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25 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: COP-5 Update No. 1 (Oct 24, 1999)

The following transmits the first of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This report covers activities and discussions from Sunday, October 24, including the COP Bureau and umbrella group meetings.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

25 October 1999

COP-5 Update No. 1 (Oct 24): Difficult Bureau Meeting Appears to Foreshadow Difficult Start to COP-5 on Monday;**HIGHLIGHTS**

- Another Dismal Bureau Meeting Bodes Ill for Early Progress at COP-5
- Umbrella Group Ponders its Options on this and on Proposed Intersessional Activities
- Support for "Voluntary Action" Main Theme at Glion

DETAILS**■ Another Dismal Bureau Meeting Bodes Ill for Early Progress at COP-5**

At the meeting of the umbrella group on Sunday evening (Oct 24) which was hosted by Canada and attended by the U.S., Australia, Norway, New Zealand, Iceland, Russia, and Japan (only Ukraine was absent), Norway's Harold Dovland ((the in-coming chair of the Subsidiary Body on Scientific and Technology (SBSTA) and a COP Bureau Vice President)) reported on the Bureau meeting earlier in the afternoon.

By Dovland's account, the meeting was a dismal repeat of the Bureau meeting in September at which Saudi Arabia threