectiveness.

Sincerely,

Members of US Climate Action Network

ISD

Earth Negotiations Bulletin

SB-12 #4

A Reporting Service for Environment and Development Negotiations

Online at http://www.iisd.ca/climate/sb12/

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Vol. 12 No. 130 Published by the International Institute for Sustainable Development (IISD) Thursday, 8 June 2000

HIGHLIGHTS FROM FCCC SB-12 INFORMAL MEETINGS WEDNESDAY, 7 JUNE 2000

Delegates to the informal meetings preceding SB-12 met to discuss: Protocol Article 3.14 (adverse effects); technology transfer; compliance; guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); and capacity building. They also convened for a briefing on the IPCC Special Report on Land Use, Land-Use Change and Forestry.

INFORMAL MEETINGS AND WORKSHOPS

ADVERSE EFFECTS: Participants discussed Protocol Article 3.14 and outlined possible actions to minimize the adverse effects of climate change and/or impacts of response measures.

Actions to minimize the impacts of response measures: SAUDI ARABIA said Annex I Parties should: eliminate tax distortions and remove subsidies; discourage nuclear energy; support wider use of CO2 sequestration technologies; help with economic diversification; and provide compensation where adverse effects are demonstrated. The US recalled a recent OPEC study indicating that joint action by OPEC members alone could be sufficient to counteract any possible impact of response measures on revenue flows. With AUSTRALIA, he noted efforts by some oil-producing countries to set aside oil revenues to help mitigate the impacts of response measures. VENEZUELA cautioned against attempts to shift commitments under Article 3.14 away f[illegible]nnex I Parties. ZIMBABWE said income from Annex I [illegible] carbon taxes could be used to support technology transfer, [illegible]OUTH AFRICA added that the revenue could fund relevant research.

Actions to minimize the impacts of climate change: The US and UK said implementing the Protocol is the most important step. AUSTRALIA supported a Protocol with a full, competitive and transparent emissions trading regime and a CDM regime that includes sinks. NIGERIA and VENEZUELA said the mechanisms would be insufficient to ameliorate the impacts of climate change. SENEGAL called for immediate financial and technical support to implement adaptation measures. BANGLADESH, BURKINA FASO and the SUDAN stressed the need for early warning systems and disaster preparedness. JAMAICA and BURKINA FASO highlighted the special needs of least developed countries.

Future decisions and processes: On future decisions on FCCC Article 4.8 and 4.9 and Protocol Article 3.14, SWITZERLAND said it preferred one decision on both, while SAUDI ARABIA, CHINA and other developing countries supported separate consideration and decisions, as Article 3.14 relates only to responsibilities of Annex I Parties.

DEVELOPMENT AND TRANSFER OF TECHNOLOGY: Chair Dovland noted that three regional workshops had been held to advance understanding of technology needs, generate ideas on enhancing technology transfer, and consider elements of a framework for technology development and transfer.

Reporting on the African workshop, Peter Zhou (Botswana) outlined technology transfer barriers including the lack of climate change policies, weak legal and regulatory frameworks, inadequate finance and problems with structural adjustment programmes. He noted the need to, *inter alia*: create strategic partnerships between governments, the private sector, and donors; provide easier access to financing environmentally-sound technologies (ESTs) and local technologies; and enhance skills to support decision making.

Mahendra Kumar (Samoa), reporting on the Asia-Pacific workshop, said technology needs assessments should be country-driven and transparent, involving multi-stakeholder participation. He noted the limited attention paid to adaptation technologies. Sheik Mohamed Khan (Guyana) said the Latin America and Caribbean workshop stressed the need to, *inter alia*: build indigenous capacities to assimilate and absorb climate-friendly technologies; improve access to technology information; involve smaller countries in capacity building initiatives; and overcome political barriers that result in low prioritization of technology issues.

In the ensuing discussion, issues raised included the need for a focus on technology transfer for adaptation and a global advisory institution to assist countries handling unsuitable technology. Ogunlade Davidson, IPCC, outlined the IPCC Special Report on Methodological and Technological Issues in Technology Transfer. He stressed that technology transfer for climate change should always be viewed in the FCCC's context, and underscored the need for rapid technology innovation and broad transfer of EST for mitigation and adaptation. The FCCC Secretariat introduced the climate technology website (http://www.icfconsulting.com/unfccc/climate.nsf) and the project inventory database pilot initiative.

COMPLIANCE: Delegates considered the Co-Chairs' Elements of a Compliance System for the Kyoto Protocol. On Objective, AUSTRALIA, with CANADA, sought to limit the compliance system to Annex I Parties' commitments. The EU suggested adding the objective of enforcing compliance.

On Nature and Principles, delegates expressed mixed views on whether or not to include them explicitly. SAUDI ARABIA and CHINA, opposed by AUSTRALIA and CANADA, proposed specifying that the principle of common but differentiated responsibilities applied between Annex I and non-Annex I Parties. SOUTH AFRICA, opposed by the US, proposed adding the "precautionary approach."

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On Scope of Application, AUSTRALIA suggested specifying the provisions on Annex I Parties' obligations to which the system would apply. CANADA, the US, the EU and SWITZERLAND [illegible]orted the concept whereby the system applies to all commit[illegible]. On Functions of a Compliance Institution, SAUDI [illegible]BIA proposed adding that all compliance and non-compliance issues pertaining to project activities under Article 12 (CDM) shall be addressed by the CDM's Executive Board. Supported by NEW ZEALAND, the US said the text should specify that the compliance system is supplementary to all compliance aspects under the Protocol. AUSTRALIA and the EU suggested an additional function of determining whether or not a Party is in compliance with Article 3.1.

On Referral, the US, SOUTH AFRICA and SWITZERLAND, opposed by SAUDI ARABIA, favored a role for reports by expert review teams (ERTs). The US, SWITZERLAND, NEW ZEALAND, CHILE and BRAZIL opposed a role for the COP/MOP. The UK, opposed by several delegates, supported a role for the Secretariat.

On Screening, SWITZERLAND stressed the need to identify criteria and, in order to help delegates get a clear view of the flow of information under the review and compliance processes, to prepare a flow chart. SOUTH AFRICA, with the UK, identified two screening processes: the channeling of a case to the proper forum and assessing if a case is unfounded or *de minimis*. With the US and the UK, but opposed by CHILE and SAUDI ARABIA, she said the former task could be performed by the Secretariat. She added that the latter task required a substantive assessment of a case that, if undertaken by a separate entity, could duplicate the work of the compliance institution.

IPCC SPECIAL REPORT: IPCC Chair Robert Watson presented the major findings of the IPCC Special Report on Land Use, Land-Use Change and Forestry (LULUCF), which were then elaborated by the lead authors. On the global carbon cycle, Bert [illegible] said ecosystem models indicate that additional terrestrial [illegible] of atmospheric CO_2 arising from indirect anthropogenic effects is likely to be maintained for several decades in the forest ecosystems, but may gradually diminish. Robert Watson underscored that defining afforestation, reforestation and deforestation will be critical, as this will determine the amount of land falling under Article 3.3 and treatment of the harvesting-regeneration cycle. On carbon accounting, he presented land-based and activity-based approaches, noting that in the former case it is difficult to factor out human-induced activities, while the latter poses a risk of double counting. Bernard Schlamadinger outlined three different accounting approaches applied to the FAO definitional scenario as well as the IPCC scenario to illustrate the effect of different approaches under Article 3.3.

On Article 3.4, Robert Scholes noted that the magnitude of additional activities could be substantial compared to Article 3.1 obligations, and distinguished between changes in management and in land cover. He highlighted verifiability and associated non-climate impacts and benefits as key issues for the COP.

Jayant Sathaye noted that LULUCF project experience is being gained through AIJ activities. He discussed concerns with LULUCF projects, notably permanence, baselines, additionality, carbon leakage, monitoring and verification and implementation of sustainability conditions. N.H Ravindranath highlighted provisions for LULUCF in current IPCC guidelines, and how they might be revised to accommodate requirements of the Protocol, including additional activities under Article 3.4 and project-based activities. Peter Frumhoff said a system of criteria and indicators could be useful to compare sustainable development impacts across LULUCF alternatives. He said potential for synergies with other multilateral environmental agreements exist, and that several [illegible]s, *inter alia*, institutional and technical capacity, community [illegible]pation and technology transfer, are critical to strengthening [illegible]ustainable development impacts of LULUCF activities.

In the ensuing discussion, a number of delegates noted uncertainties in the research, while several sought clarification on technical issues. Participants also raised issues related to: sustainable development and a relevant framework; avoiding deforestation in tropical regions; consistent ground and atmospheric definitions; the effect of climate on photosynthetic potential in tropical regions; the potential for sinks activities to account for a significant proportion of Annex I Parties' Protocol obligations; and questions relating to a full carbon accounting system.

CAPACITY BUILDING: Chair Ashe said the meeting aimed at developing a draft framework for capacity building, with the first session focussing on economies in transition (EITs). The RUSSIAN FEDERATION asked about timeframes for capacity building. CANADA urged EITs to integrate capacity building into national planning processes, and to share their experiences. Various US agencies outlined their capacity building activities for EITs. The EU highlighted the need for institutional capacity on inventories and on Protocol Articles 5 and 7. ROMANIA emphasized the importance of capacity building for inventories, JI, and institutional and regulatory frameworks, and suggested reference to "capacity development." HUNGARY urged greater efforts to harmonize capacity building actions for EITs. ENVIRONMENTAL DEFENSE and CANADA emphasized that capacity building should be sustainable. EGYPT suggested expanding capacity building to other stakeholders and maximizing the use of regional institutions. The US underlined the fact that EITs have commitments to reduce emissions and suggested using the Protocol mechanisms to support capacity building. Noting the existing technical and scientific capacity in EITs, SWITZERLAND underlined the need for political support. NIGERIA noted the need to build capacity in negotiating skills and outlined recent initiatives.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8: Subgroup on Articles 5.2 (adjustments) and 8 (review of information): Co-Chair James Penman (UK) asked the Secretariat to prepare new Draft Guidelines under Protocol Article 8, based on the structure of an EU proposal containing: General Approach, National Inventory Submissions, Information on Assigned Amounts, National Systems, National Registries, and National Communications and Other Commitments. The group then continued its consideration of Part II of the guidelines. On Classification of Inventory Problems, the EU presented its non-paper providing for, *inter alia*, categories of problems triggering an expedited procedure. The EU explained that under this procedure: the ERTs would notify both the Party under review and the compliance committee about a problem; the problems triggering an expedited procedure would be assessable during the initial check of inventories; and temporary measures would apply until the problem was solved.

Subgroup on Article 5.1 (national systems): This subgroup received a partial redraft of the second Draft Guidelines for National Systems under Protocol Article 5.1. Several delegates expressed their views on reporting with regard to national systems, and on links to Article 7. Delegates also approved minor technical changes to sub-paragraphs on Inventory Preparation.

THINGS TO LOOK FOR TODAY

ARTICLES 5, 7 & 8: Meetings are scheduled for 10:00 am in the Reger Room and 5:00 pm in the Haydn and Lenne Rooms.

MECHANISMS: Meetings will take place at 10:00 am and 7:00 pm in Plenary II.

LULUCF: To be held from 3:00 pm in the Haydn Room.

COMPLIANCE: This meeting will start at 3:00 pm in the Schumann Room.

ADVERSE EFFECTS: This meeting will take place from 5:00 pm in the Schumann Room.

Meetings details are subject to change. Consult the announcement board for details.

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8 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 5 from SB12 (supplemental reporting)

This message transmits additional reporting on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message includes the following reports by USDEL members, plus a copy of the June 7 Earth Negotiations Bulletin:

(A) Notes on the June 6 mechanisms informal workshop prepared by EPA's Jennifer Macedonia;

(B) Notes on the June 6 mechanisms discussion with NGOs and Business representatives prepared by EPA's Jennifer Macedonia;

(C) Reports on the June 7 meeting on capacity building prepared by States Barbara DeRosa Joynt;

(D) Notes on the first technology transfer meeting and on the EU-Umbrella Group consultation, both held on June 7, prepared by EPA's Paul Schwengels;

(E) A report on the June 7 meeting on Articles 4.8/4.9 and Article 3.14 prepared by USAID's Duane Lakich Muller;

(F) A report on the IPCC's presentation of its special report on sinks which I believe was prepared by USDA; and

(G) The June 7 edition of the NGO-prepared Earth Negotiations Bulletin.

All of the foregoing materials should be read in conjunction with our Updates No. 3 and 4. As is the case with other reports, these are for internal use only and are not intended for dissemination outside the U.S. Government.

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A

NOTES: 6/6 Mechanisms Informal Workshop

The session was spent "walking through the garden" on emissions trading and JI with presentations by the Chair (Chow). India again made an early intervention about the need to discuss the basics (principles) first. Saudi Arabia intervened early informing that this is only perceptions of the Chair and will have no bearing on the future consolidated text and decisions that need to be discussed and taken by Parties.

Chow's presentation on emissions trading (ET) covered the following issues: 1) Participation (Eligibility); 2) Modalities of Operation; 3) Liability. Most of the discussion was about Liability options, including whether the compliance regime would be strong enough to support seller liability. Chow's comments hinted that he might have a bias against post verification and perhaps for seller liability. AOSIS supported the Swiss proposal and the compliance reserve. In the US intervention we mentioned the similarities between Articles 4 and 17 and precedence that Article 4 operates under seller liability.

The JI presentation covered 2 options for "regulatory intensity of Article 6 projects": 1) extend JI projects to CDM project cycle/process, 2) minimal reporting and optional verification by host Party. Although the second option was likely meant to capture the Umbrella Group position, it is not an accurate representation. Annex I Parties argued the differences between JI and CDM. Several G77 countries (including India and Nigeria) raised the concern that trading and JI "would squeeze out the CDM" and suggested restricting the size/amount of trading/JI or applying rules that will lead to parallel transaction costs to the CDM. EU responded by saying their supplementarity proposal would help by limiting transfers (false). India stated that Article 6 is proof of the imperfections of Article 17 (a dangerous line of reasoning). The US stated that although JI might have a similar project cycle to the CDM, the difference that ERUs come from existing assigned amount leads to an important question about the need for institutions at the international level vs. the national level. Further, we supported the New Zealand intervention which focused on ensuring the environmental integrity of JI by focusing international review on projects in host countries found out of compliance with inventory and registry requirements. Poland supported option 2.

B

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NOTES: 6/6 Mechanisms Meeting with NGOs

There were 2 panels with NGO presentations on the mechanisms. The first was with business including the following panelists: Nick Campbell and Norine Kennedy of International Chamber of Commerce (ICC), Jonathan Grant of International Petroleum Industry Environmental Conservation Association (IPIECA), John Novak of Edison Electric Institute (EEI), Tom Jacob of International Climate Change Partnership (ICCP), and Paul Metz representing the European and US Business Councils for Sustainable Energy (BSCE). Industry focused on the following: 1) clear, predictable rules that do not overly burden the mechanisms, without qualitative or quantitative restrictions on use of mechanisms; 2) the importance of entity participation in development and use of mechanisms and compatibility with domestic obligations; 3) fungibility; 4) credit for AIJ projects; 5) inclusion of all project types in CDM and priority progress on power sector and sinks projects. All panelists except BSCE supported seller liability, while BSCE supported buyer liability.

The second panel was made up of environmental NGOs including: Clare Tenner of Verification Technology Information Centre (VERTIC), Glenn Wiser of Center for International Environmental Law (CIEL), Liam Salter of World Wildlife Fund (WWF), and Natalie Eddy of the Climate Action Network (CAN). NGOs supported the following: 1) eligibility requirements with pre-commitment period review and a driver's license approach; 2) buyer liability with the opportunity to turn 'good as gold' based on post verification; 3) priority for small clean CDM projects like renewables; and 4) public participation in the CDM, including disclosure of all relevant information, public participation in decision making at the stages of project approval, verification, certification, and accreditation, as well as civil society participation in the Executive Board.

C

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Informal Workshop on Capacity Building
June 7, 2000
Notes: Barbara De Rosa-Joynt and Duane Lakich Muller

The first meeting on capacity building, chaired by John Ashe, focused on Economies in Transition (EITs). A list of questions was presented to assist Parties in considering elements for a capacity building framework. The Chair immediately called on the US and Canada to provide their views on these questions. Both Parties demurred, noting the importance of hearing from EITs on their capacity building needs, and views on the Secretariat's synthesis and compilation document on this topic to ensure such a discussion was as productive as possible. Russia emphasized the need for additional financial resources and a timetable for a review of progress on capacity building efforts. Russia also requested Annex I Parties to describe their capacity building efforts in EITs. Romania, Hungary, Slovenia, and Bulgaria noted their appreciation of previous Annex II efforts and the Secretariat's useful compilation and synthesis of their views. Several EITs noted their long-term interest in joining the EU, and therefore the even greater need for ensuring sustainability of their capacity efforts to address climate change. Egypt also noted the importance of sustainability with a focus on producing more educational and training materials. Nigeria, Tanzania and China were also present during this discussion with EITs. Nigeria noted the capacity building efforts of UNITAR for African negotiators and the importance of having "awareness of their own capacity." Portugal, on behalf of the EU, intervened late and noted the importance of capacity building efforts. Switzerland highlighted the importance of in-country political support for capacity building efforts. The US noted ongoing capacity building efforts, including EPA's work on emissions trading and joint implementation, the US Country Studies Program, and USAID's training and capacity building efforts. The US also indicated the potential usefulness of the Secretariat conducting workshops to address EITs capacity building issues.

The Chair will prepare an elements paper on capacity building for EITs by Monday, June 12. The next informal workshop, scheduled for Friday, June 9, will focus on capacity building for developing countries, and will include a presentation by the GEF on the Capacity Development Initiative.

D

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Notes for the Informal Meeting on Transfer of Technology Consultative Process 10-1:00 June 7, 2000, prepared by: Paul Schwengels, EPA.

The Chair of SBSTA convened an open informal session to present and discuss reports of progress under the Consultative Process on Technol0goy Transfer which was initiated at COP4 and is intended to provide the basis for a major technology transfer decision at COP6 Expert consultants from the regions presented results of the three regional workshops in Arusha, Tanzania in August 1999, Cebu, Philippines in January 2000 and San Salvador, El Salvador in March, 2000. It was noted in the presentations for the last two workshops that the Climate Technology Initiative (CTI) had scheduled CTI/Industry Joint Seminars on Technology Diffusion back to back with the UNFCCC workshops. This was very helpful in facilitation greater involvement and input from the private sector and other stakeholders. Reports of the workshops were generally very constructive, laying a basis for possible elements of a framework for improving technology transfer, including technology needs assessment at the national and sector level, need for improved access to information on technology, integrated approaches to technology cooperation such as the US-sponsored TCAPP, need to create an enabling environment, and the importance of greater emphasis on transfer of adaptation technologies in this process. Ogunlade Davidson, Co-Chair of IPCC Working Group 3, presented a summary of the Special Report on Technology Transfer, which was generally constructive. A few problematic ideas were raised in these 4 presentations and discussion, including publicly owned technology, technology advisory panels, and technology transfer indicators, which will have to be dealt with in the ongoing negotiations. A Nigerian delegate, in his comments, called for immediate establishment of a formal contact group on technology transfer instead of the Friends of the Chair process, which is currently in place. This change is opposed by the Chair, the Secretariat and most Parties, including the US, as we believe that this would create a less constructive process. We hope this proposal will be headed off. The session concluded with presentations on the Secretariat technology transfer website, including a presentation by Paul Schwengels of EPA and Michael Rucker of CTI on cooperative work by USEPA, CTI and the Climate Secretariat to provide an improved technology transfer information system connected to the UNFCCC website. The Secretariat also presented a prototype data system documenting existing projects on climate technology cooperation. There was little time for discussion of these last presentations but the reactions were generally quite favorable.

EU-Umbrella Consultations on Technology Transfer – June 7, 2000

The US technology transfer team met with delegations from the EU And other umbrella group countries after the informal meeting to compare views and discuss expectation for the next meeting. There was consensus that we should work to head off the proposal for a formal contact group now, and defer establishment of that group until September. We also discussed substantive ideas for next steps and there was general consensus on the approach and key elements which should be advanced over the next few days.

E 8

Informal Workshop on Article 4.8/4.9 (3.14)
Wednesday June 7, 2000 (10am-1pm)
Notes: Duane Lakich Muller

The Informal Workshop on Article 4.8/4.9 (3.14) co-chaired by Bo Kjellen (Sweden) and Mohammed Reza Salamat (Iran) focused discussion on Article 3.14 (KP). The co-chairs asked Parties to provide inputs and comments to the COP/MOP-1. Saudi Arabia stated that Annex I Parties should remove subsidies on the production of fossil fuels; discourage the use of nuclear energy; encourage a wider use of carbon sequestration technologies; and assist developing countries to diversify their economies. Japan corrected Saudi Arabia indicating subsidies to the coal industry are being phased out. Zimbabwe supported Saudi Arabia on the need for insurance (e.g., compensation), and called for a mechanism to exchange information on PAMs through National Communications by Annex I countries; build capacity of developing countries to develop regional models for response measures; and use a carbon tax as a way to reduce emissions and transfer technology. Senegal, joined by South Africa, supported Zimbabwe on the need for immediate financial and technical support. Nigeria, highlighting the important role of the energy sector in sustainable development, called for assistance in the area of gas/hydro/ solar/biomass sectors.

The US stressed that both aspects of 3.14 (response measures and adverse effects of climate change) highlight the link of 4.8/4.9, and that one way to minimize the adverse effects of climate change is to implement the Kyoto Protocol. Australia (and the UK) highlighted the importance of information exchange and capacity building, and supported the US in the area of uncertainty regarding impacts of policies and the need to implement the Kyoto Protocol; Australia and New Zealand stressed that Art 3.14 calls for Parties to "strive to minimize," while also pointing to the interrelationship of the global economy, and the need for open/transparent Mechanisms (CDM, JI, ET). Bangladesh highlighted the need for allocating a portion of funding for the least developed countries, especially in the area of disaster mitigation and training needs in the area of vulnerability and adaptation assessments. Switzerland supported the IPCC's report on Regional Scenarios for climate change, and the use of traditional channels for information exchange. Burkina Faso and Jamaica spoke of the need for special considerations for the least developed countries. Nigeria disagreed with the US on the issue of modeling, and stated that specific taxes on imported petroleum could help developing countries.

The co-chairs are seeking written elements regarding Art. 4.8/4.9 (3.14) by Thursday (6/8) and asked Parties to think about questions related to this discussion and PAMs. The next discussion will resume June 8 at 3:30pm focusing on the compilation of written comments/elements, in the anticipation of reaching negotiating text by SB-13.

F

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Report on the Presentation on the Special Report on Land Use, Land Use Change and Forestry

The presentations focused on:
1) The Global Carbon Cycle
2) Definitions
3) Implications of Article 3.3 (Afforestation, Reforestation, and Deforestation)
4) Implications of Article 3.4 (Additional Activities)
5) Consistency with Current National Inventory Systems
6) Projects
7) Issues Related to Sustainability

Questions/Concerns were focused on two broad areas:
1) Measurability of carbon stock changes (both in terms of meeting national commitments and for projects)
2) Issues related to sustainability

Measurability

Nigeria raised the concern that authors correctly pointed out how difficult it would be to measure and how developing countries would be expected to develop the expertise to measure if developed countries could not measure?

> The response from the authors was the all developed countries could measure carbon stock changes if the saw the reason to do it. They all collect the basic data but prior to Kyoto there was no reason to pull it all together. They also agreed that there should be extensive technology transfer (free transfer of models) to make the system work globally.

Canada raised the question that if we adopt a comprehensive accounting approach, are definitions of forests important?

> The authors noted that a comprehensive approach would eliminate issues, but that the Kyoto Protocol was not based on comprehensive approach. Ie. Since 1990, only look at ARD. Therefore, by definition it was not comprehensive and that is why we are having many of the problems we are having.

A country asked about the consistency between current national reporting guidelines and the requirements under the Kyoto Protocol?

> The authors noted that the national reporting guidelines were not developed for meeting the Kyoto protocol. While there was work to be done if one wanted to adopt the guideline for Kyoto reporting purposes, it was doable. The point was made that the guidelines already provide a good point of departure were country emissions were comparable.

Sustainability

Tuvalu raised concerns about not have global sustainability criteria and I believe raised the issue that Annex I countries could meet all their commitments through sinks?

> Response was that global sustainability is an important issue but the authors soundly overturned the idea that Annex 1 countries could meet their commitments through sinks. Discussed the policy assumptions underlying table 4 and noted that it will take a combination of emissions reductions and sink enhancement to meet the targets.

Bolivia raised the concern that permanence was not only a sinks issue. They noted that fossil fuel reduction may not permanently reduce carbon in the atmosphere either (e.g. a piece of coal could simply be burned next year instead of this year).

> Response was that permanence was, in fact, an issue mainly related to carbon sequestration. This is commonly confused issue, but there is a distinction between 1) reducing fossil fuel use and preventing a carbon emission. Preventing deforestation and 2) sequestering carbon.

IISD

Earth Negotiations Bulletin

SB-12 #3

A Reporting Service for Environment and Development Negotiations

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HIGHLIGHTS FROM FCCC SB-12 INFORMAL MEETINGS TUESDAY, 6 JUNE 2000

Delegates to the informal meetings preceding SB-12 met to discuss: policies and measures; guidelines on Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); cross-cutting issues; land use, land-use change and forestry; and the mechanisms.

INFORMAL MEETINGS AND WORKSHOPS

POLICIES AND MEASURES: Chair Dovland summarized the outcome of the FCCC workshop on policies and measures (P&Ms) held during April in Copenhagen, and asked delegates for suggestions on future work. While most delegates underlined the continuing value of information exchange, there was concern at the heavy workload prior to COP-6. The EU proposed that additional workshops be held to address the technical aspects of P&Ms and emphasized the need to improve quantification of assessment of P&Ms at a sectoral level. NIGERIA suggested organizing workshops to examine the effect of P&Ms on developing countries, and proposed that P&Ms be addressed as a cross-cutting issue with FCCC Article 4.8 and 4.9 (adverse effects). Delegates proposed that work be undertaken through Friends of the Chair rather than a contact group.

JAPAN and the US doubted the value of using one set of indicators to evaluate national policies. CANADA, with AUSTRALIA, called for indicators that take into account specific [illegible]al circumstances. He preferred the concept of "good prac[illegible]o "best practices" and, with the US, highlighted the impor[illegible] of completing national inventories. The NETHERLANDS and FRANCE said reliance on inventories alone was insufficient to evaluate the effectiveness of P&Ms.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8: Delegates in the subgroup on Article 5.1 (national systems) continued discussing the second Draft Guidelines for National Systems under Article 5.1 of the Kyoto Protocol and approved minor changes on Other Definitions, General Functions and Specific Functions. The US suggested using the same definitions as those in the new IPCC report on Good Practice Guidance. He said the guidelines should be strictly limited to Article 5.1, and cautioned against referring to reporting under Article 7 (communication of information), which will be addressed separately. He added that Specific Functions should be divided into inventory planning, preparation and management. The EU highlighted the need to include the establishment of quality objectives in conjunction with Quality Control and Quality Assurance, and for the consideration of recalculation in inventory planning. With BULGARIA, she suggested distinguishing between Quality Control and Quality Assurance, recognizing the stronger obligation to implement the former.

The subgroup on Articles 5.2 (adjustments) and 8 (review of information) continued its consideration of Part I of the Elements of Draft Guidelines under Article 8 of the Kyoto Protocol. On Objectives, SAUDI ARABIA sought the inclusion of specific text relating to Article 3.2 (demonstrable progress) and 3.14 (adverse effects). On General Approach, delegates discussed the need to clarify the relationship between the reports of Expert Review Teams (ERTs) and the role of the COP/MOP and/or a compliance institution that may be established. On Coverage, AUSTRALIA said the Guidelines could be structured based on the timing of information submitted, the Article under which the information was submitted, or the type of issues reviewed.

On Timing and Procedures, the EU said the trial inventory review period under the FCCC would provide useful guidance for the proposed one-year time frame. Delegates also discussed, *inter alia*: the need to clarify the actions and information covered by the Secretariat's initial check; the circumstances under which an in-country visit would take place; whether recalculations of the base year emission inventory could occur; and whether the Guidelines would be self-contained. SWITZERLAND and the EU said the reports of ERTs should also include questions identified and how they had been handled. On Guidance for the ERTs, delegates converged on the need for the Protocol's inventory review guidelines to contain additional functions to the FCCC guidelines, and for a single inventory review process under the FCCC and the Protocol. On Classification of Inventory Problems, the EU distributed a non-paper to help form the rationale for problem categorization. On the Composition of the ERTs, delegates underlined the need to discuss their standing or *ad hoc* nature.

MECHANISMS: Emissions Trading: Chair Chow highlighted key features of emissions trading contained in the draft text for negotiation. On participation, one option listed was to require the Party's prior compliance with its obligations, such as compliance with Articles 5 and 7 and maintenance of national registries, while another option was to suspend participation if the Party was not complying with these obligations. On modalities of operations, proposals included conducting transactions through bilateral and multilateral arrangements among Annex I Parties, through an exchange, or through both bilateral and multilateral arrangements and exchanges. On liability, options presented included seller liability, shared liability, buyer liability, trigger, compliance reserve and post-verification proposals. SWITZERLAND, opposed by CANADA, proposed an annual post-verification trading system, wherein emissions trading would be limited to Assigned Amount Units (AAU's) surplus to the Party's allocation plan. With NEW ZEALAND and the US, CANADA supported a seller regime complemented by an effective compliance system.

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The US highlighted the need to maintain similar approaches on Articles 4 (joint fulfillment of commitments) and 17 (emissions rading), as both permit Parties to fulfill obligations collectively, nted out that Article 4 refers to transferor liability. LU, on behalf of AOSIS, highlighted the need for environ- ntal integrity of emissions trading systems and sought elabora- ion on the idea of a compliance reserve. COLOMBIA stressed the ieed for a suitable system for the measurement of emissions from oint and mobile sources. INDIA stressed the need to first deter- nine the character, nature and volume of the transferable. He said hat the CDM could be marginalized by emissions trading because of its sustainable development requirements.

Joint Implementation: Chair Chow sought delegates' views on subjecting JI projects to CDM-type requirements. Noting the different objectives of CDM and JI, JAPAN and POLAND argued against additional requirements on JI. NEW ZEALAND, with the US, argued that a JI project should be subject to CDM-type scrutiny only where a Party does not comply with Articles 5 and 7, and where these both impact on the project. The EU supported a CDM-type project cycle to ensure environmental credibility at the project level. NIGERIA expressed concern that different transaction costs would reduce CDM take-up and, with INDIA and CHINA, proposed similar requirements for JI. SOUTH AFRICA argued that JI's limitation to Annex I Parties does not justify less onerous requirements. The US argued against imposing CDM-type requirements just to ensure parity with JI.

Industry and environmental NGOs' positions: In an evening session on business and NGO perspectives on the mechanisms, representatives from the business community, including the International Chamber of Commerce and the International Climate Change Partnership, recommended, *inter alia*, that COP-6: agree to clear definitions on fungibility and tradeability; eschew quantitative restrictions in the mechanisms; provide clarity on the proposed ns tional controls for CDM; create a strong and fair compliance and approve mechanisms for fast-track CDM crediting. presentatives expressed preference for seller liability.

The Climate Action Network (CAN), representing the NGOs, said Annex-I participation in the mechanisms should hinge on their ability to monitor and report emissions to a given standard and track changes to AAUs. On liability, CAN supported a hybrid buyer-seller liability ensuring environmental effectiveness and capturing the market's power to enhance compliance. On CDM, CAN said it must: encourage the development of markets for clean energy technologies in the South; support local, regional and national development priorities; have minimum overall environmental impacts; and not undermine Annex I domestic action. CAN also suggested measures to enhance public participation in the CDM Project Cycle.

CROSS-CUTTING ISSUES: Chair Dovland said this meeting was aimed at facilitating coherence and eliminating duplication of work among the various issues under negotiation. He noted linkages between the work on mechanisms, compliance and Articles 5, 7 and 8, and suggested grouping these cross-cutting issues in seven areas: supplementary information relating to the mechanisms; the review of mechanisms-related activities; the relationship between the adjustment and compliance procedures; the relationship between the classification of problems and the screening procedure; implementation issues; and criteria for mechanisms participation. He then listed 14 specific questions related to these cross-cutting issues and identified which of the three contact groups should take the lead role in responding to each of these questions. He noted that further questions could be added to this list, and that there were linkages between other issues under negotiation, such as the potential linkages between work on P&Ms and FCCC Article 4.8 and 4.9 and Protocol Article 3.14.

dditional cross-cutting issues, SAUDI ARABIA asked *ter alia*: the relationship between the financial penalty e compliance regime and Protocol Articles 2.3 and 3.14; the relationship between the compliance mechanism and Articles 5 and 7; and whether an Annex I Party might lose its eligibility to participate in the mechanisms if in non-compliance with other Articles. GHANA stressed that provisions under Article 12 (CDM) should not be seen to replace those under FCCC Article 4.5 (technology transfer), 4.8 and 4.9. The US raised questions about the relationship between Article 4 (joint fulfillment of commitments) and Articles 5, 7 and 8, the mechanisms and the compliance regime. The EU asked about the implications of different options relating to liability for reporting and review under the compliance system. He said consideration of the linkage between Articles 7 and 8 on the one hand, and Articles 6 and 12 on the other, should be extended to Article 17.

LAND USE, LAND-USE CHANGE AND FORESTRY: Delegates were updated on the progress of the contact group charged with compiling the proposals for a data-reporting format. On guiding principles and criteria for the identification of additional activities under Article 3.4 (changes in carbon stocks), Co-Chair Philip Gwage (Uganda) underscored the need for consistency with the FCCC objective, and said sequestration is not comparable with emissions reductions. The EU said criteria should be verifiable and take into account the objective of sustainable development. She said carbon stock change should be attributable to human-induced activities. AUSTRALIA said attention should be paid to the use of the criteria before considering the nature and scope of guiding principles.

The US proposed starting with the issues identified in FCCC Article 3.4. He stressed the need for comprehensiveness to ensure that the maximum incentive is given to Parties to reduce emissions and enhance sequestration, and said measures undertaken should be cost effective. CANADA underscored the importance of emphasizing the national context of sustainable development, while TUVALU stressed a broader approach.

Co-Chair Thorgeirsson said a list of guiding principles and criteria could provide a context for country submissions. He suggested separating guiding principles and criteria. AUSTRALIA cautioned against differentiating between guiding principles and criteria, recalling similar earlier discussions that had not resulted in agreement. Supported by the US, she said the guiding principles for additional activities under Article 3.4 already exist in the FCCC and Protocol, and questioned the need for a list. The co-chairs will compile the discussions for consideration at the next informal meeting.

IN THE CORRIDORS

Some participants felt the session on cross-cutting issues represented a barometer for the meeting so far, which seems to have started constructively. A number of participants suggested that Wednesday's briefing on the IPCC's Special Report on LULUCF could result in the most lively session of the meeting to date.

THINGS TO LOOK FOR TODAY

TECHNOLOGY TRANSFER: This meeting will be held from 10:00 am in the Haydn Room.

LULUCF: A meeting is expected to convene at 11:00 am in the Haber Room.

COMPLIANCE: The informal meeting on compliance will take place at 3:00 pm in the Schumann Room.

IPCC BRIEFING ON LULUCF: The briefing on the new IPCC Special Report on LULUCF will take place at 3:00 pm in Plenary II.

ARTICLES 5, 7 & 8: This meeting is scheduled to take place from 7:00 pm.

CAPACITY BUILDING: This meeting is scheduled to take place from 7:00 pm.

Meetings details are subject to change. Consult the announcement board for details.

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9 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 6 from SB12 (Thurs/Fri, June 8/9)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Thursday, June 8, to the afternoon on Friday, June 9.

Also included are reports on the June 7 JUSCANZ meeting prepared by State's Jack Shick and one on developments in the compliance meeting prepared by L/OES' Evan Bloom. We are also enclosing the June 8 edition of the Earth Negotiations Bulletin, along with the most recent edition of ECO, the NGO-prepared rag on these discussions.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

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9 June 2000

SB12 Periodic Update No. 6: Progress Slows as Governments Start to Take Stock on Mechanisms and Sinks-related Issues

Atmospherics

The work of the Twelfth Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB12) slowed somewhat during the June 8 discussions. The G-77 is reportedly still considering whether to permit the issuance of the revised mechanisms text before the weekend. The excuse given is that they want to have a public reading before doing so. The real reason, it has been suggested, is that Saudi Arabia and allies within the group are insisting that mechanisms is proceeding "too fast" in relation to what they argue is the lack of progress on their issue (Articles 4.8/4.9 et.). India's Sharma did suggest to us that it might be possible to receive an "informal" copy of the document prior to the weekend. However, it might well have been only posturing to make himself look better to Annex I colleagues.

Meanwhile, consultations with the EU on both a bilateral basis and in cooperation with our umbrella partners continues on an accelerated pace. This has been perhaps the most positive aspect of this week's discussions. We have had productive discussions on Joint Implementation (JI), baselines, and institutional arrangements for the Clean Development Mechanism (CDM), among other topics.

The Russians Are Coming (and some are already here)

At past meetings, a delegation of six constituted a significant Russian component for climate change meetings. At this session, fully 16 Russian officials are accredited. Only a handful have thus far arrived, including veteran Sasha Metalnikov, who is heading the delegation. We plan to have a formal bilateral with our Russian friends next week when, hopefully, we can bring more of their interagency representatives into play.

We heard from an Australian colleague who was in Moscow last week that Russia is continuing to keep the EU at bay, despite enticements to bolt from the umbrella group. Matelnikov told his Australian interlocutor that Russia remains a staunch member of the umbrella group, and even offered to host the next meeting. He also raised anew Russian demands for the so-called super-heated hot air that Russia claims for emissions savings in the 1990 to 2008 period.

Reactions to the NGO Letter

We have not received reactions from any government to the NGO letter reported in Update 4 that casts U.S. positions on the Kyoto Protocol in disparaging terms. Surprisingly, it was not even featured in the latest edition of ECO (included in this report), despite the fact that this broad sheet is only one page, rather than its usual two (and sometimes four, thus this edition of ECO is referred to in the editors' self-deprecating style as "ECO-Lite".) As it is, the letter has only been left out on a distribution table. We doubt it will be raised by any government representatives. We have continued to up-braid NGOs whose organizations signed the letter, and our chastisement has had a modest, mollifying effect.

Reactions to our Article 4 Placements

Our delegates have succeeded in placing our concerns on the EU bubble and parity issues throughout these discussions with adroitness and clarity. Specifically, we have now referenced them in the Articles 5/7/&8; mechanisms; and compliance discussions. Our umbrella partners are broadly on board and no one has spoken out against our effort, although some moderate concern as the timing has been raised. The EU's public reaction has been likewise muted, although we understand that some alarm bells are ringing in the EU bunker.

Status of the Negotiations

The following paragraphs provide insights into the status of the various topics under consideration during this first week of informal discussion.

(A) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14:** Discussions continued on the evening of June 8. The group looked at a compilation of proposals submitted by around six Parties and then talked about the way forward. Part of the discussion was somewhat surreal but typical of the best in climate change repartee by using a canoe metaphor to explain our process; some Parties saw us in one canoe paddling together; others saw a small flotilla; Canada pointed out the different kinds of strokes that determine the course of travel. Our readers will get the point.

Both co-chairs (Salamat of Iran and Kjellen of Sweden) maintained their position, supported by Saudi Arabia, that they would like to move to a synthesized compilation document for discussion by the Saturday, June 10 meeting. Annex I Parties understandably objected, joined by some unexpected support from some developing countries, like Zimbabwe. These countries all indicated they want time to study the papers that have been presented. Some developing countries are looking especially at some of the adaptation proposals contained in some of the submissions. The group was scheduled to resume its discussion on Friday evening. This meeting has been cancelled. Whether this will mean that the encounter planned for Saturday will now be expanded to more than its anticipated three hour session is not known.

(B) **Technology Transfer:** The second meeting was held as an expanded "friends" group under Chair Dovland. Our lead in these talks, State's Duncan Marsh, described the session as "rocky." Dovland tried to focus the meeting on themes, rather than actions, but this provoked vocal discussion by G-77 representatives. Latin and African delegates vented with complaints of a varying nature. The meeting was not positive. The EU introduced an interesting proposal that would have brought capacity building in the CDM into these discussions. However, this idea is not likely to have wings.

(C) **Kyoto Mechanisms**: During its three hour session, Chairman Chow led the group through the text so quickly that the body adjourned 30 minutes ahead of schedule. There were no questions on emissions trading. The Latin proponents of sinks once more intervened in support of these activities in the CDM. Somewhat surprisingly, the EU indicated that it "might consider" certain projects provided these met certain criteria.

At an umbrella group meeting, we raised the issue of a hybrid liability option. We found no takers. Australia expressed concern, while New Zealand appeared genuinely 'shocked' by the perception that we were walking away from seller liability. We reiterated our support for seller liability but indicated that we are thinking about other options, too. Meanwhile Malaysia's Chow Kok Kee, the chair of this group, reported that the G-77 had still not as yet agreed to release his revised text. Although he did not say so, the reason appears to be as reported in Update No. 4 – Saudi Arabia.

(D) **Compliance**: There was no meeting with the EU on this topic on June 8, although one has been scheduled with the umbrella and union representatives on June 9. The effort will be to flesh out portions of the co-chairs' text that need additional work before the paper is ready for prime time exposure.

The June 8 meeting continued to march through the new elements paper prepared by the co-chairs. The EU introduced its proposal on consequences that it tried to present as not really constituting a financial paper. Our impression is that they botched their effort. In any case, the Saudis (now seeking funds for their proposed compensation fund) endorsed financial penalties as the cleanest way to go. Our subtraction approach was opposed by China and Brazil.

In accordance with our umbrella group discussions, the U.S. made a muted but effective intervention introducing our Article 4 concerns. Only New Zealand spoke in favor of adding Article 4 elements, with Japan and Australia remaining silent. Canada told us on June 9 that it intends to express its concurrence at the June 9 session. We shall see if they do. Please see the attached report on June 8 developments.

(E) **Policies and Measures (PAMs)**: A consolidated text has been prepared. The EU and the umbrella will meet on this topic at the former's request. Stay tuned.

(F) **Land Use and Land Use Change and Forestry (LULUCF)**: Two core issues that are under consideration are (a) consideration of the IPCC Special Report and (b) elements for a decision at COP-6. The umbrella group would prefer a structure for a decision, rather than actual elements. In fact, the Icelandic chair told the group that while the mechanisms work is proceeding by means of a "walk in the garden," the sinks work is more like building a house. The IPCC report provided the foundation. Now there is the need to develop the architecture.

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In spite of this metaphor, it was quite evident during these discussion that the G-77/China has decided to slow the process down. Several developing countries indicated that they need time to digest the IPCC report. This does not appear to be a Saudi-inspired gambit. Among the countries calling for methodical treatment and consideration of these issues were Bolivia, Nigeria, Tuvalu, Senegal, China, and Brazil.

Meanwhile, the contact group working on the format for the August 1 submissions is making slow progress. Frequent and unhelpful interventions by Tuvalu, whether acting as a Saudi 'cats-paw' or out of ignorance, are making the discussions especially painful.

(G) **Capacity Building**: There has been no change in this since Update No. 4. At the meeting scheduled for the afternoon of June 9, we are to answer a series of questions that SBI Chairman Ashe has posed for consideration. These are essentially in three broad categories: (a) What are the needs? (b) What are the means?, and (c) How do we get from here to there? This meeting will involve capacity building as it relates to developing countries.

(H) **Cross-Cutting Issues**: No change from earlier reporting.

JUSCANZ Meeting
8 June 2000
Jack Schick

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JUSCANZ met for nearly an hour to coordinate positions across a wide range of issues also joined by Harald Dovlin, SUBSTA Chair. Canada called for JUSCANZ to lay down some forceful markers in the 4.8/4.9 Contact Group to forestall early action in that forum. Australia reported that the Mechanisms discussion was proceeding smoothly as Chairman Chow stayed on message that his consultations were not negotiations but a "walk in his garden." However, Canada warned that speed in the Mechanisms discussion may complicate matters in the 4.8/4.9 debate where the Saudis complain about lack of progress in that forum.

The US noted progress in the small group considering reporting and review issues with Canada seconding the impression of progress because the EU was being constructive in part because inventory specialists were speaking for the EU. Nonetheless, Canada is wary that the EU will fasten on Article 7.2, which, in effect, calls for information on supplementary domestic emissions reductions. New Zealand saw a dovetailing of progress in the reporting systems discussion with the work on compliance but agreed with Canada that JUSCANZ should stay alert for EU mischief.

Switzerland was confused about the insertion of a new "elements" paper in the compliance group. Dovlin explained the Co-chairs were concerned that the old "elements' paper was getting around in several versions. The new paper gets past that situation and puts some flesh on the bones of the elements albeit as an informal co-chairs document looking for reactions.

Harald noted the G 77's eagerness to convert the Friends of the Chair on technology transfer issues into a formal Contact Group and said that he would form such a Group at some point to formulate a framework for decisions at COP 6. Canada reported that SUBIM Chair Ashe was trying to focus on the issue of capacity building for Economies in Transition (EITs) with a small group as a key piece for COP 6. Ashe is seeking to identify "needs" and "means." However, Nigeria had laid down a marker that the G 77 was not altogether comfortable with special attention to EITs, and indeed Ashe does not intend to spend much more time on the issue. The US underlined that the discussion had been a useful interplay between Annex 2 parties and EITs.

Finally, Japan raised a "logistics" issue about the request by the commercial conference manager in Lyon for advance booking with a 30 percent deposit on hotel space for the September meeting of SUBSTA. This request goes against Japanese government regulations. She urged JUSCANZ to lobby the Secretariat and French government to reject it. Canada noted that the meeting will be unable to start on time because of a lingerie convention just ending the previous week, and the Secretariat needs four days to set up.

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Compliance – Second Informal Meeting of the Joint Working Group (JWG)
Thursday, June 08, 2000, 3pm (reported by Bloom)

The JWG held a second productive session, continuing to march through the Co-Chair's elements paper. The most interesting exchanges concerned consequences. In that context, the EU unveiled its position in favor of use of a compliance fund, something it says it does not equate to a "financial penalty" (but which we and others in the Umbrella group do). The Saudis supported having a financial penalty as the "cleanest way to go."

The US delegation introduced a series of proposals connecting the Article 4 bubble to compliance consequences. New Zealand was the only other delegation to speak in favor of adding Article 4 elements. (Japan, having told us in consultations earlier that Article 4 issues should be raised only in the compliance group, but not in the mechanisms and other groups, failed to mention the issue in the debate.). Brazil and China spoke against our favored idea of subtraction of tonnes as a non-compliance consequence. Japan continued to oppose any mandatory (hard) consequences, focusing instead on its proposal that the compliance body make (non-binding) recommendations of policies and measures to a Party found out of compliance.

The US delegation spoke in favor of working on issues related to a general procedure before deciding on special procedures, like an expedited process for mechanisms eligibility, and there was support for this approach. The EU, under pressure from France, now advocates calling the compliance body once established "The Compliance Authority."

The Co-Chairs have asked delegations to submit suggestions for legal text to the Secretariat over the next two days. The Co-Chairs will, they hope, produce a new text over the weekend that will be the subject of the work of the JWG next week. An existing wild card is whether the G77 and China will be able to produce a submission in a timely fashion, and whether that group's failure to do so might end up delaying the JWG's work.

The US compliance team is working on its submission, and will be consulting in various contexts with the EU (which has sought us out continually during this session) and the Umbrella Group.

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HIGHLIGHTS FROM FCCC SB-12 INFORMAL MEETINGS THURSDAY, 8 JUNE 2000

Delegates to the informal meetings preceding SB-12 continued liscussions on: mechanisms; land use, land-use change and orestry; compliance; FCCC Article 4.8 and 4.9 and Protocol Article 3.14 (adverse effects); and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) nd 8 (review of information).

NFORMAL MEETINGS AND WORKSHOPS

MECHANISMS: Joint Implementation: BOLIVIA and :OUTH AFRICA urged greater equilibrium between the rules elating to CDM and JI. CANADA and JAPAN emphasized that JI ; subject to the rigor of guidelines under Protocol Articles 5, 7 and . CHINA suggested that JI be subject to CDM requirements, and ought clarity on who should pay for this. The EU and SWITZER-.AND said their submissions on baselines for CDM applied to JI. :OUTH AFRICA said its submission on monitoring, reporting and 'erification for CDM also applied to JI.

Clean Development Mechanism: BOLIVIA, COLOMBIA, he US, IRAN, HONDURAS and NORWAY supported the inclusion of sinks projects in the CDM on the grounds that, *inter alia*: iearly one-fifth of global emissions come from deforestation and .lmost 90% of emissions from tropical countries are from .ULUCF activities. IRAN said that in light of the FCCC's iomprehensive approach, the CDM should cover all six gases, and .ll sources and sinks. The EU and SWITZERLAND opposed sinks irojects in the CDM, as it raised questions of methodological incertainty, non-permanence and leakage. The SUDAN and ;ENEGAL said it was premature to decide on the inclusion of .inks, as the IPCC report had just been released. AOSIS, with :OLOMBIA, said Protocol Article 6 (JI) and 12 (CDM) should be ;iven equal treatment in the context of share of proceeds for adaptation, as this would ensure real additional funds for adaptation, ufficient funds for administrative costs, and no additional transacion costs for the CDM. NORWAY and the EU opposed a provi-:ion on share of proceeds in Articles 6 and 17 (Emissions Trading). 3OLIVIA called for an analysis to determine if project-by-project ir regional/sectoral baselines would be appropriate. INDIA :upported project-by-project baselines. SWITZERLAND, the US ind NORWAY underscored the need for stakeholder participation ind transparency in the CDM. SAUDI ARABIA and AOSIS ipposed nuclear projects under CDM.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8: Subgroup on Articles 5.2 (adjustments) and 8 (review of information): Delegates exchanged views on the Draft Guidelines under Article 7. On information submitted under Article 7.1 (inventory) delegates, *inter alia*, stressed that information through registries would be available more frequently than annually, and highlighted linkages with work on mechanisms and LULUCF. On information submitted under Article 7.2 (national communication), the EU, supported by SAUDI ARABIA, proposed reporting on "demonstrable progress." The US, CANADA, NEW ZEALAND and AUSTRALIA said this issue was not a priority for COP-6 and could be dealt with through the forthcoming national communications. When considering the Draft Guidance on Methodologies for Adjustments, the EU, with SWITZERLAND and SLOVAKIA, said the trial period on inventory review would provide the IPCC with the information on problems to be addressed. AUSTRALIA, the US, and NEW ZEALAND highlighted the urgency of addressing adjustment methodologies, in particular in relation to the base-year inventory.

On Classification of Inventory Problems in the Guidelines under Article 8, delegates continued consideration of the EU proposal. They agreed on the following steps: identification of a failure to use agreed methodologies and guidelines or to produce a timely report; description/categorization of the problem; and determination of whether or not the problem triggers, an expedited procedure, or whether it is adjustable or not. On adjustments, SLOVAKIA, the US, NEW ZEALAND and CANADA said all inventory problems were adjustable, while the EU said inventory problems of a specific threshold were not adjustable.

Subgroup on Article 5.1 (national systems): Participants discussed the second Draft Guidelines for National Systems under Article 5.1 of the Kyoto Protocol. On Inventory Management, CANADA noted the lack of reference to confidential information, and JAPAN said the extent of, and access to, confidential information is resolved under Article 8. Delegates resolved the issue of reporting by making reference to reporting requirements as they would be defined in the guidelines under Article 7. The EU, supported by NORWAY, proposed language on monitoring of emissions of legal entities and/or projects under Articles 6 and 17. Co-Chair Plume said it was a reporting issue and noted that relevant work on the mechanisms was still at an early stage. The US opposed specific reference to Articles 6 and 17, and noted a paragraph leaving the door open for future linking through Article 7 and relevant decisions by the COP or COP/MOP.

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LULUCF: Co-Chair Thorgeirsson distributed a summary of discussions on criteria and guiding principles for the identification and selection of additional activities, and a paper on possible elements for a draft decision. He said delegates should prepare for COP-6 and beyond on the basis of the information provided by the IPCC Special Report.

AOSIS, supported by several developing countries, expressed concern that the informal meeting was going beyond the mandate agreed at SBSTA-11 and, with the EU, objected to the consideration of draft elements for a decision, noting that many issues remain to be analyzed and discussed. Co-Chair Thorgeirsson explained that the proposed elements are to serve as a vision of issues necessary to make a decision. The US, CANADA and AUSTRALIA said the meeting's tasks include preparing submissions due by 1 August 2000, and in this context, discussing the elements of a draft decision of COP-6 provides guidance. AUSTRALIA circulated a paper with its proposals for issues to be considered in the period before COP-6. On initial steps, he suggested a dialogue with the IPCC lead authors to enhance the understanding of the Special Report.

On the IPCC report, BOLIVIA noted the absence of concrete definitions of terms such as "forests," which were relevant to other Protocol Articles and, opposed by POLAND, proposed developing one universal definition.

COMPLIANCE: Delegates continued consideration of the Co-Chairs' Elements of a Compliance System for the Kyoto Protocol. On Expedited Procedure for Cases Related to the Kyoto Mechanisms, SOUTH AFRICA supported such a procedure and, with CHINA, proposed the establishment of an eligibility panel. With AUSTRALIA and JAPAN, the US said the overall compliance procedure should be considered before the expedited procedure. The EU, opposed by AUSTRALIA, said there should be a pre-commitment review of elements pertaining to participation in the mechanisms, and an annual review during the commitment period. CHINA cautioned the compliance group against prejudging the rules that will be developed in the mechanisms group.

On Rules of Procedure for the Compliance Institution, the US, with AUSTRALIA, the EU and CANADA, suggested focusing on the elements needing agreement at COP-6, such as the decision-making rule. Delegates expressed diverging views on the need for two sets of rules for the possible two branches of the compliance institution. On True-up Period, delegates said the timing needed to be considered in detail. The EU and the US suggested the end of the review. AUSTRALIA proposed the end of the commitment period.

On Outcomes or Consequences of Non-Compliance or Potential Non-Compliance, the EU said the consequences should create a clear economic impact on that Party and aim at repairing the overage. He added the concept of "compliance reserve" and, opposed by AUSTRALIA and CANADA, supported loss of access to mechanisms. NEW ZEALAND opposed financial penalties and, with AUSTRALIA, a compliance fund. SOUTH AFRICA, with the US, suggested creating a distinction between various consequences based on the branch that would deal with it. CHINA, with BRAZIL, opposed subtraction of excess tonnes from a Party's assigned amount for the subsequent commitment period. With SAUDI ARABIA, he suggested adding a new title to the Elements addressing the implications of Article 18 (non-compliance). SAUDI ARABIA said financial penalties were the best way to proceed, while CANADA queried how these could be enforced.

ADVERSE EFFECTS: Co-Chair Kjellén circulated a compilation of countries' preliminary written submissions on FCCC Article 4.8 and 4.9 and Protocol Article 3.14, and invited comments on ways to proceed. Several Parties highlighted the relatively rapid progress of negotiations on this issue. SAUDI ARABIA said he expected a negotiating text for separate draft decisions on FCCC 4.8 and 4.9, and on Protocol Article 3.14, by Monday 12 June. The EU, CANADA and others requested additional time to consider the compilation. The US noted that negotiations on this issue are keeping up with or ahead of other issues in the lead-up to COP-6.

Co-Chair Kjellén said the aim was to consolidate the document so as to work toward text for a decision at COP-6. On its submissions on the adverse effects of climate change, AUSTRALIA said his paper gives priority to: capacity building; understanding the climate system; vulnerability; linkages between science and policy; and response measures relating to, *inter alia*, coastal and arid zones, vulnerable high-risk areas, water resources, and institutional strengthening. On the impacts of response measures, SOUTH AFRICA said his country's aim was to maintain its coal-driven low cost energy sector and energy exports.

HONDURAS emphasized its vulnerability to landslides. BURKINA FASO, for the AFRICA GROUP, underscored the vulnerability of LDCs. On adaptation challenges, CANADA highlighted: adopting an integrated and iterative approach; building capacity for adaptation and assessment; and, with the EU, improving information gathering and dissemination. EGYPT proposed the establishment of a vulnerability index for non-Annex I countries. With the US, he underlined the importance of building developing country capacity on vulnerability assessment.

IN THE CORRIDORS

Some participants have expressed concern over what they feel is undue haste in these meetings to produce the basis for negotiating texts, such as in the LULUCF, mechanisms and adverse effects groups. While they applaud progress, they fear that the urgency in the lead-up to COP-6 means negotiations may be pushed more rapidly than they are prepared for at this stage. Indeed, some delegates sense that these informal meetings have reached the limits of their mandate.

THINGS TO LOOK FOR TODAY

COMPLIANCE: This meeting is scheduled for 10:00 am in the Schumann Room and is expected to conclude its consideration of the Co-Chairs' Elements of a Compliance System for the Kyoto Protocol.

ARTICLES 5, 7 & 8: This meeting will take place from 10:00 am in the Haydn Room to take stock of progress.

LULUCF: Delegates will convene at 3:00 pm in the Haydn Room to focus on the IPCC Special Report and identify key issues to be addressed.

CAPACITY BUILDING: This meeting is scheduled to begin at 3:00 pm in the Reger Room, and is expected to consider submissions on capacity building in non-Annex I countries.

POLICIES & MEASURES: This meeting will be held in the Schumann Room at 5:00 pm and will start discussing a consolidated text.

ADVERSE EFFECTS: This meeting is tentatively scheduled to take place from 7:00 pm in the Schumann Room to address a compilation of countries' preliminary written submissions.

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CLIMATE NEGOTIATIONS BONN JUNE 2000 NGO NEWSLETTER

eco LITE

9 JUNE LOW-FAT ISSUE

Eco has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. This issue is produced co-operatively by CAN groups attending the climate negotiations in Bonn, June 2000.

Sinking Things Through...

Consider Article 3.3. As Bob Watson pointed out in Wednesday's LULUCF side event, accounting and definitions for ARD and forests can be done in a way that reflects what happens to the atmosphere, or in a way that doesn't. Parties could ignore the IPCC definitions (even though they are called for under Article 5.2 of the Protocol), and claim lots of phony reductions that the atmosphere never sees. They could ignore the loss of carbon that occurs when an old growth forest is logged, but count the growth of trees planted after harvesting. They could even ignore the loss of carbon from soil that occurs for years after those seedlings are planted. Clear-cut a forest, burn all the slash, turn the wood into paper destined for incineration and get credits for a few saplings. That endangered species-infested, ancient forest was decadent anyway.

Certainly Article 3.3 won't win a Nobel Prize for literary clarity, but there is a clear solution for ARD definitions: adopt the IPCC definitional scenarios for reforestation, afforestion and deforestation. This approach may be less than perfect, but as pointed out by one of the IPCC authors, it is the only approach that remotely resembles what is occurring in the atmosphere.

Considerably more thought needs to be given to how we can define forests in a way that works. The definition has to account for both the actual land use and some measure of canopy cover, not an easy task. It was somewhat alarming that a draft list of possible elements for a decision at COP 6, released today at the LULUCF session, did not indicate the need to actually define forests.

Let's get on with it. No more holding up a decision on 3.3 until 3.4 is negotiated. (We're looking at you, US.) No more asking for a pick and choose approach to definitions and accounting methodologies in the August submissions that allow each Party to provide estimates of its carbon stock changes under its own preferred definitional scenario. (That's you Japan.)

How about 3.4? The potential for sinks under Article 3.4 to undermine the Kyoto commitments was emphasized by the authors of the IPCC Special Report at Wednesday's side event. With Article 3.4 potentially soaking up a completely unacceptable proportion of the reductions mandated by the Protocol, and with Annex 1 Parties' projected or actual business-as-usual sequestration amounting to a significant percentage of their gross emissions from fossil fuels, there is cause to be alarmed. Concern over the inclusion of non-additional sequestration is one of the reasons why the Climate Action Network opposes additional activities under 3.4 during the First Commitment Period.

CAN's concern with sinks goes beyond their potential effect on the climate integrity of the Protocol. Without stringent environmental safeguards, sequestration strategies such as afforestation of native grasslands or fire suppression in fire-dependant ecosystems could destroy some of the world's most unique habitat. We were pleased to hear the Co-Chairs suggest that Parties consider how additional activities will contribute (or not) to the goals of other multilateral environmental agreements (remember the Biodiversity Convention?) and sustainable development. But we were disappointed that the Parties didn't agree on the need for more specific guidelines and principles that guard against crediting business as usual, damaging native ecosystems and the other pitfalls of 3.4.

As negotiations proceed on sinks, delegates should not lose sight of the fact that the vast majority of reductions need to take place on the fossil fuel emissions side of the ledger.

Remember 2005?

It is an uncomfortable truth for Annex I countries that they are required by the Protocol to have made demonstrable progress, by 2005, in achieving their commitments. Not surprisingly then, many parties continue to sweep this issue under the carpet. ECO applauds the EU for their valiant attempts yesterday to bring this issue onto the agenda. Clearly demonstrable progress must be reported under Article 7 and reviewed under Article 8, meaning this issue must be discussed ahead of COP6. Stick to it!

The Fourth National Communication will provide some information on demonstrable progress. This should be submitted before the end of 2005. Parties are obliged to report on projected and actual emissions, and on implemented policies and measures. But a thorough review could do more. One suggestion is the reporting and review of detailed quantitative indicators, at the sectoral level, to assess the effect of policies and measures. Another is for parties to report on their preparation for implementation of the Protocol – establishment of national systems, and implementation of domestic legislation and enforcement processes.

A further question that should be asked is, if this information becomes available, to what use will it be put? (and remember, 2005 is not very far away...)

List of Recipients for Periodic Reporting
From the Twelfth Sessions of the Subsidiary Bodies
of the UN Framework Convention on Climate Change (SB12)
June 5-16, 2000
Bonn, Germany

Organization	Name	Fax
State/OES	David Sandalow	202 647-0217
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State/OES	Povenmire/Hobgood	202 647-0217
State/L/OES	Sue Biniaz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer et.al.	202 647-1091
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
Commerce	Dana Palmer	202 408-9674
Commerce	David H. Festa	202 482-4636
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DOD	Dan Benton	703 693-4507
DOD	Sherri Goodman	703 693-7011
DOI	David Hayes	202 208-1873
DOJ	Jim Rubin	202 514-4231
Energy	Dan Reicher	202 586-9260
Energy	David Goldwyn	202 586-0861
Energy	Margot Anderson	202 586-3047
EPA	Bill White	202 260-4852
EPA	Robert Perciaspepe/J.Beale	202 501-0394
Treasury	Robert Crumby	202 622-2633
Treasury	Todd Stern	202 622-0073
USAID	Hales/Barrett	202 216-3174
WH	Ian Bowles	202 456-2710
WH	Roger Ballentine	202 456-1736
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
WH/CEA	Robert Lawrence	202 395-6958
WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

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From Hambley, Zimmer No. 104

TELEFAX

Date: Friday, 9 June 2000

UNCLASSIFIED

TO: OES – Assistant Secretary David Sandalow
OES – Ambassador Kenneth Brill

FROM: USDEL/BONN – SB-12 (Climate Change) – Mark G. Hambley
Mark G. Hambley, FAX No. 49 228 269-8222, Room 104

SUBJECT:: Climate Change (SB12): Periodic Update No. 5
for Thursday/Friday, June 8-9, 2000

Attached is our periodic Update No. 6 for June 8/9. Linda Catlett will transmit it to other climate groupies in Washington. Many thanks.

MGH

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13 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 10 from SB12 (Monday/Tuesday, June 12-13)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Monday, June 12 to mid-day on Tuesday, June 13.

Also included is a report on the joint SBSTA/SBI June 12 session prepared by State's Jack Shick, along with the June 13 edition of the NGO-produced **Earth Negotiations Bulletin** that provides information on Monday's proceedings. This report should also be read in conjunction with Update No. 11 that contains additional supplemental reporting prepared by various USDEL members.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

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13 June 2000

SB12 Periodic Update No. 10: Debates Embroil June 12 Meetings of SBSTA and the SBI; Saudi "Roll" after the Release of Co-Chairs Text on Adaptation/Compensation Screeches to a Halt Amid an Evening Brouhaha

Atmospherics

The pace of discussions slowed perceptibly on June 12 and 13 as the first formal sessions of the Subsidiary Body on Implementation (SBI), the Subsidiary Body on Scientific and Technological Advice (SBSTA) and their joint working group held their first meetings. SBSTA and the joint working group especially became bogged down in debates on sinks and Articles 4.8/4.9 and 3.14 (adaptation/compensation) respectively. The joint working group ended later than anticipated but is done until Friday (June 16), barring some emergency situation. SBI did better and has only a few items remaining for consideration, including the planning for future meetings. SBSTA will be dealing with technology transfer.

It is not yet clear where either the mechanisms or the working group on Articles 4.8/4.9 and Article 3.14 are going. The Saudis were on a roll after the June 13 debate on their favorite topic. During the evening contact group that followed, they became angry at EU/Umbrella Group assertions that they would not use the co-chairs' document as a negotiating text. This provoked a bit of nastiness in the mechanisms group which followed. Saudi Arabia's Muhammad Al-Sabban interrupted Chairman Chow at one point and told him that the meeting could not continue. Switzerland tried to calm him down; Samoa stated that it had never seen one Party interrupt a Chair in this manner. There were calls for a break for consultations and after the usual "too-ing and fro-ing", one was granted.

After some heated side-bars, during which Annex I was pressed by SBI Chairman John Ashe to agree to work from the co-chairs text on 4.8/4.9 (AI refused), Ashe then turned his attention on his own group. They agreed to continue the discussion, and the meeting was completed after one hour. There will undoubtedly be repercussions, but it will not be until later this afternoon (June 13) that we get any inking as to their magnitude.

Meanwhile, sinks and compliance appears to be in better shape – for the moment. Even so, some delegates are starting once more to feel somewhat overwhelmed by the amount of work facing them over the next five months prior to COP-6 in The Hague. The Saudi factor is but an additional factor that contributes to their concern.

Status of the Negotiations

The following paragraphs provide insights into the status of the various topics under consideration during this first week of informal discussion.

Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14: The issuance and status of the co-chairs' text on this issue continued to be embroiled in controversy, at least on the part of Annex I which was especially hammered by its content. The second issue of concern is whether there should be one decision or two incorporating Protocol Article 3.14 into the decision on Convention Articles 4.8/4.9. To say that the Saudis were on a roll until the evening kerfuffle on June 12 was probably an accurate assessment. It is not clear how this will play out, but the Saudis will undoubtedly press their G-77/China colleagues to exact some kind of sanction in other negotiations.

SBSTA Chair Dovland tried his best to forestall a detailed discussion of this item at the SBSTA/SBI Joint Session on June 12. Annex I Parties rather begrudgingly decided to hold their fire as long as Saudi Arabia and the G-77/China did so. In the event, the G-77/China launched a long, two hour debate that went on ad nauseum over one aspect of the discussion: whether to treat the convention articles (4.8/4.9) in a separate decision from Protocol Article 3.14 or not. Led by Nigeria speaking for the G-77/China, over 20 different non-Annex I Parties all agreed there should be separate decisions. Voicing their support were Venezuela, Senegal, Chad, Burkino Faso (speaking for the African group), Indonesia and several others, including almost every Arab country from Morocco to Qatar. See our report in Update 11.

Arguing against this proposition were the EU, the U.S., Japan, Canada, Switzerland and New Zealand. This turnout reflected a meeting of the minds meeting between the EU and the umbrella group on June 12 at which the status of the co-chairs' text was discussed. All present agreed it was not a negotiating draft; a view not shared by the G-77, but there was some difference of view among the EU/UG as to how to treat the text.

This situation has been confused and complicated by a report coming from the EU that asserts that the current paper does not represent a co-chairs' text. According to Sweden's Kjellen, the co-chairs plan to issue their "real" text on Wednesday. Some EU governments allegedly pressed Kjellen not to issue any text. The Swedish co-chair was adamant, however, and said that a text that Annex I would be more comfortable with will be issued.

At our joint Umbrella Group/EU meeting on June 12, Australia, the U.S. and Canada variously expressed shock and bewilderment at the games being played by the co-chairs. Australia indicated that it would bring this matter up if it is raised in a public forum. Thus far it has not. (**Comment**: A senior German delegate, when pressed as to why the EU has not put the arm on its Swedish colleague, threw his hands up in the air and said the Kjellen is "not a member of the Union on this question." **End Comment.**)

Technology Transfer: The "Friends of the Chair" met on the evening of June 12. The G-77 came with a well-coordinated position and asked for specifics in the proposed text, while we proposed "themes." The meeting was described as difficult. The G-77 will present a paper sometime today (June 13). It is anticipated that co-chairs for a contact group will be appointed sometime today, as well.

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Kyoto Mechanisms: We have vetted the text. The organization is better, and it is shorter. Several problem areas remain. In part, this is because the text did not accurately report umbrella group positions on some key issues. (For example, many of our points on joint implementation were ignored or not taken on board; in addition, the baselines portion of the text was apparently prepared by a contractor and does not reflect as well as it should the direction we would like to take this discussion.)

At the joint SBI/SBSTA session on June 12, the Chair also tried to forestall debate but without success. India, speaking for the G-77/China noted that the question of nature and scope of the mechanisms has not been adequately discussed nor have these concepts be placed sufficiently in the text. He reserved the right to insert any parts of G-77China's proposals back into the text and began with one paragraph (not spelled out). He also said that the group wanted terms of reference for both the proposed July work shop in July and the September negotiating session in Lyon. Saudi Arabia made similar points; Colombia called for mechanisms that will permit a strong mitigation effort. Romania, speaking on behalf of the economies in transition (including our umbrella partner, Russia) focused its comments on JI, noting that all projects should be subject to government approval only on a project by project basis.

The EU, Canada, Switzerland, and the U.S. all spoke out, as well. We noted some of the gaps in the text but applauded it as a step forward. See our detailed report in Update No. 11.

As has been noted, quasi-bedlam broke out during the contact group when Saudi Arabia tried to shut down the meeting on the evening of June 12. We will have to see how matters develop later today (June 13).

Compliance: A new co-chairs' text was issued late on June 12. It will serve as the basis for discussion on the afternoon of June 13. Our first reading suggests that most of our points have been incorporated. Unfortunately, the EU's proposals on institutions appears in the main body of the paper with our carefully thought out proposals buried in an annex. On balance, we appear to have a document we can work from; however, we will have some hard slogging to do on the institutional and other areas.

Policies and Measures (PAMs): This issue was raised at the morning SBI meeting. It is expected that two co-chairs will be appointed to work out decisions. We have suggested Switzerland and either Egypt or Nigeria (unlikely in view of its overall G-77 role as coordinator).

Articles 5/7/&8 (on methodologies, reporting and review): Progress continues. The contact group on Article 5.1 concluded its work on national systems. This must now be presented to the SBI for its approval, prior to going on to the COP for decision. A new co-chairs elements paper, reorganized by Annex I Parties, has been prepared and will be considered at a meeting later today (June 13).

Land Use and Land Use Change and Forestry (LULUCF): Interest in this topic threw SBSTA Chair Dovland's plans for a smooth Monday plenary session into confusion. Following IPCC Chair Bob Watson's presentation, a lengthy discussion ensued during which the G-77 asked for an additional LULUCF workshop and for the preparation of a report by the Secretariat analyzing the results of the IPCC Special Report. Brazil indicated that this is not possible, citing principally the timing issue.

The contact group continued later on June 12. The work on the data formats for the August 1 submission has now been largely completed. The EU started out with a long list of criteria for Article 3.4 submissions, but by the end of the meeting, the Chair had proposed that projects be evaluated based on their contributions under the provisions of the convention or the protocol. Work continues later on June 13.

Capacity Building: The paper issued by SBI Chairman Ashe containing the elements for a decision was issued on June 11. It will be discussed at the next meeting of this group which is scheduled for later today, June 13.

Cross-Cutting Issues: No change from earlier reporting.

Y

Joint SUBSTA/SUBIM Meeting
12 June 2000
Jack Schick

Nigeria launched a vigorous assault on unified Annex I opposition to the Co-chairs' so-called consolidated text on 4.8/4.9/3.14 that quickly took over the opening formal meeting of this session. Mohammed Barkindo, as G 77 Chair, laid out the Group's criteria for success at COP 6 that it is more important "to get it right than to get it done." Getting it right for him means bluntly that the G 77's "interests must be satisfied." "We will not step aside for the Mechanisms, compliance, and sinks without concrete actions on 4.8/4.9/3.14" and said "it is important for everybody to understand that at the outset." He rejected enhanced roles for developing countries beyond the 1995 Berlin Mandate that excluded them from emissions commitments. Instead, the G 77 is looking for financing of technology transfers. At COP 6, he said, the G 77 will insist on a commitment to "specific funding amounts" on a long term basis. Moreover, all decisions must be in balance and integrated together (a decision on 4.8/4.9/3.14 must achieve the same status as the decision on Mechanisms, compliance, and sinks,).

Saudi Arabia endorsed Nigeria's statement. The Saudis were joined by nearly the entire Arab world that lined up to speak in support of Nigeria's effort. Many African countries joined the chorus of endorsements mainly by reciting the ravages of climate change that were already affecting them and for which they needed assistance. AOSIS joined the list of supporters. China and India made relatively pro-forma supporting statements but did not go beyond that—in India's case, a one sentence nod. Interestingly enough, Colombia, Peru, and Venezuela were the only Latin American countries to support Nigeria. Brazil, Malaysia, Thailand, and South Africa remained silent.

The Co-chairs of the 4.8 Contact Group tried to reassure Annex I countries that their text of last weekend was without prejudice to developed countries' views and acknowledged that Annex I did not favor separate decisions on 4.8/4.9 of the FCCC and on 3.14 of the Kyoto Protocol (double jeopardy for Annex I). Moreover, they indicated they would have another paper--a negotiating text—by the end of the week.

Australia led the counter-attack, insisting that only one decision be taken at this session, combining the consideration of 4.8/4.9 together with 3.14. The current text was not an appropriate basis for discussion for Australia that urged going back to the compilation document where Australia's views were initially stated. Portugual immediately joined Australia with a similar statement, noting in particular that COP 4 and COP 5 decisions kept the two provisions together. The US would not agree to modify the Buenos Aires Plan of Action that associated the two, arguing that the way forward was a further discussion of the issues and conceptual draft elements of a decision to be pursued after this session. Switzerland and Japan also joined the Umbrella Group-EU effort to turn back the Nigerian bid. Japan recited the technical support programs it has already extended to developing countries to deal with climate change in an effort to reassure the G 77 that it sympathized especially with the plight of the least developed countries, it clearly joined the US and EU. Canada linked itself to the US and EU while also saying that it has new ODA funding available. New

Zealand chimed in but with a mild-mannered statement (it has been the least enthusiastic of the Umbrella Group to take on the Saudis over the 4.8 issue).

Compliance got off with the Co-chair's status report and an announcement that his newest draft elements text would be available at 6 PM tonight—no extended discussion ensued as the Joint Meeting was running out of time. However, Chairman Chow of the Mechanisms Contact Group, while congratulated all round for his efforts, drew a complaint from India that Chow's 94-pager had left out some of the nature and scope material. India also wanted to know what Chow's terms of reference are for the Lyon session in September. Both the EU and Umbrella Group endorsed Chow's latest text (without going into further detail where there is unhappiness with many sections). Canada warned that the 94-pager was still too long and complex: "We need simple rules for our work to produce satisfactory results at COP 6." Australia, the US, and Rumania (for EITs), and Chile generally supported Chow's text. (Comment: Saudi Arabia spoke to the Chow text but did not shred it as some in the Umbrella Group had feared it would if the EU and Umbrella Group opposed the status of the 4.8 text)..

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IISD

Earth Negotiations Bulletin

SB-12 #7

A Reporting Service for Environment and Development Negotiations

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HIGHLIGHTS FROM FCCC SB-12 MONDAY, 12 JUNE 2000

On the opening day of the twelfth sessions of the FCCC subsidiary bodies (SB-12), delegates met in a morning session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) to discuss land use, land-use change and forestry (LULUCF), and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). The Subsidiary Body for Implementation (SBI) considered Annex I and non-Annex I communications, the financial mechanism, and administrative and financial matters. In the afternoon, a joint SBI/SBSTA session addressed issues relating to adverse effects, compliance and the mechanisms. Contact groups were convened to continue consideration of LULUCF, adverse effects, Protocol Articles 5, 7 and 8, and the mechanisms.

SBSTA

LULUCF: IPCC Chair Robert Watson outlined the key issues in the IPCC Special Report on LULUCF. Co-Chair Gwage noted the capacity building function of the pre-sessional informal meetings with regard to the LULUCF Special Report and progress on the data format for submissions due on 1 August.

Several delegates called for sufficient time to consider the Special Report. The G-77/CHINA expressed concern that the "sink" in Annex I countries would create an entitlement to emit, and called for appropriate carbon accounting approaches. COLOMBIA, opposed by SAMOA, supported equal treatment of forestry in the CDM. The AFRICA GROUP underscored links between land degradation and sequestration.

AUSTRALIA and CANADA suggested dealing with Article 3.3 (afforestation, reforestation and deforestation) and 3.4 (additional activities) as a package. SWITZERLAND preferred prioritizing Article 3.3, while the EU stressed emissions reduction as the main emphasis when considering Article 3.4.

GOOD PRACTICE GUIDANCE AND UNCERTAINTY MANAGEMENT IN NATIONAL GREENHOUSE GAS INVENTORIES: Taka Hiraishi, IPCC, said the IPCC report on this topic was a significant additional instrument in improving national inventory estimates. The EU urged adoption at COP-6 of good practice guidance as part of inventory reporting. GHANA called for regional workshops to enhance developing country understanding of the IPCC report.

ARTICLES 5, 7 & 8: Co-Chair Paciornik reported on the pre-sessional informal meeting and its outcomes. The US and JAPAN recommended adoption of guidelines for national systems at COP-6. The EU said some matters under Articles 5, 7 and 8 can only be completed after COP-6, as decisions made on other issues need to be taken into consideration. The G-77/CHINA said work on Articles 5, 7 and 8 should take into account other Protocol articles, including those on demonstrable progress, the financial mechanism and adverse effects. On the linkage to the mechanisms, JAPAN proposed that any Party should be able to use the mechanisms until non-compliance with Articles 5 and/or 7 is proven.

SBI

ANNEX I COMMUNICATIONS: Delegates considered experiences with the review of second national communications. SWITZERLAND, with the RUSSIAN FEDERATION, underlined the importance of training review experts, and proposed a workshop to exchange information on the preparation of third national communications. The EU said it expected a decision on Protocol Article 7.2 (national communications) at COP-6 and a decision on Protocol Article 8 (review of information) at COP-7. The US and CANADA suggested postponing consideration of the review of guidelines on national communications until SB-14.

NON-ANNEX I COMMUNICATIONS: SBI heard the first report of the Consultative Group of Experts (CGE), which was established to assist non-Annex I Parties improve their national communications. CGE Chair José Gonzalez Miguez (Brazil) said the CGE had at its first meeting agreed on a schedule of meetings and activities, and prepared an indicative budget. The EU, opposed by BRAZIL, the CENTRAL AFRICAN REPUBLIC and KENYA, suggested that the CGE's findings be presented by June 2001 to contribute to the review of guidelines so as to adopt at COP-7 improved guidelines for the second national communications. The US urged the CGE to provide specific advice on the guidelines and report on it at SB-14.

FINANCIAL MECHANISM: Several Parties highlighted the importance of the GEF's support for the preparation of non-Annex I national communications and expressed appreciation for the GEF Capacity Development Initiative (CDI). CANADA supported the comprehensive approach in assessing capacity development needs. The EU said the CDI should provide the basis for a framework on capacity building, along with national communications. The G-77/CHINA stressed the need to link the CDI to the overall process under decision 10/CP.5 (capacity building in developing countries) to avoid duplication. The IPCC outlined the GEF's proposal entitled "Assessment of Impacts of, and Adaptation to, Climate Change in Multiple Regions and Sectors in Coordination with the IPCC."

ADMINISTRATIVE & FINANCIAL MATTERS: FCCC Executive Secretary Michael Zammit Cutajar presented a document on late payment of contributions. He suggested consideration of the option that Parties with arrears of one year or more could be ineligible to, *inter alia*: host a session of the COP/Subsidiary Bodies; be invited to or receive funding to attend informal meetings; or be allocated membership of the Bureau of the COP or its

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subsidiary bodies. Several Parties stressed the need for further ...oration of the options presented by the Executive Secretary. ...mal consultations will be held on this issue.

JOINT SBI/SBSTA

SBSTA Chair Dovland (Norway) opened the meeting and called on delegates to develop text on as many issues as possible in accordance with the Buenos Aires Plan of Action. The G-77/CHINA stressed the need to negotiate the issues as a package and said the outcome should be a balanced set of decisions. He called on Annex II Parties to commit specific financial resources for technology transfer and capacity building by COP-6.

ADVERSE EFFECTS: Chair Dovland reported on the recent workshops and informal meetings on FCCC Article 4.8 and 4.9 and Protocol Article 3.14 (adverse effects). The G-77/CHINA, with other non-Annex I Parties, advocated the adoption of two draft decisions: one on Article 4.8 and 4.9 and another on Article 3.14. The EU, AUSTRALIA, JAPAN, US and SWITZERLAND preferred a single decision. AUSTRALIA, with JAPAN and others, said the consolidated text was not an appropriate basis for contact group discussion, and proposed revisiting the compilation of Parties' views.

COMPLIANCE: Co-Chair Slade of the Joint Working Group on Compliance (JWG) reported on the workshop held from 1-3 March 2000 and the informal meetings preceding SB-12. He said that these, together with further submissions from Parties, formed the basis for the negotiating text for SB-12.

MECHANISMS: Chair Chow reported on progress made during the inter-sessional period and introduced relevant documents, including the draft consolidated text on mechanisms. A number of delegates said the new consolidated text formed a useful basis or reference point from which to proceed. The G-77/CHINA ...ssed the need to include rather than exclude views, and to deter... the nature of the process and terms of reference for the contact ...p on mechanisms in the lead-up to COP-6.

COLOMBIA said the CDM should: ensure sufficient additionality; provide for equal treatment between the three mechanisms; recognize the unilateral model for the formulation of projects; and focus on prioritizing the sustainable development aspect of CDM. ROMANIA, speaking for the Group of Eastern European countries, and supported by the US, said JI and CDM have distinct roles and should not be treated in the same way. AUSTRALIA cautioned against loading JI and CDM with transaction costs. CHILE supported inclusion of sinks within the CDM.

CONTACT GROUPS

LULUCF: Delegates considered the Co-Chairs' note on draft conclusions for SBSTA-12 relating to criteria and guiding principles for identification and selection of additional activities under Article 3.4. The EU called for inclusion of further criteria and a guiding principle emphasizing emissions reduction. AUSTRALIA disagreed, stressing the importance of not being prescriptive, but allowing for consideration of national circumstances. TUVALU and the G-77/CHINA proposed deleting reference to sustainable development and to multilateral environmental agreements. Some Parties suggested referring to specific articles, but proceeded to agree on a general reference to the FCCC and the Protocol.

ADVERSE EFFECTS: Co-Chair Kjellén emphasized that the goal of the contact group was to develop a proposal for negotiating text for consideration at SBSTA-13. On procedural issues, delegates differed over whether to develop one or two draft decisions. SAUDI ARABIA and several other developing countries, opposed by AUSTRALIA and JAPAN, supported continuing work on the basis of the Co-Chairs' consolidated text. SWITZERLAND said it ...remature to take a decision on long-term actions without ...r research, information and a full assessment of options, and ...this process was moving too fast. Several non-Annex I Parties expressed concern that this position would make it difficult to move forward, and KUWAIT noted that this could result in the whole package of issues being blocked. NIGERIA said there was sufficient information to take action, in spite of gaps. Co-Chair Kjellén said the group should continue discussions to move forward based on the consolidated text.

MECHANISMS: Chair Chow introduced the draft consolidated text on mechanisms. SAUDI ARABIA requested adjournment of the meeting, noting the obstructive position of certain Annex I Parties in the contact group on adverse effects, and recalling the agreement struck on 9 June to use the consolidated texts on adverse effects and on mechanisms as the basis for negotiation. SWITZERLAND, supported by SAMOA, CANADA and JAPAN, and opposed by BRAZIL and KUWAIT, requested further discussion on the consolidated text. Delegates resumed their deliberations and recommended, *inter alia*: the development of a more concise text; elaboration of the nature and scope of the mechanisms; development of a participatory and transparent system that engages the private sector; and clarity on dealing with assigned amounts within each mechanism.

ARTICLES 5, 7 & 8: This contact group reached agreement on the second draft of the Guidelines for National Systems under Protocol Article 5.1. The Secretariat introduced SBSTA-12 draft Conclusions on Good Practice Guidance and Uncertainty Management in National GHG Inventories. In considering the Chairs' draft Conclusions on Guidelines under Protocol Articles 5, 7 and 8, delegates discussed, *inter alia*, deadlines for the voluntary implementation of the guidelines for national systems and for their possible revision based on experience of Parties.

TECHNOLOGY TRANSFER AND DEVELOPMENT: The Friends of the Chair group exchanged views on the themes for action emerging from the regional consultative process.

IN THE CORRIDORS

The spirit of cooperation generated during the informal meetings was shaken late Monday, when tensions in negotiations in the contact group on adverse effects spilled over into the mechanisms group in what many saw as tit-for-tat reprisals. The apparent reluctance of some Annex I Parties to discuss a consolidated text based on Parties' proposals on adverse effects sparked a response in the mechanisms group from Saudi Arabia, who sought to bring the meeting to an abrupt halt. Several delegates observed that the incident underlined the difficulties in moving forward on a "package" given some Parties' insistence on simultaneous progress on all issues. Others also noted that divisions within the G-77/China on adverse effects were becoming more apparent by the day.

THINGS TO LOOK FOR TODAY

SBI: SBI will convene at 10:00 am in Plenary I to consider arrangements for intergovernmental meetings and administrative and financial matters.

SBSTA: SBSTA will meet at 10:00 am in Plenary II to consider technology transfer and policies and measures.

LULUCF: The contact group on LULUCF will meet at 12:00 pm in the Reger Room to consider the Co-Chairs' draft conclusions.

COMPLIANCE: The JWG is expected to meet this afternoon to discuss the Co-Chairs' text.

ARTICLES 5, 7& 8: This contact group will meet from 7:00 pm and is expected to consider a new text of draft conclusions on Guidelines under Protocol Articles 5, 7 and 8, and the Co-Chairs' text on Proposed Elements of Draft Guidelines under Article 8 of the Kyoto Protocol.

Meetings are subject to change. Consult the announcement board for details.

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15 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 15 from SB12 (Wednesday/Thursday, June 14-15)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Wednesday,June 14 to mid-day on Thursday, June 15, 2000.

Also included is the June 15 edition of the NGO-produced **Earth Negotiations Bulletin** that provides information on Wednesday's proceedings proceedings. This report should also be read in conjunction with Update No. 14 that contains additional supplemental reporting prepared by various USDEL members, plus the latest edition of ECO, the NGO rag.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

This will probably be the last regular update in this series. Update No. 16 will contain supplemental reports.

**List of Recipients for Periodic Reporting
From the Twelfth Sessions of the Subsidiary Bodies
of the UN Framework Convention on Climate Change (SB12)
June 5-16, 2000
Bonn, Germany**

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OES/EGC	Dan Balzer et.al.	202 647-1091
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
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Commerce	David H. Festa	202 482-4636
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DOD	Bruce Degrazia/K.Doxey	703 607-4237
DOD	Sherri Goodman	703 693-7011
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DOJ	Jim Rubin	202 514-4231
DOT	Trilling/Mittelholtz	202 366-7618
Energy	Margot Anderson	202 586-3047
Energy	David Goldwyn	202 586-0861
Energy	Dan Reicher	202 586-9260
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EPA	Dina Kruger	202 565-2077
EPA	Brian McLean	202 565-2141
EPA	Robert Perciaspepe	202 501-0986
EPA	Bill White	202 501-1480
Treasury	Robert Cumby	202 622-2633
Treasury	Todd Stern	202 622-0073
USAID	David Hales/Barrett	202 216-3174
WH	Roger Ballentine	202 456-1736
WH	Ian Bowles	202 456-2710
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
WH/CEA	Robert Lawrence	202 395-6958
WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

15 June 2000

SB12 Periodic Update No. 15: Mixed Report as SB-12 Nears Conclusion

Atmospherics and General Comment

The optimism that marked the first week in Bonn has dissipated, as has the nervousness that greeted the reception of the co-chairs texts on the mechanisms and on adaptation/compensation at the beginning of the second week. Most delegates now feel that Saudi intrusions into the various processes is more of an unpleasantness that has to be dealt with and one that is (for the time-being) being handled without too much disruption to the work in various fields.

With both Subsidiary Bodies now meeting in rather short spurts to move issues along to the next meeting or to the Conference of the Parties for further deliberation or final decision, participants are now looking towards the forthcoming intersessional activities for indications of what deals might be cut to enable COP-6 to fulfill its anticipated objective of enabling Parties to begin the ratification process. And in spite of the intense schedule of intersessional activities being forecast, many are now starting to wonder whether adequate conclusions on core issues will be possible at The Hague.

There is as yet no public mentioning of this suggestion which is still viewed by many in near-apocolyptic terms. Most delegates also believe that it is too soon to expend much time or energy worrying about this prospect. There will be sufficient time for that at the end of the Thirteenth Sessions of the Subsidiary Bodies in The Hague in September. **End Atmospherics and General Comment.**

Umbrella Heads of Delegation Meeting

Eight of the nine heads of umbrella group delegations met over dinner on June 14 to discuss process and substantive issues. Ukraine was the only representative missing. No one from Kiev is present at this meeting. Delegates discussed the four themes being promoted by the Dutch for the Warsaw ministerial later this month. They were unanimous in their rejection of the Dutch suggestions that supplementarity and Article 3.14 be specifically identified. SBSTA Chair Dovland (our current Bureau member) undertook to register this point with the Secretariat. **(Comment:** We had earlier done so in meetings with both Executive Secretary Cutajar, Polish COP-5 President Szyzsko, and Dutch Minister Pronk. **End Comment.)**

Other options for the ministerial discussion were discussed. One that attracted a good deal of support suggested informing Ministers of the scope of the problems that remain, to see if any of these could be given priority, and to try to infuse the negotiations with a new sense of purpose. The U.S. compared the Warsaw Ministerial prior to COP-5 as being far better in this regard than either of the two New York Ministerials that had preceded or followed it – the last one being on April 28th.

Status of the Negotiations

The following paragraphs provide insights into the status of the various topics under consideration during this first week of informal discussion.

Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14: The U.S. drafted an alternative decision on Articles 4.8/4.9 that amplifies Annex I views on both impacts of climate change and impacts on response measures. The debate has once more resumed a more professional tone. There was an almost cordial discussion on adaptation at the June 14 meeting. It is still not clear if a new text of some kind will be produced at this session, although it is known that this is the co-chair' preference. In any case, a new consultation on this topic is now planned for August 23-25 in Bonn.

GDIN Information Presented: At the June 15 meeting, we (Miotke and company) stirred up the room in a positive fashion by presenting information on the Global Disaster Information Network (GDIN), drawing on materials forwarded to us by the Vice President's Office. This portion of our intervention was made in response to concerns expressed by several delegates from Venezuela, Mozambique and Africa generally on the need for better systems to predict severe storms in sufficient time to warn the public. The Vice President's personal interest in this issue was cited. Several delegates approached us after the meeting asking for additional information. We gave them a handout drawing on our statement.

Technology Transfer: The "friends of the chair" group met again on June 14. The G-77 came forth with a text that they wanted to use as the base for discussion. However, Chairman Dovland held firm on his view that the group should work on the basis of the themes identified earlier in the week. The Umbrella Group has solidified its support for Jean Cooper as the Annex I candidate as one of the co-chairs for the contact group on this topic that will be established at Lyon in September. Meanwhile, this group also has tentatively accepted the U.S. offer to hold consultations on technology transfer at the National Renewable Energy Laboratory in Golden, Colorado, on August 2-4, 2000.

On June 15, a debate ensued over the question of the CDM as a proper theme in this proposed text. The G-77 and South Korea said that it should not be included; the U.S. and several Annex I Parties took a contrary view. The discussion remained quite cordial (due to the development of good working relationships among the participants through the friends of the chair process), but no consensus could be found. Finally, Chair Dovland indicated that he would put the point in the text and it could be negotiated formally starting in September.

(Comment: A senior and experienced Secretariat official tells us that it is his perception that we have lost the initiative in this discussion. Despite the firm hand taken by Chair Dovland, he indicated that the G-77 is not likely to take the rejection of their text lying down. Once the new co-chairs are named and start their work in September, he predicted that the G-77 text will emerge as the basis for negotiation. End Comment.)

Kyoto Mechanisms: Chairman Chow began the process of going through his lengthy text, a task that he intends to complete this week. Saudi Arabia, joined by India and Kuwait, do not want to call it a negotiating text, however. Similarly, they opposed efforts to put brackets into the document (a suggestion offered by the U.S. and Australia). Instead, Parties were invited to make insertions which several did.

The Joint Implementation portion of the text was vetted first, with the U.S., Australia, and Japan offering clarifying language to ensure that our positions are taken into account. We added some Article 4 parity language, as well. Additional changes were made on the other mechanisms on June 15. The Saudis indicated that they have additional submissions that they also want taken into account.

Chow's plan (at least as we understand it) is to take these changes on board and to issue a new text next week. No one has formally objected to this process. This new text will then be reviewed at the forthcoming mechanisms consultation in early July.

(Comment: Of course, this means that the text will be longer than the current 94 page document. As it is, there are some 217 paragraphs that need to be negotiated. While some are simpler than others, even if one figures 10 minutes spent considering each one (and thus far none has been bracketed, so each will have to be vetted), this will amount to some 36 hours of negotiation to go through the text on a first reading. About 12 hours is all the time that will be allotted to this issue at Lyon. One can draw one's own conclusions as to the outlook for this process by COP-6. **End Comment)**

Compliance: Discussion of the new co-chairs' text continued late on June 14 and during meetings on June 15. Many comments were made, and some new (unhelpful) ideas were presented. One came from Saudi Arabia that wanted to see the groups scope to include several other aspects of the Protocol including Articles 2 and 3. A second one came from South Africa (representing the G-77/China). It suggested that non-Annex I compliance issues should be addressed under the multilateral consultative process which is being established under the provisions of Convention Article 13.

A third unhelpful suggestion (only one of many) came from a Russian colleague who is new to this process. He declared that Russian can not accept any binding consequences. Binding consequences, he asserted, are like a disease in Moscow's view. The umbrella group of experts tried to explain matters to their new colleague but did not get very far. When reporting officer raised the issue with the Russian Delegation Head, Sasha Metalnikov, at dinner on June 14, he found him to be surprisingly sympathetic to our position (perhaps because it was his 69th birthday). However, Metalnikov noted that it was the treaties department of the Russian MFA that makes calls on these matters. He suggested we include a compliance expert on our delegation to the next Climate Policy Group meeting. It is currently tentatively scheduled for early August in Moscow. The co-chairs are expected to issue a revised text by tomorrow (June 16).

A penultimate meeting of this group met on June 15. The final report was completed, along with a recommendation that the text (after it is polished by the Secretariat) be used as the basis for negotiations in September. Saudi Arabia objected to this process, indicating that it would not permit this decision to be taken until it was certain that

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equitable progress in "other areas" (e.g., Articles 4.8/4.9). An evening session was scheduled to determine if additional negotiations might be necessary to bring this matter to conclusion.

Policies and Measures (PAMs): A contact group met under a Swiss chair (Jose Romero). State's Susan Wickwire and her team skillfully managed to drag out the debate for almost the full two hours of the session to avoid discussion of two of the EU's current pet projects: development of terms of reference for the next workshop and elaborating principles to define demonstrable progress by 2005 – the latest EU buzz words. Conclusions on this topic will be drafted by the chair of the group.

Articles 5/7/&8 (on methodologies, reporting and review): Despite some garbled language introduced by the Russians on good practice and continuing Saudi efforts to try to slow matters up, this group is starting to wrap up its work for this session. As indicated, the group completed work on Article 5.1 on national systems. The proposed decision also recognizes that some elements of Article 8 will have to be decided after COP-8.

Land Use and Land Use Change and Forestry (LULUCF): Adele Morris has compared the work in this group to the Discovery channel's "eco challenge" with the participating having to cross alligator pits, sheer chasms, and violent rapids to eek out every bit of progress. But they have crossed many hurdles, including the ones involving formatting for the August 1st submissions. A remaining hurdle concerns Brazil's effort to distinguish between manmade and natural effects in accounting for some land use changes. The U.S. and most umbrella countries strongly disagree with this approach. Both the U.S. and Australia (supported by a very worried Japan) have worked out substitute language that they are endeavoring to have incorporated in the text being prepared by the Chair.

Capacity Building: Despite Saudi efforts to change the direction of the group at the eleventh hour, this group met on June 14 to discuss capacity building as it relates to developing countries. The group managed to avoid working off the G-77/China text and is moving towards a draft decision that can serve as the basis for negotiation during the September meeting in Lyon.

Cross-Cutting Issues: No change from earlier reporting.

Due to the closure of our facility, this will probably be the last regular update from this meeting in Bonn that ends tomorrow (June 16). We will try to dispatch a final supplement as Update No. 16.

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HIGHLIGHTS FROM FCCC SB-12 WEDNESDAY, 14 JUNE 2000

The Subsidiary Body for Implementation (SBI) met in the morning to consider Annex I and non-Annex I communications, nd the financial mechanism. The Joint Working Group on :ompliance (JWG) continued discussions on the Co-Chairs' text. :ontact groups met in afternoon and evening sessions to consider: and use, land-use change and forestry (LULUCF); adverse ffects; the mechanisms; and guidelines under Protocol Articles 5 methodological issues), 7 (communication of information) and 8 review of information). Informal consultations were held on apacity building in developing countries, and on policies and neasures. The Friends of the Chair group on the technology ransfer consultative process also met.

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NATIONAL COMMUNICATIONS: Delegates adopted the .raft conclusions on national communications of Annex I Parties. 'hey also adopted conclusions on the report of the first meeting of ne Consultative Group on Experts and on the provision of finan- ial support for non-Annex I Party national communications.

FINANCIAL MECHANISM: On the financial mechanism, 'elegates adopted draft conclusions, with minor amendments, on he progress report on the GEF review of enabling activities and its apacity building activities.

On additional guidance to the GEF on support to the IPCC, the :U said that, whereas FCCC Parties should send signals to the that the proposed IPCC project could benefit the process, it t appropriate for them to prejudge the GEF Council's deci- naking. He proposed replacing "approval" with "consider- tion" in the draft conclusions. SBI adopted the draft conclusions, s amended.

'OINT WORKING GROUP ON COMPLIANCE

The JWG continued its consideration of the Co-Chairs' Text.)n Scope of Application, CHINA, supported by SAUDI ARABIA nd opposed by ARGENTINA and CHILE, suggested listing the \nnex I Parties' commitments to which the compliance system vould apply, and said issues of compliance with other commit- nents would be dealt with under the Multilateral Consultative 'rocess. On Establishment, Structure and Functions, the US, with \USTRALIA, said the text should emphasize the two-branch tructure. CANADA specified that the outcomes of the facilitative ranch would not be limited to outcomes of a non-mandatory iature. On Structure, SAUDI ARABIA, with SAMOA, said nembers should equally represent the five UN regional groups. JEW ZEALAND sought greater representation of Annex I 'arties. On Functions, many delegates opposed a screening function. The US urged automatic application of mandatory outcomes. SAUDI ARABIA suggested that the compliance body determine mandatory outcomes or consequences only for Annex I Parties.

On Submission of Questions, several delegates stressed the importance of Article 8 (review of information) Expert Review Teams (ERTs) reports. SAUDI ARABIA, opposed by NEW ZEALAND, supported a role for the COP/MOP. The US proposed that Parties should be able to raise questions regarding another Party's implementation only with respect to the facilitative branch. The EU proposed that the Secretariat also be able to refer questions of compliance. On Preliminary Examination of Questions, SAUDI ARABIA suggested that multiple cases on the same type of issues should be referred to the subsidiary bodies.

On Proceedings, several delegates stressed the importance of integrating elements of the Annexes in the main text. On Decision-Making, SAUDI ARABIA said decisions would be adopted by consensus, and in case of failure, by a three-fourths majority vote. On Avoidance of Conflict of Interest, CHINA proposed that the member of the compliance body who is a national of a Party involved in a matter shall not take part in " the consideration of the matter." CANADA added that this includes members having a direct or indirect interest in the matter. On Sources of Information, the G-77/CHINA, opposed by NEW ZEALAND, distinguished between mandatory and non-mandatory sources. The US, with NEW ZEALAND, suggested the possibility that NGOs submit information. He said the Party concerned should have the opportunity to respond to the information submitted. The RUSSIAN FEDERATION, the US and SAMOA said the issue of confidentiality of information might conflict with the principle of transparency and needed further thought.

On COP/MOP, SWITZERLAND, with NEW ZEALAND, said it would "take note" of the compliance body's reports. On Outcomes and Consequences, SAUDI ARABIA said the CDM should not be addressed under the compliance system. With CHINA, he added that references to "Party" with respect to eligibility requirements should be prefaced by "Annex I." BRAZIL, with SAMOA and the EU, suggested framing "financial penalty" as a separate option. NEW ZEALAND introduced an option permitting purchase at a penalty rate, *inter alia*, from future commitment periods. AUSTRALIA suggested adding that if an Article 4 (joint fulfillment) Party becomes ineligible to use the mechanisms, all other members of the agreement would lose access to the mechanisms. On Other Provisions, the G-77/CHINA suggested requesting the Secretariat to prepare possible options for the adoption of procedures and mechanisms related to compliance. On Annexes, Parties differed on the need to integrate them into the main text.

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CONTACT GROUPS AND INFORMAL CONSULTATIONS

LULUCF: Delegates discussed changes to the draft conclusions. Noting the concern of many non-Annex I Parties with regard o understanding the IPCC Special Report on LULUCF, Co-Chair Thorgeirsson said an extra day had been reserved for a briefing at he workshop in Poland in July. The G-77/CHINA said this did not eflect their request for regional workshops, and delegates agreed o an additional conclusion inviting the SBSTA to encourage workshops. AUSTRALIA and the EU said capacity building should be onsidered within the broader context of SBSTA's work.

Co-Chair Thorgeirsson highlighted the proposal to convene an ntersessional meeting between SB-13 and COP-6 to support the egotiation process. He urged delegates to focus on requirements or COP-6, noting that capacity building could be achieved over a onger time period. AOSIS stressed the importance of regional vorkshops and questioned the mandate for an intersessional neeting.

AUSTRALIA called for a compilation of central textual roposals to assist work at SBSTA-13. The EU distributed draft onclusions requesting parties to provide textual proposals to be resented with 1 August submissions and requesting the Secretariat o prepare a synthesis according to specific elements. CANADA, AOSIS and others proposed changes, and discussions continued ate into the night.

ADVERSE EFFECTS: Co-Chair Kjellén outlined a cluster of ssues to be addressed in drafting the text for negotiation at SBSTA-13. SAUDI ARABIA urged that the consolidated text orm the basis for negotiations, and emphasized the need to include ll proposals. The EU suggested that the consolidated text simply e a reflection of discussions that may form the basis for later negoiation.

JAMAICA underlined the need for future workshops aimed at oncrete actions. The PHILIPPINES, with the US, supported nvestigating connections between climate change and extreme veather events, while NIGERIA stressed the need for preparedness o cope with such events in developing countries. The UK said dentification of actions is only possible with an understanding of he relationship between climate impacts and other phenomena. The EU said scientific uncertainty should not be a reason for inacon.

ARTICLES 5, 7 & 8: Delegates considered the draft concluions on Guidelines under Articles 5, 7 and 8 of the Kyoto Protocol. Delegates agreed on the text, including language highlighting greement on the guidelines under Article 5.1 (national systems) nd the preparation of a draft decision at SBSTA-13 to be adopted t COP-6. Delegates considered the General Approach to Review f the Co-Chairs Proposed Elements of Draft Guidelines under Article 8 of the Kyoto Protocol and provided guidance to the Secreariat in its elaboration of the text. The EU said the guidelines hould include the elements for review under the FCCC and the Protocol, but would single out those parts of the guidelines not pplicable to Annex I Parties that are not Parties to the Protocol. The G-77/CHINA suggested adding the objective of ensuring that he compliance body has the information necessary to carry out its unctions. The EU said all ERTs reports would be forwarded to the ompliance body.

MECHANISMS: Delegates considered the draft consolidated ext on mechanisms. Deliberations focused on the nature of discusions necessary at this stage. While AUSTRALIA, POLAND, CANADA and the US favored bracketing text, the G-77/CHINA nd SAUDI ARABIA stressed that this was not a negotiation and uggested instead that Parties focus only on "inclusions" to the text. Delegates considered Part One of the Consolidated Text on Mechaisms relating to JI and indicated areas where specific written proposals would be submitted and text added. Participants differed on the need for, *inter alia*, the Executive Board, sinks in JI, share of proceeds, and the appendix on supplementarity.

POLICIES AND MEASURES: Delegates considered draft conclusions on policies and measures (P&Ms). The EU tabled additional paragraphs on conclusions, including a proposed Terms of Reference (ToR) for a possible workshop on P&Ms. The G-77/CHINA presented alternative text on ToR. On the original draft conclusions, delegates agreed to, *inter alia*: replace "best" with "good" practices; and specify reference to paragraph (b) of Protocol Article 2.1. The EU, POLAND, SWITZERLAND and the G-77/CHINA, opposed by AUSTRALIA, CANADA, JAPAN and the US, urged that the ToR be considered prior to COP-6. Delegates agreed to include, in brackets, EU text encouraging parties to submit their views at SBSTA-13 on ToR and on the timing of the process, and the G-77/CHINA's proposal to refer to holding a workshop in "early" 2001.

CAPACITY BUILDING: This group considered the Chair's text on capacity building in developing countries. On the principles outlined in the text, issues highlighted include the need for country-driven capacity building, partnership with developed countries, and financial resources.

On Strategy, delegates highlighted subregional or regional approaches and the need to consider past and ongoing activities. The G-77/CHINA proposed addressing financing and implementation as separate sections. The NETHERLANDS suggested accounting for capacity-building when planning the GEF's third replenishment. UGANDA said funding for capacity building should be additional to ODA. On the role of the Secretariat, delegates said it should avoid an operational role but act as a facilitator.

TECHNOLOGY TRANSFER: The Friends of the Chair continued to consider actions required in relation to technology needs and needs assessment, enabling assessment, and technology information. The group also considered and agreed on the SBSTA Chair's draft conclusions.

IN THE CORRIDORS

Some participants were commenting on contrasting positions emerging from certain EU members on nuclear technology under the CDM. While one Party announced a strong "anti" stance, another publicly indicated its support for allowing nuclear technology within the CDM. Speculation among a number of participants centered on how this might impact the eventual elaboration of the EU's position on this issue.

THINGS TO LOOK FOR TODAY

COMPLIANCE: The JWG is expected to meet at 10:00 am and at 9:00 pm in Plenary II to discuss a revised Co-Chairs' text.

MECHANISMS: This meeting will take place in Plenary II from 11:00 am to consider the Chairs' draft consolidated text.

ARTICLES 5, 7 & 8: This group will meet at 12:00 pm and 8:00 pm in the Reger Room to continue consideration of the Co-Chairs' Proposed Elements of Draft Guidelines under Article 8 of the Kyoto Protocol

LULUCF: This contact group will meet at 3:00 pm in the Reger Room to consider the Co-Chairs' draft conclusions.

ADVERSE EFFECTS: This contact group will meet at 3:00 pm in the Schumann Room to continue consideration of the Co-Chairs' consolidated text.

SBSTA: SBSTA will convene at 5:00 pm in Plenary II and is expected to start considering various draft conclusions.

CAPACITY BUILDING: An informal meeting is scheduled to take place from 6:00 pm in the Schumann Room.

FRIENDS OF THE CHAIR: This will meet to finalize the draft SBSTA conclusions on technology transfer and development.

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13 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Periodic Update No. 11 from SB12 (supplemental reporting)

This message transmits additional reporting on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message includes the following reports by USDEL members, principally covering events on Monday, June 12.

(A) A report on the TCAPP side event on June 12 prepared by EPA's Paul Schwengels;

(B) Report on a meeting by the consultative group of experts on non-Annex I communications reported by Jack Fitzgerald;

(C) A report on the First Meeting of SBI on June 12 prepared by extraordinary USDELer unknown;

(D) .Notes on the June 12 mechanisms joint working prepared by another ibid.

(E) A report on the First Meeting of SBSTA on June 12 prepared by DOD's Lt. Colonel Peters; and,

(F) A Reports on the joint SBSTA/SBI joint meeting on June 12 prepared by State's Jack Shick.

All of the foregoing materials should be read in conjunction with our Update No. 10. As is the case with other reports, these are for internal use only and are not intended for dissemination outside the U.S. Government.

List of Recipients for Periodic Reporting
From the Twelfth Sessions of the Subsidiary Bodies
of the UN Framework Convention on Climate Change (SB12)
June 5-16, 2000
Bonn, Germany

Organization	Name	Fax
State/OES	David Sandalow	202 647-0217
State/OES	Ken Brill	202 647-0217
State/OES	Brooks Yeager	202 647-0217
State/OES	Povenmire/Hobgood	202 647-0217
State/L/OES	Sue Biniaz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer et.al.	202 647-1091
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
Commerce	Dana Palmer	202 408-9674
Commerce	David H. Festa	202 482-4636
DOD	Dan Benton	703 693-4507
DOD	Bruce Degrazia/K.Doxey	703 607-4237
DOD	Sherri Goodman	703 693-7011
DOI	David Hayes	202 208-1873
DOJ	Jim Rubin	202 514-4231
DOT	Trilling/Mittelholtz	202 366-7616
Energy	Margot Anderson	202 586-3047
Energy	David Goldwyn	202 586-0861
Energy	Dan Reicher	202 586-9260
EPA	John Beale	202 564-1554
EPA	Dina Kruger	202 565-2077
EPA	Brian McLean	202 565-2141
EPA	Robert Perciaspepe	202 501-0986
EPA	Bill White	202 260-4852
Treasury	Robert Cumby	202 622-2633
Treasury	Todd Stern	202 622-0073
USAID	David Hales/Barrett	202 216-3174
WH	Roger Ballentine	202 456-1736
WH	Ian Bowles	202 456-2710
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
WH/CEA	Robert Lawrence	202 395-6958
WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

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Technology Cooperation Agreements Pilot Project (TCAPP) Side Event — 6/12/00
Notes by: Paul Schwengels

The TCAPP side event was organized at SBSTA 12 to provide some status and concrete results for consideration by negotiators working on a technology transfer decision for COP 6. The TCAPP program has been extensively cited in these negotiations, by the US and other Parties, as a constructive model of effective technology cooperation and transfer which should be incorporated into future technology transfer activities under the Convention. The session included an overview of the program by Paul Stolpman of EPA, a brief discussion of involvement of private business by Lisa Jacobson of the Business Council for Sustainable Energy (BCSE), and a presentation of the TCAPP program in Mexico by Ubaldo Inclan of CONAE (the National Energy Efficiency Program of Mexico). This was followed by a Panel Chaired by former SBSTA Charman Chow Kok Kee, with short remarks from representatives of 7 TCAPP Country Teams. The panel also included a representative of the regional project underway in the Southern African Development Community (SADC). The SADC project is being carried out by the multilateral Climate Technology Initiative (CTI), with USG support, under its program called Climate Technology Implementation Plans (CTIP), which is very similar to TCAPP. The presentations were very constructive, including a clear sense of significant accomplishments to date, and also a frank discussion of lessons learned and areas for improvement. The group discussion was also constructive and conveyed very positive picture of the nature and role of this program the prinicples embedded in it. In closing the meeting Chairman Chow made very positive and complementary remarks about the TCAPP program, as an example, and source of input to the technology transfer consultative process.

Report on the Consultative Group of Experts on National Communications from Non-Annex 1 Parties Jack Fitzgerald June 13, 2000

COP 5 initiated a process for reviewing the guidelines for the preparation of national communications from developing countries with the aim of improving them by COP 7. It also established a Consultative Group of Experts (CGE) to review the existing process by which developing countries produce their national communications, including the applicable UNFCCC Guidelines. The U.S. strongly supported the decision and the experts group in the face of opposition from Brazil, China, and the Philippines. The provision of technically sound, transparent, and comparable information from developing countries can be an effective long-term lever for encouraging greater action on their part.

The CGE met for the first time on June 8 & 9 and reported to the SBI on June 12. It is comprised of 5 experts each from Africa, Asia, Latin America and the Caribbean, as well as 6 experts from Annex 1, including Jack Fitzgerald from EPA and the U.S. Country Studies Program. Taking into account the requirement in the COP decision to hold six regional workshops in this process, the CGE established an aggressive schedule to produce a draft final report for the SB14 meeting in May 2001. This will enable the report to be revised and finalized in time for consideration at COP 7. The report will be based on two sets of inputs: the reports of the regional workshops and additional inputs from the individual CGE experts. This offers the U.S. and other Annex 1 Parties represented on the group (Australia, France, Germany, Slovakia, and Switzerland) a significant opportunity to provide substantive analysis and recommendations. The first draft of the CGE's report to SB14 will be produced by a small group consisting of up to eight experts from non-Annex 1 Parties and up to six experts from Annex 1.

12th SBI – First Meeting – June 12, 11am-1pm

The Chair, John Ashe, opened the session, adopted an agenda, and provided a framework of organization for the session. Following his opening remarks, the Chair started the session with a discussion of the review of the second national communications by Annex I Parties (based on FCCC/SBI/2000/3). Portugal, speaking for the EU, supported the proposals of the Secretariat and urged that a resolution on review guidelines as well as a decision on Article 7.2 of the Protocol be made at COP-6. Russia and Switzerland also supported the need to work quickly on publishing guidelines for review and further urged a review of national communications by government experts. The US, Australia, and Canada noted that a resolution on the review of guidelines was not needed until COP-7 and thus was not a priority. They urged that efforts in this matter be postponed until the 14th meeting of the Subsidiary Bodies. The Chair next opened the discussion of national communications from non-Annex I parties, including a discussion of the report of the first meeting of the consultative group of experts (FCCC/SBI/2000/INF.4) and a discussion of the provision for financial and technical support (FCCC/SBI/2000/INF.2). The US and Portugal/EU supported the consultative group of experts and its activities and looked forward to guidelines to be submitted at the 14th SBI. Several non-Annex I countries, including Ghana, Korea, and the Central Arab Republic, noted the difficulty in preparing their national communications and warned that it was too early to begin a review.

Next, the Chair opened discussions on financial mechanisms, including discussions of the progress reports of the Global Environment Facility (GEF) on enabling activities (FCCC/SBI/2000/INF.3) and on capacity-building activities (FCCC/SB/2000/INF.4) as well as a discussion of the IPCC guidance to the GEF. Canada, the US, and Portugal/EU all supported the capacity-building efforts of the GEF and the importance of GEF's Capacity Development Initiative (CDI) to aid capacity-building in non-Annex I countries, especially in the least developed countries. The US further noted that significant information gaps exist that may be filled with information from the non-Annex I parties themselves, from bilateral and multi-lateral donors, and from the CDI. Tanzania, speaking for the G77 and China, expressed concern that the methodologies being used will not lead to the type of capacity building that is needed in non-Annex I countries. Tanzania requested that a useful framework for capacity building be developed that would include an independent verification procedure to ensure that non-Annex I needs are met. Ghana and Samoa, speaking for the Alliance of Small Island States (AOSIS), agreed with Tanzania and further requested that capacity building efforts be country-informed and country-driven with efforts integrated and coordinated with the specific needs of each country. IPCC provided an update on the jointly developed IPCC, UNEP, and GEF proposal for a GEF Project Development Facility for assessing the impacts of and adaptation to climate change. The proposal, currently funded at $350K and calling for $7.5 million over four years, will be used to develop 20 to 50 national studies that will be used in national communications as well as in the IPCC Fourth Assessment Report. Assuming approval at COP-6, projects will start in April, 2001.

Finally, the Chair held discussions on Administrative and Financial matters, particularly matters pertaining to late payment of contributions (based on FCCC/SBI/2000/2 and FCCC/SBI/2000/INF.5). The Secretariat noted that the Convention on Bio-Diversity has adopted rules regarding the late payment of contributions, thus creating a precedent in this matter. Countries that intervened all expressed concern over late payments and noted the difficult position this put the Secretariat in. Portugal for the EU and Switzerland expressed concern with the proposals of paragraph 19 (preferring instead the provisions of paragraph 17) and recommended that further study of these and other available options be undertaken. Similarly, the US, Portugal, and Australia felt that late payments should not lead to a suspension of voting rights, preclusion of attendance at meetings, or the inclusion of a financial penalty or interest payments. The US specifically called into question the appropriateness of mandatory penalties for voluntary contributions and requested that a study of other more appropriate approaches be undertaken. However, Australia did note that some proposals in paragraph 19 might be appropriate, including for example ineligibility of delinquent countries for funding or for hosting inter-sessional meetings. The UN and Russia noted the economic difficulties some nations have in meeting their contribution commitments and noted the need for a differentiated approach in handling delinquent countries. At this point the Chair closed the first meeting.

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NOTES: 6/12 Mechanisms Joint Contact Group

The Joint Contact Group (JCG) began with a Chair's explanation of the new text that was shortly interrupted by Saudi Arabia to insist that this discussion could not go on since the 4.8/9, 3.14 text had been rejected. Swiss, Samoa, and Canada indicated the discussion should continue. Saudi insisted on a quick consultation with support from Kuwait and Brazil told Chow that he probably should consult now rather than leave the procedural issue hanging over his head.

After a quick consultation, the JCG resumed with a general exchange of views on mechanisms and the new text. Japan, Canada, New Zealand and US urged for progress on a shorter text. Uruguay asked Parties not to overreact and to identify compromises that will not create artificial barriers for developing countries in the CDM. India asked to discuss the nature and scope, indicated that registries couldn't be discussed until the nature and scope is defined, and said interim CDM/Executive Board are not consistent with the Protocol. Brazil suggested a way to conceptually discuss the mechanisms by starting with three blank sheets and trying to write what a resulting certificate would need to say.

After that brief exchange, the Chair indicated that we would resume Wednesday at 5pm with a detailed discussion of the full text starting with decisions, then Annexes, then Appendices. After detailed sessions and submissions of succinct legal text, the Chair will revise the text.

Jmacedonia 6/13/00

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BONN, GERMANY, JUNE 12, 2000

DAY 1, SESSION 1, SUMMATION OF THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ANALYSIS (SBSTA) 12

SBSTA 12, Session 1,1000 to 1300 hrs, Monday June 12, 2000, the session started and ended on time. However, it did not complete the planned agenda. "Technology Transfer" and "Best Practices" were delayed until the subsequent session Tuesday morning at 1000 hrs.

The Chair announced that the total number of countries that have approved or accented to the "Kyoto Protocol" was now 184 with the addition of 4 more since of the last meeting. The chair also announced the number of countries that have ratified the Protocol is now 22, with 5 new ratifiers. The Chair proposed, and it was so approved that 1 IGO and 22 NGOs be accredited. The chair further announced that on Wednesday, June 14, 2000 the Bureau of the Conference of the Parties (COP-6) would meet to discuss among other issues, the feedback from the parties regarding the success of the informal week prior to the SBSTA.

LAND USE, LAND USE CHANGE AND FORESTRY

The Chair then moved to the first agenda item; Land Use, Land Use Change and Forestry (LULUCF). The Intergovernmental Panel on Climate Change (IPCC) Special Report (SR) lead then briefed limited summation points of the SR. This was followed by an endorsement of the report by the United Nations FAO in addressing poverty and the importance of agriculture in carbon emissions and sinks. The speaker, Mr. Wolf Kelman (sp), emphasized the use of standardized definitions and that the FAO World Food Summit had set the goal of cutting in half the number of people starving in the world by 2006.

The chair then called upon the Co-Chair of the informal meetings, Mr. Phillip Gwage of Uganda, to summarize the events of the previous week of informal meetings. Mr. Gwage expounded on the four main points.

1) Open discussions increased understanding of the material.
2) A small focus group was formed and has made good progress in building data tables for the Article 3.3, and 3.4 submissions on August 1, 2000.
3) There is a need for capacity building for the developing countries to fully appreciate and understand the IPCC SR, and
4) The LULUCF is an important contribution to climate change and the IPCC SR is a good starting point for building language for terrestrial carbon accounting.

The SBSTA Chair recognized the good discussion, the establishment of the Data Tables group for the Annex 1 Countries August 1, 2000 national data submission for synthesis, and announced the formation of a LULUCF Contact Group that would meet at 1500 hrs today. The Chair then opened the floor to interventions. There were 21 interventions. A table comparing the summary of these interventions is at Annex A.

The Chair then closed out the discussion of LULUCF by directing the formation of the Contact Group. He gave the group the charter of developing draft "Conclusions" including a framework (elements) of a draft decision.

BONN, GERMANY, JUNE 12, 2000

GOOD PRACTICES

The chair then introduced the topic of "Good Practice Guidance in Uncertainty Management in the Preparation of National Greenhouse Gas (GHG) Inventories" (Good Practices). The chair welcomed a review of the IPCC SR on Good Practices. He noted for all that this SR did not include for LULUCF. In intervention there was general support and recommendation that this SR be accepted for use by the parties at COP-6. New Zealand requested the chair direct the IPCC revise the Good Practices report to include LULUCF. Ghana and Columbia requested help in capacity building in order to implement the recommendations of the good practices SR. New Zealand, the European Union (EU), and the United States (US) specifically requested the acceptance, and implementation of the Good Practices SR in the generation of National inventories. There were no dissenting opinions.

ARTICLES 5, 7, & 8

The chair closed discussions on the Good Practices SR, and moved to the third agenda item; the development of guidelines for Articles 5, 7, & 8. The Art. 5, 7, & 8 chair reviewed the status of discussions and read prepared text of the IPCC lead author. Following that the SBSTA Chair directed that, "At this session, work must intensify. Art. 5.1 guidelines need to be completed and progress made on defining Articles 7& 8". The chair directed that their would be formed a contact group on Art 5, 7, & 8 that would be co-chaired by Ms Helen Plume of New Zealand and Mr. Newton Paciornik of Brazil. That contact group would meet at 1700 hrs to 2200 hrs tonight. The SBSTA Chair then opened the floor to interventions.

Portugal on behalf of the EU, stated that they like the text of Article 5.1, and requested that it be approved, and that at COP-6 they should be able to agree to the text for Article 5.2. They said that under article 7 the EU believes that COP-6 should agree on requirements for reporting demonstrable progress by 2005. Under Article 8 the EU requested that "Expert Review" team report their reviews to the "Compliance Authority". The EU also requested that a complete set of guidelines for the review process should only be agreed after the trial period is over.

Saudi Arabia intervened that the discussion of Article 5, 7, & 8 must also include discussion of Articles 3.2, 10, 11, 2.3, 3.11, and 3.14. Switzerland requested the chair clearly define the time table requirements for reaching agreement, and stated that early implementation was essential so that they can be issued well ahead of 2008. China, speaking on behalf of the G-77 and China, agreed with Saudi Arabia. They further requested additional informal consultations and stated that Annex 1 countries are "duty bound" to supporting Clean Development Mechanisms (CDM) and the provision of data. They stated that these duties do not apply to developing countries. China concluded by saying "Expert Review" should NOT be linked to, or decide compliance which was opposite of the EU position. The US intervened, recommending adoption of Article 5.1 as written. And welcomed the formation of the contact group to continue discussing the remainder of Articles 5, 7, & 8. Japan echoed the US position on Article 5.1 according to respective national circumstances. Japan further stated that along with EU, the SBSTA should agree on the language for Article 5.2 at COP-6. Japan concluded that parties should be able to use the mechanisms until proven to be out of compliance. As 1300hr approached, the chair directed the contact group for Articles 5, 7, & 8, was to continue to deliberate at 1900 hrs.

At 1300hrs, the Chair delayed further action on the agenda and adjourned the proceedings.

ANNEX A. SUMMATION OF THE LAND USE, LAND USE CHANGE, AND FORESTY (LULUCF) INTERVENTIONS TO THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ANALYSIS (SBSTA) 12 ON DAY 1, SESSION 1

JUNE 12, 2000

Country	Accounting	Process	Balance	Commitment	Definitions	Human Induced	Non-CO2	Permanence	SBSTA
Brazil (G77&China)	Against full carbon accounting	Resist going to fast	Resist license to emit	Agree to work on Aug 1 Submission					
Portugal (EU)	Credible accounting systems; verifiable & measurable	Info of report is difficult, need more time	Balanced treatment of increases and decreases in carbon stocks	Agree to work on Aug 1 Submission		Human Induced Only		Permanence is very important	
Switzerland	Data formats are important	Need guidelines for Aug 1 submission	Needs to include consensus for biodiversity		3.3 is higher priority then 3.4				
Australia	Sinks are not a loop hole!		Sinks compliment emission reductions	Go Forward- IPCC SR Good start		Human Induced only			
Japan	3.3 & 3.4 need simple comparable data	Need guidelines to build Aug 1 submission			F&ARD Definitions are needed				
New Zealand		Agreed to guidelines							SBSTA Omitted Agenda for 2000/3
African Group	Link 3.3 & 3.4 & link w/CDM	Need Capacity Building to understand report; need more time	Part of G77 Resist License to emit	Need more time	Link to desertification				Translate LULUCF Doc into all languages
Canada	Link 3.3. & 3.4	Poland conf & guidelines for 1 Aug submission		IPCC SR good	How and when sink are to be included				Must meet in Poland
China (G-77 & China)	Sinks uncertainty means high risk; complicated accounting		Part of G77 Resist License to emit	IPCC SR Good	ARD Definitions are needed				Full participation of developing countries

ANNEX A. SUMMATION OF THE LAND USE, LAND USE CHANGE, AND FORESTY (LULUCF) INTERVENTIONS TO THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ANALYSIS (SBSTA) 12 ON DAY 1, SESSION 1

JUNE 12, 2000

Country	Accounting	Process	Balance	Commitment	Definitions	Human Induced	Non-CO2	Permanence	SBSTA
USA	Data formats are important	Need guidelines to build Aug 1 submission	Art 3.3 doesn't count vast amount of Annex 1 Forest; Can use 3.4 to capture sinks	IPCC SR Good; solid foundation				Stabilize GHG at safe levels	Outline for Aug 1 Submission needed
Peru		Need more time	Supports EU, & G77+China	TKs IPCC					Put report into UN Languages
Central Africa Republic	Indorses Brazil (G77&China)	Need more time, SR not a bible		Tks IPCC & FAO				Protect biodiversity	Welcomes African NGOs to SBSTA
Columbia			Sinks must be in CDM; Parity treatment between sinks & CDM	Endorse IPCC SR				GHG and sustainable development	
Samoa (Small Island States)	Sinks uncertainty means high risk; complicated accounting		Does not support CDM; emissions reductions not sinks	Committed to process	3.4 narrow definition			Avoid perverse incentives	Annex 1 must show credible emissions reductions
Uganda	Supports G77& China, Small Island States & Africa Group	Need more time to get full understanding of report	Sinks consistent with convention		Emphasize importance of land				Requested special workshop for Africa
Russian Federation	Take advantage of flexibility	Move forward needs guidelines updated	3.3 & 3.4 not currently covered in inventory	IPCC helps ratify protocol	ARD Definitions are needed				Need inventory guidelines updated
Ghana	Complex Document	Need guidelines for Aug 1 submission			ARD Definitions are needed				

JUN-14-2000 09:31 OES/EGC 202 647 0191 P.11/13

ANNEX A. SUMMATION OF THE LAND USE, LAND USE CHANGE, AND FORESTY (LULUCF) INTERVENTIONS TO THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ANALYSIS (SBSTA) 12 ON DAY 1, SESSION 1
JUNE 12, 2000

Country	Accounting	Process	Balance	Commitment	Definitions	Human Induced	Non-CO2	Permanence	SBSTA
Senegal		Need more time to get full understanding of report	Balance w sustainable development	Resist license to emit	Support FAO definitions				Emphasize the land use in preventing poverty
Nigeria	Supports G77& China, Small Island States & Africa Group	Need more time to get full understanding of report						Emphasize Capacity Building	Requested special workshop for Africa
Sudan	Supports G77& China, Small Island States & Africa Group/ but need data guidelines	Methodologies for carbon stock acct need to be updated							Food security and national concerns should be included

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Joint SUBSTA/SUBIM Meeting
12 June 2000
Jack Schick

Nigeria launched a vigorous assault on unified Annex I opposition to the Co-chairs' so-called consolidated text on 4.8/4.9/3.14 that quickly took over the opening formal meeting of this session. Mohammed Barkindo, as G 77 Chair, laid out the Group's criteria for success at COP 6 that it is more important "to get it right than to get it done." Getting it right for him means bluntly that the G 77's "interests must be satisfied." "We will not step aside for the Mechanisms, compliance, and sinks without concrete actions on 4.8/4.9/3.14" and said "it is important for everybody to understand that at the outset." He rejected enhanced roles for developing countries beyond the 1995 Berlin Mandate that excluded them from emissions commitments. Instead, the G 77 is looking for financing of technology transfers. At COP 6, he said, the G 77 will insist on a commitment to "specific funding amounts" on a long term basis. Moreover, all decisions must be in balance and integrated together (a decision on 4.8/4.9/3.14 must achieve the same status as the decision on Mechanisms, compliance, and sinks.).

Saudi Arabia endorsed Nigeria's statement. The Saudis were joined by nearly the entire Arab world that lined up to speak in support of Nigeria's effort. Many African countries joined the chorus of endorsements mainly by reciting the ravages of climate change that were already affecting them and for which they needed assistance, AOSIS joined the list of supporters. China and India made relatively pro-forma supporting statements but did not go beyond that—in India's case, a one sentence nod. Interestingly enough, Colombia, Peru, and Venezuela were the only Latin American countries to support Nigeria. Brazil, Malaysia, Thailand, and South Africa remained silent.

The Co-chairs of the 4.8 Contact Group tried to reassure Annex I countries that their text of last weekend was without prejudice to developed countries' views and acknowledged that Annex I did not favor separate decisions on 4.8/4.9 of the FCCC and on 3.14 of the Kyoto Protocol (double jeopardy for Annex I). Moreover, they indicated they would have another paper--a negotiating text—by the end of the week.

Australia led the counter-attack, insisting that only one decision be taken at this session, combining the consideration of 4.8/4.9 together with 3.14. The current text was not an appropriate basis for discussion for Australia that urged going back to the compilation document where Australia's views were initially stated. Portugual immediately joined Australia with a similar statement, noting in particular that COP 4 and COP 5 decisions kept the two provisions together. The US would not agree to modify the Buenos Aires Plan of Action that associated the two, arguing that the way forward was a further discussion of the issues and conceptual draft elements of a decision to be pursued after this session. Switzerland and Japan also joined the Umbrella Group-EU effort to turn back the Nigerian bid. Japan recited the technical support programs it has already extended to developing countries to deal with climate change in an effort to reassure the G 77 that it sympathized especially with the plight of the least developed countries, it clearly joined the US and EU. Canada linked itself to the US and EU while also saying that it has new ODA funding available. New

Zealand chimed in but with a mild-mannered statement (it has been the least enthusiastic of the Umbrella Group to take on the Saudis over the 4.8 issue).

Compliance got off with the Co-chair's status report and an announcement that his newest draft elements text would be available at 6 PM tonight—no extended discussion ensued as the Joint Meeting was running out of time. However, Chairman Chow of the Mechanisms Contact Group, while congratulated all round for his efforts, drew a complaint from India that Chow's 94-pager had left out some of the nature and scope material. India also wanted to know what Chow's terms of reference are for the Lyon session in September. Both the EU and Umbrella Group endorsed Chow's latest text (without going into further detail where there is unhappiness with many sections). Canada warned that the 94-pager was still too long and complex: "We need simple rules for our work to produce satisfactory results at COP 6." Australia, the US, and Rumania (for EITs), and Chile generally supported Chow's text. (Comment: Saudi Arabia spoke to the Chow text but did not shred it as some in the Umbrella Group had feared it would if the EU and Umbrella Group opposed the status of the 4.8 text)..

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16 June 2000

To: See Recipients' List

From: USDEL/Bonn – Mark G. Hambley

Subject: Final Update, No. 16 from SB12 (Thursday/.Friday, June 15-16)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Thursday, June 15, to mid-day on Friday, June 16, 2000.

Also included is the June 16 edition of the NGO-produced **Earth Negotiations Bulletin** that provides information on Thursday's proceedings, along with some additional reports prepared by USDEL personnel.

Although unclassified, this report is not intended to for use or circulation outside the U.S. Government.

This is the last Update from Bonn in this series.

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of the UN Framework Convention on Climate Change (SB12)
June 5-16, 2000
Bonn, Germany

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WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

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16 June 2000

SB12 Final Update, No. 16: Relative Last Day Calm Belies Turbulent Week and Difficult Future, but All Issues Move Forward

Atmospherics and General Comment

The halls of the Hotel Maritim, the venue for this conference (as it has been for several other intersessionals and for COP-5) were relatively calm on June 16, the last day of the more than two weeks of meetings. There was little of the antagonism that dominated proceedings intermittantly over the past week – largely because a balanced decision on Article 4.8/4.9 (balanced because it is equally harsh to both sides) was completed on Thursday evening.

Compromises were also reached on ways to go forward on the other key elements of the so-called COP-6 package, including capacity building, technology transfer, land use and land use change and forestry, policies and measures, compliance, and Articles 5,7,&8. On the calendar. we were even able to shift the dates away from Thanksgiving for the year 2004.

An enormous amount of work remains. However, despite the difficulties posed by the still massive mechanisms document, capable teams on all sides will work diligently to whittle the revised text down to manageable proportions by COP-6 decision time. Negotiating the decisions on the developing countries core set of issues (including tech transfer and capacity building) will undoubtedly be difficult but is certainly doable. And if the Saudis mean what they say that they only want a process to address their Articles 4.8/4.9 compensation and adaptation issues and do not use perceived grievances to block other issues, we might be able to accommodate them, too.

Compliance has proceeded in the most organized manner of any of the discussions. It now has a text which, despite some difficulties, can be worked on in a way that will not disadvantage us. Similarly, we have thus far deftly avoided traps laid for us by our EU partners on the policies and measures discussion. Moreover, we have done quite well with the outcomes on the guidance, information and review provisions of Articles 5/7/&8.

We even moved the sinks related issues along as well as could have been expected at this meeting. Our formatting ideas for the August 1 submissions were broadly accepted. And while we still must prove our point, our options with regard to Article 3.4's additional categories remain in tact..

When one looks at the enormity of the tasks ahead, it is easy to conclude that we will never get it done by COP-6. This view has been echoed in these updates throughout this week. Indeed, we are not as well advanced as we were at a similar juncture prior to COP-3. Moreover, we do not have the strong, benign dictator in the

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person of Raul Estrada keeping delegations focused. However, we do have one advantage over the June/July 1997 time-frame: we have our overall "target" in mind and do not have to wait until late October for that key decision.

The mechanisms text is daunting, but it is not an insurmountable task. And while sinks issues (and especially Article 3.4) appear daunting, our sinks team leader believes we have a good chance of arriving at conclusions that are acceptable to us if we keep our heads high and our powder dry. Washington's support in arriving at some important end game determinations will be vital in this regard

But our greatest advantage is in the quality of the men and women on this delegation and those backstopping them in Washington. Their dedication, energy, hard work and sheer dedication to pursuing this issue in a way that is in the best interests of the United States are unsurpassed. This is the real reason why one can take a measure of confidence that COP-6 will be successful, barring unforeseen circumstances. I am pleased and proud to be associated with USDEL, and all of the recipients of these reports can take a measure of satisfaction in their contribution to a job very well done indeed. **End Atmospherics and General Comment.**

Status of the Negotiations

Except for the final approval of the recommendations, all pertinent issues have been resolved. Rather than summarize them here, it would be better to examine the details in the documents themselves that will appear in the final reports on this session published by the climate change secretariat.

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JUSCANZ
15 June 2000
Jack Schick

Israel has requested observer status in JUSCANZ following the decision of the UN in New York to admit Israel into WEOG (Western Europe and Others Group). The US argued for Israel to be admitted, noting that Korea and Mexico, like Israel, are Non-Annex I parties in JUSCANZ. Russia is not part of the OECD but is a member of the Umbrella Group—our times are changing. In the debate that ensued, no country opposed Israel's admission outright, but several had reservations.

- Norway observed that the present membership comprises only OECD countries, but he had heard that Israel was considering a voluntary emissions target to be announced at COP 6. . Japan counseled against bringing in too diverse points of view around the table. Iceland was not clear whether the decision in New York was intended to apply to other bodies. Australia insisted it could not decide on the spot but needed to consult in Canberra.

- Switzerland straddled the fence in saying that JUSCANZ had begun as an OECD caucus but had also originally been open to new members. Similarly, Canada reminded that this group is a "changing animal," beginning as Australia, Canada, and the US, and then later adding others.

The US asked the group to make a decision one way or the other at the first JUSCANZ meeting in Lyon so that Israel not be left wondering.

More on DeBoer

Switzerland reported that Pronk's emissary, Ivo DeBoer, is still soliciting reactions to his proposed agenda for the Warsaw Ministerial and asked for any further reactions (why Switzerland caste itself in this role is unclear). Korea complained about the lack of an invitation to the New York Ministerial in April but wondered how valuable such meetings are if they do not reach any agreed conclusions. The US noted that DeBoer's list looked like a European agenda with supplementarity placed front and center and suggested that we need not air out differences on that issue in the presence of ministers and subalterns from the G 77.

Canada asserted that ministers could help prioritize the issues for COP 6. For taking stock of where we are, they may not take much comfort from the negotiations this week in Bonn. Australia agreed that deals are not ready to be done because the technical work is unfinished. New Zealand called for ministers to provide a shared sense of commitment and direction; he characterized DeBoer's as an agenda of "manufactured priorities."

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Joint Working Group on Compliance
6-15-2000 (Russ LaMotte)

The Compliance Group met briefly today to receive the revised text and to adopt the report of the meeting. The revised text now reflects comments received from the floor on Tuesday and Wednesday, and serves as a heavily bracketed compilation of many different options (including the US approach). The co-chairs did not allow any more comments on the revised text, but will prepare another version after the upcoming informal intersessional meeting in Iceland. The resulting text will be the base document for negotiations at SB 13 in September. The report of the meeting includes a conclusion that provides a solid mandate for that approach.

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NOTES FROM THE FRIENDS OF THE CHAIR MEETING ON TECHNOLOGY TRANSFER JUNE 15, 2000 (10:30 to 13:00) AND SBSTA PLENARY SESSION (16:00 TO 18:00)

PURPOSE OF MEETING

1. Final review of Chair's draft conclusion on agenda item 9(a)
2. Continue reviewing the table submitted by the Chair regarding proposed themes and activities submitted by Parties for the framework. Progress had been made regarding the overall themes but more work was needed to fill in the "what" and "how" columns.

GENERAL CONCLUSIONS

1. The FOC group approved the draft conclusions on 9(a) after spending a significant amount of time on paragraph no. 2 regarding expressing appreciation for the countries that sponsored the consultative workshops. At issue was the fact that they were linked to the CTI workshops, which China felt to be unacceptable, given the fact that during the CTI workshops, CDM was mentioned as a possible vehicle for technology transfer (TT). This was resolved by keeping reference to CTI in the conclusion but striking a phrase on "collaborative process" and changing "valuable" to "useful."

2. With respect to the table, the group began with the section on "Capacity Building," since other themes (technology needs assessments, technology information, and enabling environments) had been covered yesterday. The U.S. made the point that capacity building is a general topic and is being discussed elsewhere, so we should keep this in mind as we discuss it in the context of technology transfer. There was no major disagreement on this and the group moved on.

3. The remainder of the meeting was spent discussing a list of categories to be included under the title of "general overall approach" that would presumably provide some sort of an introduction in any future negotiating text, and the last theme in the table entitled "mechanisms."

4. With respect to the general approach list, several Parties made suggestions for additional items to be included, such as:

   - Equitable transfer of technologies (Ghana)
   - Fast track implementation (Guyana)
   - Win-win approach and key role of governments (Korea)

5. With respect to the mechanisms theme, the US introduced the notion that the items listed in the "what" column such as donor co-ordination, technical assistance, demonstration projects, etc. should be moved to the "how column." Many countries agreed with this assessment, as did the Chair.

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6. The majority of the time was spent going back and forth on the issue of the appropriateness of listing CDM as a potential mechanism for technology transfer. This was quite contentious with the G77 and China arguing that technology transfer under Article 4.5 of the Convention should be kept completely separate from mechanisms included as part of the Kyoto Protocol. The US, Australia, Canada, the EU and Japan stated that the CDM, along with JI, should be considered as some of many *potential* mechanisms that could be included in the table. Some specific comments included the following:

IN SUPPORT OF INCLUDING CDM UNDER MECHANISMS COLUMN

- CDM is not a theme in and of itself but we should acknowledge it as a potential vehicle for TT and include it for now at least. (Australia)
- Keep CDM on the list (Japan)
- Don't want to throw CDM out if it can assist in the TT process (Slovenia, Portugal)
- Article 4.5 is not strictly about LDCs so we should also include JI (US)
- TT has already occurred under AIJ so we are not starting from scratch (France)

AGAINST THE INCLUSION OF CDM IN THE MECHANISMS COLUM

- Must separate CDM from TT because we are talking here about Article 4.5 of the UNFCCC. (Thailand)
- It is premature to put CDM in the context of TT here as a matter of principle. There was no decision at COP4 to link the two. (China)
- Kyoto isn't in force so we should not insist on listing CDM (Guyana)
- There is potential for many different kinds of mechanisms for TT and we are stalling the process by remaining stuck on the CDM issue (South Africa)
- Kyoto is not yet in existence so why should we even be discussing using mechanisms under Kyoto such as CDM for TT? (Nigeria)
- The main fear is that Annex II Parties will only use CDM in connection with Article 4.5, thereby ignoring all other potential mechanisms. (Guyana)

The Netherlands introduced the idea of putting reference to CDM in brackets to make it clear that this is an issue that is still up in the air since it is clear that there will be no resolution on the issue at SB12. Therein followed a lengthy discussion on the issue of brackets vs. a footnote, which was proposed by the Chair and will likely be included in the revised table.

NEXT STEPS

1. The Chair will provide a revised table during the afternoon Plenary Session.
2. Parties have until June 30 to get additional submissions on this issue to the secretariat.
3. Parties will continue to discuss the issues included in the table at an FOC meeting in August (which may be linked to a meeting on Article 4.8, 4.9 – TBD).
4. The Chair will build on the August FOC meeting and texts which have been submitted by Parties, as well as the IPCC Special Report on TT, to fill out the rest of the table ("how" column), and to come up with a draft text (in English only) to be discussed and negotiated at SB13 in Lyon in preparation for COP6.

SBSTA PLENARY

1. The conclusions on TT for both agenda items 9(a) and 9(b) were adopted without any interventions or comments by Parties.
2. Co-chairs from Canada and Nigeria were identified for the TT Contact Group, to be established at SB13.

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HIGHLIGHTS FROM FCCC SB-12 THURSDAY, 15 JUNE 2000

The Subsidiary Body for Scientific and Technological Advice (SBSTA) met in the afternoon to adopt draft conclusions relating to: guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); good practice guidance and uncertainty management in national greenhouse gas inventories; development and transfer of technologies; and land use, land-use change and forestry (LULUCF). The Joint Working Group on Compliance (JWG) adopted the report on its work during SB-12. Contact groups met throughout the day to conclude discussions on text relating to: mechanisms; Protocol Articles 5,7 and 8; LULUCF; and adverse effects. Informal consultations were held on capacity building and policies and measures.

JOINT WORKING GROUP ON COMPLIANCE

Delegates considered and adopted, with minor amendments, the Report of the JWG on its work during SB-12. Annexed to the report is a text on compliance that, along with inputs from Parties, will serve as the basis for negotiation at SB-13.

CONTACT GROUPS AND INFORMAL CONSULTATIONS

MECHANISMS: Delegates continued considering the Chair's draft consolidated text on mechanisms, indicating areas where their submissions had not been reflected, and adding text where necessary. On the CDM, delegates differed on the need for, *inter alia*: all three mechanisms to contribute to the adaptation fund; investment and technology additionality; monitoring of economic, social and cultural impacts of projects; and an option that reflects the various proposed CDMs, including unilateral, bilateral and multilateral. They discussed: the role of the COP/MOP and the Executive Board; the content and extensiveness of the CDM Reference Manual; common baselines for the CDM; equitable distribution of CDM projects; and requirements and costs of the CDM.

On emissions trading, delegates differed on the need for, *inter alia*: the usage of the Protocol-consistent term "Part of an Assigned Amount" instead of "Assigned Amount Units"; legal entities to participate in the CDM; a share of proceeds from emissions trading to fund adaptation; and limits on transfers. The group accepted draft conclusions for SBSTA/SBI agreeing to forward the "consolidated text on principles, modalities, rules and guidelines" to SB-13 as a basis for further negotiation.

ARTICLES 5, 7 & 8: The group continued consideration of the six parts of the Co-Chairs' Proposed Elements of Draft Guidelines under Article 8 of the Kyoto Protocol, starting with the General Approach to Review. The US stated that there could be overlap between annual reviews, since the process might take more than a year. NEW ZEALAND said the text should specify to whom the final compilation and accounting would be reported/transmitted. The EU suggested an additional option that the pre-commitment reviews could be initiated when a Party makes a voluntary submission within a mandatory deadline. AUSTRALIA said the review of national registries could occur more frequently than on an annual basis. SWITZERLAND said the guidelines should establish criteria for the selection of experts not nominated by governments.

On Review of National Inventory Submissions, delegates discussed the categories of first-order problems to be identified during the initial check or during the individual inventory review stage. The US and AUSTRALIA suggested that methodological problems be identified during the inventory review stage. The EU stressed that these problems, such as "unexplained apparent data inconsistencies," could be identified during the initial check. The US said the lateness of a submission should be defined and distinguished from the failure to submit. The EU said the trial period would help in achieving a better understanding of potential inventory problems.

On procedures for adjustments, JAPAN suggested adding the option whereby the Party itself could voluntarily apply an adjustment. AUSTRALIA said this could accelerate the review process. The US said the incentive should rather be for Parties to follow the IPCC methodologies as elaborated by good practice. NORWAY said the Expert Review Team (ERT) would only propose an adjustment, while the compliance body would adopt it. The US said the compliance body had a role if the Party concerned refused a recommended adjustment.

On the Review of Information on Assigned Amounts, NEW ZEALAND sought a reference to Article 4 (joint fulfillment) to ensure transparency on the distribution of assigned amounts between members of the agreement. AUSTRALIA called for the addition of a new Part VI "Review of Activities under Article 6."

ADVERSE EFFECTS: Co-Chair Salamat asked delegates to consider the process leading to COP-6, and noted that an informal consultation may be held on this issue during the intersessional period prior to the informal meetings preceding SB-13. The G-77/CHINA supported the development of text for discussion at the informal meetings prior to SB-13 and noted that, under the Buenos Aires Plan of Action, COP-6 needs to develop initial actions rather than simply a process. SAUDI ARABIA supported the need for further workshops focusing on concrete actions. The US stressed that the objective of this process was to promote the prospects of ratifying the Protocol. He said progress was needed at SB-13 on negotiating draft decisions.

Co-Chair Salamat said discussions during the past two weeks had been very productive. He distributed text for relevant SB-12 draft conclusions that, *inter alia*, note that the Chairs of the subsid-

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iary bodies, with the assistance of the Secretariat, will develop a text based on the current consolidated text, on other inputs from Parties, and on comments made during the discussions at SB-12. The conclusions also note that the Chairs' text will serve as the ...r negotiation at SB-13. The group adopted these conclu-

LULUCF: Co-Chair Thorgeirsson noted that the draft conclusions had been completed after additional consultations in the morning. On criteria and guiding principles, Parties had agreed to request indication of how the additional activities proposed by Parties in their 1 August submissions would relate to the objectives and principles of the FCCC and Kyoto Protocol. They had also reached agreement on the elements for a synthesis of textual proposals from their 1 August submissions, which they requested the Secretariat to prepare. The Co-Chair noted an additional conclusion highlighting the fact that documents for the next session would be available only at a late date, and urged Parties to accelerate their consideration of the issue. SAUDI ARABIA highlighted the tight schedule for an intersessional consultation, while ITALY offered to host this meeting in Rome. The Secretariat and POLAND provided details on the workshop to be held in July in Poznan, Poland, and the Secretariat outlined the process for the 1 August submissions.

POLICIES AND MEASURES: In an informal meeting chaired by José Romero (Switzerland), delegates considered revised draft conclusions on policies and measures (P&Ms). During the deliberations, the EU and JUSCANZ members reiterated their respective positions on the timing and nature of further activities on P&Ms. Participants agreed to replace text recommending that the work on P&Ms continue, in particular through a workshop in 2001, with the recommendation that the issue be considered further at SBSTA-13. The text proposed by the EU and G-77/CHINA on Terms of Reference for a workshop on P&Ms was not adopted.

CAPACITY BUILDING: Delegates discussed capacity ...ing both in countries with economies in transition (EITs) and ...developing countries. On capacity building in EITs, delegates considered submissions from the Russian Federation and Poland. The Polish submission focused on elements relating to implementation of capacity building. It includes calls for, *inter alia*: developing action plans to reflect national needs and priorities; inviting the GEF, through a COP decision, to consider the needs of EITs in the Capacity Development Initiative (CDI); and organizing a workshop for the purpose of identifying and coordinating regional and subregional programmes. The Russian Federation submission covered the principles, objectives, strategy and implementation elements for a draft framework. The RUSSIAN FEDERATION noted that there was agreement among the EITs on the principles and scope of the framework, but stated that consultations to complete an EIT group submission were ongoing.

Delegates also considered the revised Chair's text on capacity building in non-Annex I countries. Several participants reiterated the need for capacity building to be country-driven, iterative and long-term, to build on indigenous capacities, and to operate through local institutions. The US and the EU proposed listing a menu of activities, noting that different countries have different concerns.

The G-77/CHINA proposed additional amendments to the Chair's text that stress the need for: capacity building to contribute to sustainable development; partnership with, and assistance from, developed countries; and proper guidance from intergovernmental organizations, such as the GEF, UNDP, and World Bank, to ensure that access to resources is transparent, with clear and less cumbersome procedures. Supported by CHINA, he urged moving forward toward concrete actions by COP-6. UGANDA sought clarification ...what is meant by "centers of excellence," noting that this could be interpreted differently. The US stressed that capacity building should be results-based and designed to produce clearly identified results. The EU suggested inviting the GEF and UNDP to report on the CDI at SB-13 and requesting other organizations to report on their capacity building activities. Chair Ashe welcomed further submissions by 30 June, after which the Secretariat would prepare a draft framework on capacity building.

SBSTA

Delegates adopted, without discussion, draft conclusions on: Guidelines under Articles 5, 7 and 8 of the Kyoto Protocol, which included an Annex on Guidelines for National Systems for the Estimation of Anthropogenic Greenhouse Gas Emissions by Sources and Removal by Sinks under Article 5.1 of the Kyoto Protocol (FCCC/SBSTA/2000/L.2); Development and Transfer of Technologies - Status of the Consultative Process (Decision 4/CP.4); and Development and Transfer of Technologies - Other Matters (FCCC/SBSTA/2000/L.4).

After some deliberation, the Draft Conclusions on Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories (FCCC/SBSTA/2000/L.3) were adopted, with two amendments: Annex I Parties with EITs may phase-in good practice guidance "two years," rather than one year, later than other Annex I Parties; and reference to "all Parties" being assisted by good practice guidance in preparing higher-quality greenhouse gas inventories was deleted.

On the Draft Conclusions on Land Use, Land-Use Change and Forestry, SAUDI ARABIA, opposed by a number of Parties, including TUVALU speaking for the G-77/CHINA, proposed deleting text on convening an intersessional consultation on LULUCF after SBSTA-13. The text was retained and the conclusions were adopted with an Annex providing formats for the submission of country-specific data on proposals by Annex I Parties for activities related to Protocol Article 3.3 (afforestation, reforestation and deforestation) and Article 3.4 (additional activities). ITALY offered to host the intersessional consultation, suggesting it take place in October.

IN THE CORRIDORS

Some participants have said they will be watching with interest the upcoming meeting of the EU Council of Ministers for clearer indications of the Union's negotiating positions on some of the key issues raised at SB-12. Several observers have expressed frustration at the EU's performance during the SB-12 discussions, noting an apparent setback on policies and measures and a lack of coherence, which contrasts with that of the Umbrella Group. Others have suggested that any perceived loss of ground at this stage in the negotiating process is overstated, and that a verdict on the Union's performance is premature prior to the Ministerial meeting, which will take important decisions such as those on sinks and nuclear power.

THINGS TO LOOK FOR TODAY

SBSTA/SBI JOINT SESSION: The joint SBI/SBSTA session will begin at 10:00 am in Plenary I and is expected to consider and adopt draft conclusions on adverse effects, the mechanisms, and compliance, and a decision expressing solidarity with southern African countries, particularly Mozambique.

SBI: SBI will meet at 3:00 pm in Plenary II to consider and adopt outstanding agenda items, including those on arrangements for intergovernmental meetings, and administrative and financial matters.

SBSTA: SBSTA will meet at 3:00 pm in Plenary I to consider and adopt outstanding agenda items, including those on policies and measures, and cooperation with relevant international organizations.

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13 September 2000

To: Please See Attached List

From: USDEL/Lyon, Mark G. Hambley

Subject: SB13, Update No. 13 for Wednesday, 13 September 2000

Attached is an edited unofficial and informal report on events at the 13th Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB13) that are meeting in Lyon between September 4-15, 2000. A copy of the **Earth Negotiations Bulletin** covering activities on September 12 is included with this report.

Although unclassified, this report is intended for the information of the addressees only.

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Update No. 13 (9/13/00)

Wednesday, 13 September 2000

SB13, Update No. 13: Parties Continue to Jockey for Position as the Mountain of Work Looms Large

Atmospherics

The enormity of the task facing delegations at COP6 is finally starting to hit home. The mechanisms' discussion read through only about two pages at the September 12 session. Thus far, not one paragraph in the over 140 page document has been approved. Chairman Chow Kok Kee clearly has his work cut out for him in terms of coming up with a new text that can be more easilydigested and negotiated.

Other processes are more manageable, but some are now nearing an end as far as further progress at this meeting is concerned. Compliance is now being somewhat stymied by Saudi insertions of its language on adverse impacts of response measures into the enforcement section, and by additional bracketing. Land Use and Land Use Change and Forestry is dealing with a new chapeau proposal by Brazil (on behalf of the G-77) which outlines some basic (and unacceptable) principles. Useful discussion in technolgy transfer has largely been stopped by the G-77 spokesperson from the Philippines, while useful discussions on Articles 5/7/8 are also nearing completion, after earlier progress on a myriad of important technical details with regard to eligibility and reporting. The policies and measures discussion is still in its infant stages, while discussion on adaptation/compensation will probably not enter its "hottest" phase until Article 3.14 is discussed on September 14.

One bright spot may be in the area of capacity building. This is the one topic that the Executive Secretary has pushed as offering hope for a positive signal from the Lyon meetings. We are trying to meet with the G-77 to try to hammer out a compromise view. We should know by tomorrow the chance that we might be successful. The decision, if taken, would be *ad referendum*. Nothing will be officially agreed until other elements of the Kyoto Package are also satisfactorily resolved.

JUSCANZ Meetings

Complete reports on the September 12 and 13 meetings are attached for reference.

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Specific Issues

Following are some details on the status of specific issues. We are including with this report copies of the latest edition of the **Earth Negotiations Bulletin** that provides some of the details for the meetings on September 11. Reports on additional meetings by USDEL members are included as the supplement in Update 12.

Mechanisms ((JI, International Emissions Trading, and the Clean Development Mechanism (CDM)): Progress continues to be laboriously slow. At the September 12 meeting , the group went through the first portion of the CDM text. This focused mostly on the functions of the executive board and of the COP/mOP. A text was introduced regarding eligibility which was broadly endorsed by the EU. We also received backing from the EU on our registry proposals. India indicated that it will be submitting a formal proposal on principles. This will be made with specific reference to the CDM, but we anticipate that it will be extended to the other mechanisms, as well. The EU and the umbrella have also agreed on a JI text (largely drawing on ideas developed by EPA's David Doniger). Meanwhile, Jennifer Macedonia has down excellent work in coordinating an emissions trading effort with the EU, the hardest issue being related to eligibility requirements. As has been suggested, the biggest plus from Lyon has been the exceptional off-line progress we have made on technical issues with our umbrella partners -- and, in many instances, with the EU -- in the mechanisms and on several other issues.

Compliance: A portion of the text dealing with structure and procedure was reviewed on September 12. The co-chairs (Norway and Samoa) indicated that they are only interested in substantive comments at the moment and will develop a new text following this session. The Saudis repeatedly disrupted the procedures with procedural points, questioning the ability of the co-chairs to produce a new text. The Saudis also bracketed a portion of the text in reaction to the bracketing of their proposed insertion on Protocol 3.14 on the impacts of response measures.

Land Use and Land Use Change and Forestry (LULUCF aka sinks): The considerable progress of the past ten days has been tested by the introduction, by Brazil, of several principles for inclusion in the document's chapeau. Some of these concepts are unacceptable; some more properly belong in the mechanisms' discussion; while others can be negotiated. Among the critical points in Brazil's proposal is a concept that would permit no credit for carbon fertization that Brazil says largely accounts for most of Annex I's sinks. Moreover, Brazil argues that carbon sequestration should be only for a limited period of time – delaying, rather than displacing carbon. This point is also unacceptable to the umbrella group. Reaction to the co-chairs' text is required by Wednesday night.

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Technology Transfer: There was little progress at the September 12 meeting. This was due to both a conflict in the timing of the meeting involving G-77 coordination. It was also due to continued posturing by the G-77/China spokesperson from the Philippines. Discussion will continue later on September 13. One difficulty may be that this meeting is scheduled at a time that coincides with both the meeting on capacity building and with a scheduled G-77/China coordination meeting.

Capacity Building: There was no formal meeting on September 12. As has been indicated, we are trying to work with the G-77 and the EU to see if we can come up with an acceptable conclusion by Friday, September 15. Stay tuned.

Policies and Measures (PAMs): The new contact group under Swiss and Tanzanian chairs met on September 12 to discuss the draft text. Progress has been slow, largely because of U.S. insistence that each paragraph of the proposed text be carefully vetted. Discussions continue on September 12.

Convention Articles 5/7/&8: A proposed draft decision on Article 7 has largely been concluded. Other facets of this complicated set of issues have probably been addressed as much as they can at this meeting. We will have an authoritative wrap up by our exceptional coordinator, Clare Breidenich, in a forthcoming update. One footnote, the Saudis found a new "ally" of sorts in their efforts to introduce their language on Articles 4.8/4.9 and Article 3.14 into aspects of the reporting, review and inventory requirements. Raoul Estrada, speaking in his new role as Argentinian head of delegation, indicated on September 12 that the U.S. should think about compensation. In commenting on the difficult discussions on inventories, Estrada reportedly accused the U.S. of having "...the highest emissions, growing emissions, and the most difficult country to deal with" in these negotiations.

Convention Articles 4.8, 4.9 and Protocol Article 3.14 (Adaptation and Compensation) or Impacts of Climate Change and Adverse Impacts of Response Measures: There were two meetings on this topic on September 12. The first was a small consultation involving Annex I, Samoa, Nigeria and Saudi Arabia that dealt with the way forward. No agreement was reached. The second was a formal session at which, in the words of our senior coordinator: "We came, we talked, we cared." The focus was on adaptation, and we anticipate completing this discussion at the September 13 session. On September 14 (Thursday), we should get into the most fractious and difficult topic on the response of Annex II Parties to the adverse impacts of response measures (Protocol issue 3.14).

Activities Implemented Jointly: No change from earlier reporting.

Greenhouse Gas Emissions from International Transportation (Bunkers): No decision was taken. As noted in the attached report prepared by DOD's Dave Peters, the matter has been referred back to ICAO and IMO for further consideration at SB14 in 2001.

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Impact of Single Projects: This issue is largely of concern to Iceland (for which it was drafted initially) but has been stuck primarily to objections from th eEU and Canada (although AOSIS has also raised objections). In the first completed draft decision, the group which met for consultations under Oleg Ploughman of Denmark on September 13 decided that the issue will be raised at the resumed session of SB13 (in November during the first week of the COP), with a view to arriving at a decision by the Conference itself.

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JUSCANZ—12 September 2000
Jack Schick

Harald Dovland informed JUSCANZ that the Bureau is debating whether to wait until after the October Ministerial consultations to publish the documents for The Hague negotiations or to take the Lyon output as is and forward it to The Hague. The G 77 is concerned to have a fully translated set available in the six UN languages as soon as possible. The Bureau could not reach consensus even on this issue, which, to Dovland, indicated that the atmosphere is not as good this week as it was last week. Michael Cutajar will consult further, reminding that it is a matter of resources and timing.

In speaking of the calendar, Dovland reported that the Bureau also discussed the sensitive issue of the need for geographic balance with the invitations to The Hague Ministerial in early October. Canada understood that three workshops were planned for October on sinks, compliance, mechanisms, and maybe 4.8/4.9. Canada made clear, however, that Ottawa could not host a 5, 7, and 8 workshop, suggesting Geneva as an alternative venue (since slated for Bonn). Dovland noted that Saudi Arabia had rejected the whole list because of the TBD status of the 4.8/4.9 workshop.

The US underscored the change of atmosphere this week to a darker, cloudier prospect. First, he noted Brazil's action last night in tabling 6 points for a very restrictive use of sinks among the principles to be included in the chapeau of the sinks decision. This will slow down the negotiating process in the sinks group, which has been moving at a rapid pace. Secondly, he regretted Chairman Ashe's role in a dispute last night over which text to use for the capacity building decision—the Chair's text (as is the case with all the other Contact Groups) or a last minute G 77 text. Ashe deferred to the G 77 with the comment that capacity building is for the developing countries anyway and went further to threaten retribution in the Mechanisms Contact Group unless the G 77 text were given priority in the Capacity Building Group. This was inappropriate conduct. Moreover, it is a bad precedent for one party's text (the G 77) to pose as the negotiating text for all parties.

The US further commented that it was disappointed with the G 77 Chair's (Nigeria) statement in plenary yesterday, a radical position that seemed to move the bar up for aid and technology transfers to developing countries to implement the Convention. Maybe, it was tactics for maximum leverage if developed countries have inadvertently given the impression that we are desperate for a deal. Or perhaps, it suggests that the G 77 is giving higher priority to the Convention rather than to the Protocol even though, in our view, developing countries would benefit more from the Protocol. Moreover, Canada was distressed by the Saudi Co-chair's (of the 4.8/4.9 Group) remarks yesterday in plenary in referring to developing countries as the "majority view" and to developed countries as the "minority" on 4.8/4.9 issues.

Although agreeing that Brazil's move will slow down the sinks negotiation, Canada did note that Brazil at least told us specifically what the G 77 wants in this case. We have no alternative to taking on his criteria point by point and to working them through. In this sense, Brazil has pointed the way forward. Similarly, he suggested that the EU's reservations on sinks were fortunately caveated with an "unless our concerns are addressed." Let's address them, he said.

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JUSCANZ—12 September 2000
Jack Schick

The Norwegian chair reported that COP President Szyszko's consultations on the COP rules of procedure were fruitless (the dispute over voting rules has become a hardy perennial). The word on elections for the new Bureau is confused because, according to Norway, the Saudis' effort to extend their term for one more year was an unexpected result of extending John Ashe and Harald Dovland for another year. Australia had a different view—that the outcome was scripted anyway.

Norway opined that the G 77 paper on capacity building for developing countries was not too bad—after the concern yesterday over Ashe substituting it for his own. The US said it had met with the Umbrella Group to reach a common understanding on the G 77 paper and also with the EU, but the EU seemed to be having difficulty with internal coordination.. The US is open to "substantively correct" progress even with the G 77 paper. In the US view, the Chairs' text on capacity building for the EIT countries is anodyne.

The US observed that progress in the Mechanisms Group was slow slogging and achieving a useable text was difficult. Norway agreed, adding that Protocol issues in general were lagging Convention issues being considered here.

Republic of Korea (ROK) asked for consultations with other JUSCANZ members on para. 34 of the Mechanisms draft, suggesting that rules for unilateral, host country CDM projects should be the same as for bilateral CDM projects. Mexico added that host country-generated projects are a very sensitive issue for Latin America.

In addition, ROK reported a rough session in the Technology Transfer Group yesterday. Evidently, the Philippines asserted that developed countries' broad-based, integrated approach is diluting Annex 2 donors' commitments. He thought there is room to close the gap with the G 77 and asked to consult with JUSCANZ on this issue as well.

Japan, at the close of the meeting, approached USDEL to express its concern that the Saudis may move today to disrupt the process simply because today, Wednesday, is about their last opportunity to do so (he had no evidence per se).

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Greenhouse Gas Emissions from International Transportation

Under "Other Matters", the Secretariat received reports from both the IMO and ICAO. The ICAO and IMO reports were presented in writing. A representative of the IMO read their report text to the SBSTA.

There were three interventions. They were from Switzerland, France (on behalf of the European Union (EU)), and the United States (US). Each intervention thanked the IMO and ICAO for their efforts. They also encouraged the IMO and ICAO to rapidly conclude their work, and announced that they looked forward to the IMO and ICAO reporting their results at SBSTA-14.

Additionally, Switzerland wanted the IMO and ICAO to take action to reduce emissions, and thanked both bodies for allowing the UNFCCC to attend their meetings in observer status.

France, speaking for the European Union (EU), stated that GHG emissions from international transportation are really important to the overall agreement. They urged IMO and ICAO to complete their work and implement actions to reduce emissions at least by 2001. They also urged Parties to ensure their delegations, to all international bodies dealing with climate change, coordinate closely.

The US intervention is at attached. The US supported the work of the IMO and ICAO and encouraged others to work with them to develop concrete plans of action. Like the EU, the US urged Parties to ensure their delegations to the FCCC, ICAO and IMO coordinate closely on climate change activities. The US stated that it looked forward to the discussions to be held as precursors to decision on concrete emission reductions.

The Secretariat closed discussion and referred this item back to IMO and ICAO. He directed them to complete their work so that the parties can consider their plan of action at SBSTA-14. The Secretariat stated that GHG emissions from international transport (Bunkers) would be an agenda item at SBSTA-14.

D. Peters, 12 Sep 2000, 1. ATCH. Statement of the US of A, SBSTA-13, Agenda Item 9(d), Other Matters

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#7

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HIGHLIGHTS FROM FCCC SB-13 TUESDAY, 12 SEPTEMBER 2000

The Subsidiary Body for Implementation (SBI) convened in the morning to consider the venue of COP-7, administrative and financial matters, Annex I and non-Annex I communications, and the financial mechanism. Informal meetings were held to discuss the GEF's activities and additional guidance to the GEF as the financial mechanism. Contact groups convened on: policies and measures; compliance; the mechanisms; technology transfer; adverse effects; land use, land-use change and forestry (LULUCF); and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information).

SBI

COP-7 VENUE: The SBI adopted a draft decision to be submitted to COP-6 accepting Morocco's offer to host COP-7.

ADMINISTRATIVE AND FINANCIAL MATTERS: On implementation of the headquarters agreement, SBI Chair Ashe recalled concerns relating to adequate office space and acquiring visas and work permits. GERMANY said progress had been made to resolve these issues, and a report will be presented at COP-6.

On the Secretariat's report on the audited financial report (1999) and interim financial performance (2000), FCCC Executive Secretary Cutajar reported that the FCCC and CCD Secretariats would establish a common administrative service, and a report would be made available at COP-6. The SBI agreed to defer consideration of possible options to respond to late payments of contributions to COP-6.

ANNEX I COMMUNICATIONS: Participants considered the report on national greenhouse gas inventory data from Annex I Parties for 1990-1998. ARGENTINA noted successful measures undertaken by the UK and Germany to reduce emissions and highlighted continuing emissions increases in the US. He said Annex I commitments must be met. The EU expressed satisfaction with the number of Annex I Parties using the new reporting format. He noted with concern the continuing emissions increases in some countries.

NON-ANNEX I COMMUNICATIONS: URUGUAY thanked the GEF for its assistance. On the role of the Consultative Group of Experts (CGE), KENYA and VANUATU drew attention to the financial shortfall facing the CGE. The PHILIPPINES said there had been a waste of resources in relation to the CGE, and called for a review of its terms of reference. CHINA urged Annex II countries to provide adequate financial support to CGE. The US said many Parties regarded the CGE as a useful group, and supported its activities.

CONTACT GROUPS AND INFORMAL MEETINGS

GEF: Parties engaged in an informal question-and-answer session with the GEF Chair/CEO, Mohamed El-Ashry. Responding to KENYA's comment on the difficulties in dealing with the implementing agencies, El-Ashry said the GEF was trying to improve the responsiveness of the implementing agencies. He assured delegates that the GEF would act according to the guidance received from the COP. On questions about whether the GEF might reconsider its current focus on mitigation projects in favor of other areas such as adaptation once the CDM is introduced, El-Ashry noted the limited guidance provided by the COP on adaptation activities, and added that the specifics of the CDM had yet to be decided. However, he assured Parties that the GEF would avoid duplication. El-Ashry said Parties should communicate their concerns so that any problems can be addressed.

FINANCIAL MECHANISM: Delegates met in informal consultations to consider a proposed draft decision submitted by the G-77/China containing additional guidance to the operating entity of the financial mechanism. The PHILIPPINES, speaking for the G-77/CHINA, outlined the proposal, aimed at integrating decisions that refer to the GEF's activities. SBI Chair Ashe said discussions would continue this week, with a view to elaborating final text at COP-6.

POLICIES AND MEASURES (P&Ms): Delegates considered text on elements for a draft decision on "best practices" in P&Ms. Text proposed by the US acknowledging completion of the BAPA requirements on P&Ms was accepted. On continuing information exchange, delegates discussed revised text proposed by the US on "considering ways" to facilitate cooperation on P&Ms under Article 2.1(b) (cooperation on P&Ms). The G-77/CHINA proposed bracketing reference to sub-paragraphs 1 and b. VENEZUELA, opposed by the US and CANADA, included reference to Protocol Article 2.3 (adverse effects of P&Ms). The G-77/CHINA, opposed by CANADA and JAPAN, urged limiting the scope of the decision to Annex I Parties. The EU, opposed by CANADA, JAPAN and AUSTRALIA, emphasized the establishment of a consultative process to ensure continuity of information exchange.

On the nature of future activities, CANADA, the US and JAPAN, opposed by the EU, proposed reference to "future work" rather than "consultative process." JAPAN and AUSTRALIA highlighted information exchange on cross-sectoral issues.

PROTOCOL ARTICLES 5, 7 & 8: Co-Chair Plume distributed revised draft conclusions, noting that they do not specify whether separate decisions will be taken at COP-6 on the guidelines under Articles 5,7 and 8. She highlighted the proposal that an informal consultation on the matters be held. On the draft decision text on Article 5.2 for COP-6 and that for COP/MOP-1, SAUDI ARABIA, supported by TUVALU, PERU, CHINA and BRAZIL, and opposed by the US and NEW ZEALAND, suggested deleting

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references to activities under Protocol Article 3.3 and 3.4 at this stage, as outstanding issues are being considered in the LULUCF group.

Delegates then discussed Part II of the guidelines under Article 8. SAUDI ARABIA highlighted the G-77/CHINA's inability to participate fully in discussions, and added that text should be open for comment later on. Delegates commented both on structural issues and on more specific issues, placing brackets on many paragraphs.

COMPLIANCE: The G-77/CHINA stressed the need for equitable geographic distribution in the compliance committee. She proposed text referencing common but differentiated responsibility and suggested differentiation between Annex I and non-Annex I Parties. The US, with CANADA, AUSTRALIA and NEW ZEALAND, suggested that where members from one branch participate in the work of the other, it be on a non-voting basis. SAUDI ARABIA, with VENEZUELA, CHINA and QATAR, said the enforcement branch's mandate should include determination of whether an Annex I Party is in non-compliance with FCCC Article 3.14 (adverse effects). With the RUSSIAN FEDERATION and VENEZUELA, but opposed by CANADA, AUSTRALIA and NEW ZEALAND, he supported text referencing Protocol Article 18 (non-compliance) in the establishment of the compliance committee. The EU, with JAPAN, CANADA, NEW ZEALAND, AUSTRALIA and the US, recommended that the options on the compliance committee's composition be kept open. With JAPAN and CANADA, she said the enforcement branch should be able to impose facilitative consequences. The RUSSIAN FEDERATION suggested text referencing FCCC Article 4.6 (flexibility for EITs).

MECHANISMS: Delegates continued discussing the consolidated text. On the draft decision on the CDM, JAPAN said any requirements on financial additionality should not result in diversion of ODA. The US emphasized that revisions to the modalities, procedures and guidelines be made by consensus. The G-77/CHINA highlighted the need to distinguish between additionality and baselines, and underlined reference to funding additionality. The EU, opposed by the G-77/CHINA, proposed that the COP invite the IPCC to prepare guidelines for baselines. On the COP/MOP rules, NORWAY and the US emphasized that institutional responsibilities be part of the COP-6 decision.

On the Executive Board (EB), NORWAY, CANADA, JAPAN and the US, opposed by the G-77/CHINA, highlighted a role for the EB in determining new baseline and monitoring methodologies. The G-77/CHINA expressed concern that the EB has been gaining at the cost of the COP/MOP. On accreditation, BRAZIL suggested replacing a reference to the accreditation body with the EB. SAUDI ARABIA highlighted the COP/MOP as the supreme authority.

On designated operational entities, the REPUBLIC OF KOREA, opposed by NORWAY, introduced a reference to conflict of interest. On participation, Parties disagreed on the need for text relating to: projects proposed, developed, financed and implemented by non-Annex I countries; conditions on non-Annex I participation such as the fulfillment of commitments under FCCC Article 12 (communication of information); and certain eligibility criteria for transfers and acquisitions under Protocol Article 3 (commitments).

TECHNOLOGY TRANSFER: The contact group met to consider the Co-Chairs' draft text on a framework for meaningful and effective actions to enhance the implementation of FCCC Article 4.5 (development and transfer of technology).

On Purposes, the G-77/CHINA proposed specifying that the text shall serve as a framework for implementation of FCCC Article 4.5 commitments, and stressed that the extent to which developing countries can implement their commitments under the FCCC depended on effective participation by developed countries. SWITZERLAND said it should enhance implementation of Article 4.5 by increasing the flow of environmentally-sound technologies.

On the Overall Approach, the G-77/CHINA proposed Agenda 21 language on technology transfer, while the US preferred language from FCCC Article 4.5. SWITZERLAND objected to a US proposal to delete the term "equitable" in describing the process of technology transfer, given the diversity of characteristics of developing countries and regions. On market-driven approaches, EL SALVADOR stressed the need to reflect the involvement of governments.

ADVERSE EFFECTS: Participants met to consider the revised draft text on FCCC Article 4.8 and 4.9 and Protocol Article 3.14. On text relating to the provision of information by least developed countries (LDCs) through sources other than national communications, the G-77/CHINA stressed that many developing countries had difficulties completing their national communications, and that other relevant information should also serve as the basis for determining their adaptation activities. The EU, supported by the US, CANADA and JAPAN, stressed the importance of the national communications process, and highlighted the recognition of the special needs and circumstances of LDCs in the FCCC. VANUATU, on behalf of the LDCs, cited marginalization in the process, and requested that their special needs be considered. BURKINA FASO underscored the importance of establishing and strengthening national and regional institutions for, *inter alia*, research on climate change and its adverse effects.

LULUCF: BRAZIL, for the G-77/CHINA, presented basic principles for Protocol Article 3.3 and 3.4 (additional activities). He said that, *inter alia*: activities should not change the Protocol's global climate change mitigation effect; forest conservation and rehabilitation of degraded lands should be recognized as adaptation activities and receive a share of the mechanisms' proceeds; a transfer of commitments to a future commitment period should not be allowed; carbon removed through LULUCF activities shall be considered temporary; and the simple presence of carbon stocks in national reservoirs shall not result in credits in line with Article 5.2.

In response to the presentation, NEW ZEALAND called for consistency with Protocol language, and said the issue of share of proceeds for adaptation should be addressed later, and elsewhere. The US noted that issues of permanence will be addressed in Annex I countries because of inventory requirements. BOLIVIA called for an operational link to the CDM.

Co-Chair Gwage said the principles outlined by the G-77/China would provide the basis for a preamble for a decision on Article 3.3 and 3.4. The US commented that several paragraphs of the text addressed Article 12 more directly than Article 3.3 and 3.4.

THINGS TO LOOK FOR TODAY

Informal meetings and contact groups are scheduled to take place throughout the day to continue the week's discussions on draft texts proposed by group Chairs.

ADVERSE EFFECTS: This group will meet at 10:00 am in Amphitheatre.

ARTICLES 5, 7 & 8: This meeting is taking place at 10:00 am in Salon Pasteur.

TECHNOLOGY TRANSFER: This group will convene at 3:00 pm in Salon Pasteur.

CAPACITY BUILDING: This meeting will convene at 3:00 pm in Amphitheatre.

LULUCF: This group will meet in Amphitheatre at 5:00 pm.

P&Ms: The group will convene at 5:00 pm in Rhone 2.

FINANCIAL MECHANISM: This informal meeting to discuss text proposed by the G-77/China is taking place at 7:00 pm in Rhone 1.

MECHANISMS: This group is to meet at 8:00 pm in Auditorium Lumiere.

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14 September 2000

To: Please See Attached List

From: USDEL/Lyon, Mark G. Hambley

Subject: SB13, Update No. 14 for Thursday, 14 September 2000

Attached is an edited unofficial and informal report on events at the 13th Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB13) that are meeting in Lyon between September 4-15, 2000. A copy of the **Earth Negotiations Bulletin** covering activities on September 13 is included with this report.

Although unclassified, this report is intended for the information of the addressees only.

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Update No. 14 (9/14/00)

Thursday, 14 September 2000

SB13, Update No. 14: Anxiety Increases over Fate of Mechanisms Text; G-77 Indicates its "Frustration" with Progress Thus Far despite Movement on Capacity Building

Atmospherics

Anxiety increased on September 13 with a serious confrontation during the late night mechanisms' working group between several key G-77/China representatives and Chairman Chow Kok Kee. This ended up effectively stopping the discussion which then continued on September 14 (Thursday).

At a Thursday meeting with the chairs of the Subsidiary Body on Implementation (John Ashe) and of the Subsidiary yBody Meeting on Scientific and Technological Advice (Harold Dovland), representatives of major groups outlined their impressions of developments during this session. At this meeting, the G-77/China spokesman (Nigeria) indicated that his group is "frustrated" by the progress thus far, noting that the mechanisms are advancing while key developing country issues are not. The U.S., EU, France, Australia, and Japan all conveyed a differing impression. In any case, quiet off-line work between the G-77 and Annex I representatives appears to moving capacity building towards a conclusion at this meeting.

Heads of Delegation Meet the Chairs

At a September 14 (Thursday) meeting with the chairs of the SBI and SBSTA, governments representing various groups were asked for their views on developments over the past 12 days. Nigeria, speaking for the G-77/China, said in an unusually short statement that his group is "frustrated" with the situation. He complained that, while there is progress on the mechanisms, there has been little or none on areas of key concern to his group.

The EU and Japan all spoke of concern about the mechanisms text (or lack thereof) but indicated there has been progress in other areas. The U.S. cited three levels of progress: (a) those issues where there has been substantial progress; (b) those where there has been satisfactory progress in that there are bracketed but negotiable texts (such as policies and measures, sinks, Articles 4.8/4/9/3.14; and compliance); and those where there has been disappointing progress (such as technology transfer and the mechanisms). The U.S. noted that in technology transfer, the situation had deteriorated over the past week and perhaps could be improved; in the case of the mechanisms, he said that there is real concern that there will not be a text emerging that is user-friendly or workable.

Samoa indicated that he saw a process of graduated progress and noted the importance of obtaining everyone's cooperation in bringing forward texts. He also applauded off-line work. This judicious statement provoked a sharp retort from Nigeria who indicated that it is the G-77/China position that the group is "frustrated" with progress, despite what the Samoan representative suggested. The Samoan responded that he is supportive of the G-77/China assessment, although he still applauded the good off-line work that was being helpful to the process.

JUSCANZ and WEOG Meetings

A perfunctory meeting was held by JUSCANZ on September 14. We have nothing substantive to report.

At a September 14 meeting of WEOG, Swedish chair tried to defend his handling of the Bureau question involving the extension of the chairs of SBI and SBSTA for an unprecented year in office. He also proposed a reordering of the rotation of WEOG chairs for the UNFCCC process, citing problems in getting accurate information from New York on this question. Please see the attached report.

New Twist from the G-77/China

We were informed by the SBI chair late on September 13 that the G-77 wishes to change the decision on the work program at COP6 adopted at the June meetings of the subsidiary bodies. The G-77 now wants to adopt the agenda on the opening day of the two week session (November 13). It had been decided in June that only the President of the Conference (Jan Pronk of the Netherlands) would be elected on the first day; the Parties will then resume the sessions of SB13 until the following Monday (November 20) when the COP6 will resume, beginning with the adoption of the agenda. The reason behind this proposal is apparently concern that the U.S. will introduce an issue of developing countries into the play. It is not clear how the G-77 will attempt to handle the question of Article 4.2(a) and (b) on the second review of adequacy of commitments which has been held over since COP-5 without resolution (and with an annotated request from the G-77 that this item be amended to focus only on present commitments, i.e., those for Annex I Parties).

This issue was raised but not discussed at the meeting with Ashe and Dovland on September 14. It would have to be approved by the SBI on Friday (September 15) if it is to take effect. There are indications that several Annex I Parties would need additional consultation before pressing ahead with this change.

Sandalow Visit Going Well

OES Assistant Secretary David Sandalow is visiting Lyon on September 13/14. He has held a round of consultations with the Secretariat and other government officials, as well as with business and environmental NGOs. He will also be holding a press conference later on September 14. Details of the various meetings will be provided via a separate channel.

Specific Issues

Following are some details on the status of specific issues. We are including with this report copies of the latest edition of the **Earth Negotiations Bulletin** that provides some of the details for the meetings on September 13.

Mechanisms ((JI, International Emissions Trading, and the Clean Development Mechanism (CDM)): Please see the attached, more detailed report. Chairman Chow's plans to complete the run through on the text for the CDM were aborted late Wednesday evening (September 14). When he said he had questions that he would like to pose on sinks and the share of proceeds, Brazil indicated that the G-77 has problems with discussion of the long-term impacts of sinks and requested that these references in the text be bracketed. China, India, the Philippines, Saudi Arabia, and Brazil all indicated that anything referring to sinks in Article 12 had to reflect the principles introduced in the LULUCF discussions. Chow, attempting to keep the discussion going, then attempted to cast these points in the form of questions, as well. However, he was once more rebuffed by Brazil. The umbrella spoke up in support of Chairman Chow to indicate that the discussion should continue. However, the atmosphere was sufficiently sour by this point, that further discussion was not possible.

On September 14, discussion is slated to resume on emissions trading and the registries. According to reports, Chow then intends to place key passages into bold lettering and send the long text (now more than the 142 pages it started out the session with) to the UN translators. The text in bold will be turned into the general negotiating text. This was the procedure followed at Kyoto with some success. However, the mechanisms are more complicated. It is not clear whether this approach will work or whether it will be acceptable to all Parties. We and others have endeavored to impress upon Chow the importance of having a workable document by COP6. The mechanisms workshop in New Delhi was intended to help preserve this, but many do not expect this meeting to be as effective as initially planned.

Compliance: A run through of the remainder of the text was completed on September 14. Much of the offensive material (promulgated by the Saudis and others) that had been removed by the co-chairs was placed back into the text. Discussion will continue, although this group is clearly preparing to wrap up the bracketed decision text it intends to forward for consideration at The Hagues.

Land Use and Land Use Change and Forestry (LULUCF aka sinks): The proposed chapeau language being promoted by Brazil was not discussed on September 13. Instead, some substantive points were addressed. There was remarkable convergence on the definition of forests. The group also discussed the accounting provisions and various areas proposed for inclusion in Article 3.4. More controversial areas are expected to be discussed on September 14.

Technology Transfer: Another sluggish session for two hours. The group never got into substantive discussion. A framework text is expected, with a strong G-77 component that may include Saudi demands for stated fundings (in billions of dollars) that are to be used for tech transfer in the future. It has been reported that the Philippine delegate is proposing that progress on the mechanisms be slowed in response to the lack of movement on technology transfer (*sic*).

Capacity Building: The brightest spot at the moment in the calendar of issues, we are working off-line with countries to work out acceptable decisions for both the section on developing countries and the one on economies in transition. Whether this coalition of good will can hold until the Friday closing session is an open question. However, it appears at least possible that this issue will be sufficiently addressed at this meeting to obviate the need for additional meetings by the contact group in The Hague. However, this will depend on continued cooperation by the Saudis and the Philippines, especially.

Policies and Measures (PAMs): Please see the attached, detailed report. Work has been finished on a heavily bracketed decision text. One sticking point is how the characterize the nature of information sharing. Also, we need clarifications on what the EU means by a process designed to show demonstrable progress.

Convention Articles 5/7/&8: No significant changes to report. Work on Article 8 for tis session has been largely completed. The co-chairs are now to reorganize the text. On September 14, additional discussion on the national communications aspects will be be conducted.

Convention Articles 4.8, 4.9 and Protocol Article 3.14 (Adaptation and Compensation) or Impacts of Climate Change and Adverse Impacts of Response Measures: There was a difficult meeting on September 14 dealing with adaptation. One difficult issue that is emerging is the inaccurate impression on the part of the G-77/China that all extreme weather events are caused by greenhouse gas emissions. On September 14, debate will resume, most likely on Protocol Article 3.14 with reference to reaction to response measures by Annex II Parties. Compensation should figure in this discussion.

The Global Environment Facility (the GEF): A contact group under John Ashe has been formed to deal with this issue which has arisen in several different areas. The EU mishandled the debate by stating that it had problems with the preamble of a G-77/text on this topic and then not having any comment to make when pressed for details.

Activities Implemented Jointly: No change from earlier reporting.

Greenhouse Gas Emissions from International Transportation (Bunkers):
No change from Update No. 13.

Impact of Single Projects: No change from Update No. 13

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WEOG—14 September 2000
Jack Schick

Ambassador Kjellen suggested that WEOG's position not to make a second recommendation for the Bureau elections continue pending clarification of the rules for extension of persons already serving such as John Ashe of Antigua/Barbuda and Al-Saban of Saudi Arabia. WEOG will take up the matter again at COP 6. No WEOG member objected.

Kjellen reported on his consultation with COP 6 President Szyszko, which was also attended by Burkina Faso (African Group), Poland, Russia, and Saudi Arabia (Asian Group) but not GRULAC (Latin America). Asian Group has not actually recommended Al-Saban because it does not meet until Friday. Africa Group did confirm its recommendation of Philip Waga of Nigeria. Kjellen made clear that WEOG will not have a second recommendation until COP 6 but extension of the current Co-chairs of the Subsidiary Bodies is reasonable. At that, Szyszko had to leave. So, the issue is still in his hands.

The UK lamented that, in effect, the Ashe candidacy signals that we have made rules to be broken.

Germany brought up an issue (origins unclear) that the duration of office for the new Bureau only last until the end of COP 6. According to him, COP 6 President Pronk would be prepared to step down. Ambassador Kjellen quickly stated that it is not in WEOG's interest to have Pronk step down. New Zealand joined in to say that this issue is inappropriate for this late stage before COP 6 and would overload the end of session for COP 6, which will have major substantive issues to resolve at that point.

Ambassador Kjellen floated a proposal for consideration by "foreign offices" that the WEOG chair be rotated on a 3-month basis rather than the current 1-month practice (attached). It is easy enough for the New York WEOG to switch every month, but he argued for the FCCC arrangement to be autonomous because the FCCC is on a different schedule. In addition, he mentioned that Switzerland may be the next WEOG chair for October but is only an observer of WEOG. Turkey would be next for October but is not a signatory to the FCCC. Given these uncertainties, Germany may be the next chair but since we do not meet again until COP 6, Germany will be chair of WEOG at COP 6.

As an historical footnote, New Zealand observed that WEOG exists only for Bureau elections. Substantive matters are taken up in the Common Interest Group, which is why that Group was formed.

9

REGERINGSKANSLIET

<u>Swedish proposal for WEOG - chairmanship/climate</u>

Keep the normal order 2000, change to three mouths year 2001.

<u>2001</u>

Jan - March	**Australia**
April - June	**Austria**
July - September	**Belgium**
October - December	**Canada**

<u>2002</u>

Jan - March	**Denmark**
April - June	**Finland**
July - September	**France**
October - December	**Germany**

<u>2003</u>

Jan - March	**Greece**
April - June	**Iceland**
July - September	**Ireland**
October - December	**Italy**

etc.

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X.400: S=Registrator; O=Environment; P=Ministry; A=BIL; C=SE
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Policies & Measures Contact Group, 9/12/00 and 9/13/00
Green

The contact group's discussion of operative paragraphs of the co-chairs' draft text was generally amicable, and was implemented through real-time electronic editing of a text projected for viewing by all delegates. Both the EU and the G77/China provided written proposed revisions. The U.S. introduced a retitling of the draft decision to put the focus squarely on decision 8/CP.4 and Article 2.1(b), achieved consensus on our introduction of a paragraph deciding that the relevant tasks under 8/CP.4 have been completed, and introduced language to reflect that any further work would represent preparatory work enabling consideration by the COP/MoP. Support from Canada and Japan has been strong on, in particular, the first two of these points.

Although the group as a whole did not address the perambulatory text, Japan called for deletion of the first such paragraph, which attempted to establish links to other areas, including FCCC Articles 4.8 and 4.9. The revised text proposed by the G77/China introduced many references to both FCCC 4.8/4.9 and KP 3.14, as well as references designed to keep the focus on actions by Annex I Parties. Interestingly, EU members have not appeared to share UG members' strong concerns about these attempted links.

France and the Netherlands, who are working this issue on behalf of the EU, have identified their key objectives as P&M-based demonstrable progress and some ongoing process and repository for P&M-related information. We and other UG members have held to the view that any discussion of demonstrable progress should be through the broader discussion of Articles 5, 7, and 8. Noting that the relevant tasks of 8/CP.4 are complete, we have expressed a willingness to discuss further preparatory work. However, we have expressed strong reservations about the EU's interest in a permanent process, in particular a "consultative process" for such work. We have indicated the need for further definition of the details that would bound this future work, but have remained noncommittal on specifics.

Bracketing of text became most intense as the contact group reached the paragraphs that attempted to define the future work. The U.S. argued for deletion of much of the text on the grounds that it addressed topics (*i.e.*, demonstrable progress, UNFCCC 4.8/4.9, KP 7) outside the group's scope and was repetitious. Saudi Arabia argued for the evaluation of "all impacts" of P&Ms, and tried to bait the EU on fuel taxes. Saudia Arabia also caused delay during the discussion of collaboration with other international organizations, demanding specific references to OPEC. Hungary and France, supported by the U.S., argued for more general language and a deletion of all specific references.

The outcome of these contact group meetings was a heavily bracketed text to be taken up during the second half of SBSTA13, at which time the perambulatory language will also need to be addressed. The co-chairs exhorted Parties to work bilaterally between now and then toward the resolution of as much text as possible. The U.S. is under some pressure from the EU to provide specific suggestions regarding acceptable future work.

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Update on the Mechanisms Contact Group - September 13, 2000

As of Tuesday, September 12, we have made slow progress on the Chair's Text, primarily due to lengthy discussions of conceptual issues and interventions to add new material or modifications to the document. Consideration of Article 6 on Joint Implementation finished up with a flurry on supplementarity and the other appendices. While Russia reiterated the Umbrella Group's opposition to quantified restrictions on the use of the mechanisms, but made an overture to the Swiss on their suggestion to look at qualitative aspects. The Philippines tried to make a link to the "demonstrable progress" issue in Article 3.2 in that it depends on Annex B countries' level of domestic action. Canada intervened to counter this notion of a linkage and emphasized that Annex B countries will likely take steps at home for good environmental and economic reasons. The conversation briefly touched upon assessing each mechanism the "share of the proceeds," which Poland stressed had no application to Article 6.

The last two sessions have been devoted to the text on Article 12 on the CDM and we will resume our discussions this evening. One of the major issues has been the "prompt start" of the CDM or as some delegates have referred to it: "interim" CDM. Australia and France, on behalf of the EU, highlighted their submissions with Australia pointing to the need for providing certainty to potential investors and the EU describing their "positive list" approach. The Philippines expressed their skepticism over the legal basis of a "prompt start" and questioned whether decisions to establish the CDM institutions early should drive the "nature and scope" of the CDM. Canada also mentioned that it had a proposal that it would submit, but that the intent was to achieve the two-fold objective of the CDM (sustainable dev. and Annex B compliance). In an unusually helpful comment, Bolivia spoke out strongly against the "positive list" because it excludes sinks projects as did Saudi Arabia but for different reasons. Saudi Arabia stressed that no sector should be left behind, with the exception of nuclear energy projects which could have harmful transboundary impacts. He also mentioned that perhaps we could expand and re-negotiate the Activities Implemented Jointly (AIJ) pilot phase to accommodate developing country concerns and let that operate in any interim period before the CDM starts (AFTER the Protocol's entry-into-force). Interestingly, South Africa suggested that the Group may wish to consider a separate decision to create an "interim" CDM and leave out references in the current Chair's text. He did not respond directly on the positive list issue except to note that the Chair was correct in saying that a list is a list (i.e., either you have a list of eligible projects or you don't – responding to the Saudis' caveated approach). Several Umbrella countries, including the U.S., intervened to oppose the positive list. Brazil put down a marker that the AIJ issue must be kept separate as a Convention matter, was also cautious but supportive of a "prompt start," as long as all the necessary institutions were in place, and opposed the "positive list" approach.

Before moving to the operative sections of the CDM decision text, a short discussion on the principles of additionality and general matters related to baselines were discussed. Japan stressed that only "environmental" additionality should matter and that public money should be able to be used to fund CDM projects (i.e., no "financial" additionality). India commented that all forms of additionality in the Chair's text were necessary to prevent the introduction of "anyway" tons into the system. France took the opportunity to introduce the EU proposal to involve the IPCC in the development of baselines which met with sharp criticism from India, China, Saudi Arabia and Brazil. Norway suggested bracketing the proposal as it was still considering the most appropriate approach to establishing baseline methodologies. – Discussion of the role of the COP/MOP in the CDM revealed tendencies toward significant involvement (e.g., position of Saudi Arabia) and a more limited, policy-driven role (e.g., the Umbrella Group). Regarding the role of the Executive Board, interestingly, Samoa added language that would limit the participation of observers to the EB's proceedings to "invited" participants which would seem to contradict most NGO views on a completely open process. The U.S. used the opportunity to explain its new two-step approach to baselines (performance threshold+CER calculation) in terms of what the role of the EB would be in evaluating and approving new and first-of-kind baselines. After brief discussions of accreditation and operational entities, a large portion of the discussion focused on participation and eligibility issues. A number of non-Annex I Parties intervened to request the deletion of eligibility requirements for their participation but added elements for Annex I involvement. A broad cross-section of countries supported deleting references to non-compliance or the compliance body (e.g., Brazil, Japan, Samoa) while others sought to retain them (e.g., India and Saudi Arabia). The U.S. described a new approach that has been gaining ground among Annex I Parties that would establish a time to review whether they had the proper infrastructure for the mechanisms (not just CDM) such as a registry and national system, but that such a period would be fixed so that lack of action by a compliance body would not prevent a Party ~~body~~ from participating. Some countries reacted negatively, including Samoa, who wanted a positive affirmation of compliance with the "infrastructure" requirements. Before the end of the session, India (on behalf of India) intervened to reiterate the importance of the "nature and scope" of the CDM, the need for equity in all aspects of the CDM, including institutional bodies, and the relationship of CERs to assigned amounts (i.e., quite separate).

SB-13 #8

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HIGHLIGHTS FROM FCCC SB-13 WEDNESDAY, 13 SEPTEMBER 2000

Contact groups met throughout the day to consider: adverse effects; technology transfer; capacity building; land use, land-use change and forestry (LULUCF); policies and measures; the mechanisms; and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). The Joint Working Group on Compliance convened to continue discussions on the Co-Chairs' text. Informal consultations on guidance to the financial mechanism were also held.

CONTACT GROUPS AND INFORMAL MEETINGS

PROTOCOL ARTICLES 5, 7 & 8: Delegates considered draft SBSTA conclusions. On demonstrable progress, SAUDI ARABIA, opposed by the EU, proposed deleting the paragraph recognizing the first national communication submitted under Article 7.2, stressing that the approach was too narrow. SWITZERLAND suggested compromise language that was accepted by the group. Delegates then considered Part II of the guidelines under Article 8. Under Identification and Classification of Problems by Expert Review Teams (ERTs), the US, opposed by the EU, proposed moving the section on classification, stressing that ERT's should identify rather than classify problems. On Timing, the US suggested setting strict deadlines for submission of reports, while leaving broader issues flexible. On Reporting, the US proposed integrating the paragraphs on status reports, individual inventory review reports and adjustment reports into earlier sections.

Parties considered New Zealand's proposal on Part III of the guidelines under Article 8. The G-77/CHINA proposed bracketing the entire text. On the scope of the review, GERMANY suggested that it cover cancellation of assigned amount units, including cancellation with respect to LULUCF. With SWITZERLAND, she asked why the section on reporting had been deleted. Parties also briefly considered text on the annual compilation and accounting of emissions inventories and assigned amounts.

ADVERSE EFFECTS: Parties continued deliberations on Vulnerability and Adaptation in the revised Co-Chairs' draft text on FCCC Article 4.8 and 4.9. Delegates stressed that lack of agreement on the chapeau would have implications for discussions on other paragraphs. CHINA underscored integrating adaptation into sustainable development programmes, as this is the ultimate objective of the FCCC, but stressed the right of a sovereign state to design its own national policies. The US cautioned against the implications of this for GEF funding according to the three-stage process set out by decision 11/CP.1. The EU, supported by the US and CANADA, endorsed text on pilot and/or demonstration projects, which supported the concept of learning by doing. The G-77/CHINA preferred text on immediate implementation of adaptation activities where sufficient information is available.

On establishing a fund for climate-related disaster relief, the EU cautioned against duplicating other organizations' work. With the US, he highlighted that such a fund could add complexity to the provision of funding due to the difficulty in distinguishing between natural and human-induced climate disasters.

TECHNOLOGY TRANSFER: Delegates revisited amendments proposed Tuesday by different Parties on Purposes and Overall Approach in the draft framework for meaningful and effective actions to enhance implementation of FCCC Article 4.5. On Purposes, diverging views were expressed over whether the framework "shall serve as the framework for" or "enhance" Article 4.5 implementation.

Several Parties objected to reference to "state of the art" technologies, stating that those are not always economically viable. JAPAN proposed referring to technologies that are "suitable to local needs," while the EU suggested "technologies that are appropriate to the situation in the respective country."

The REPUBLIC OF KOREA underscored the role of governments in providing a regulatory framework for a market for ESTs. The G-77/CHINA stressed putting into context the role of governments and the private sector in removing barriers and restrictions to technology transfer.

The US opposed the G-77/CHINA proposal to delete reference to "integrated approaches" to technology transfer. Noting continuing disagreement over large parts of the text, Co-Chair Cooper proposed preparing draft conclusions noting the decision to continue deliberations during the second half of SBSTA-13.

POLICIES AND MEASURES (P&Ms): Delegates completed discussions on the elements for a draft decision on best practices in P&Ms. CANADA, the US, JAPAN and AUSTRALIA, opposed by the EU, urged bracketing all references to the "consultative process." The US and JAPAN bracketed the list of activities aimed at improving the transparency, effectiveness and comparability of P&Ms. JAPAN and the US, opposed by the EU and G-77/CHINA, advocated deleting the link between P&Ms and demonstrable progress. JAPAN questioned reference to measuring demonstrable progress by means of criteria and quantitative parameters. The G-77/CHINA and SAUDI ARABIA, opposed by CANADA and AUSTRALIA, proposed text on the need to minimize the adverse effects of Annex I Parties.

On the contribution of international organizations to the process, the G-77/CHINA and SAUDI ARABIA urged specific reference to OPEC. HUNGARY and the EU proposed reference to relevant international and intergovernmental organizations. The US bracketed a request to the Secretariat to organize a workshop

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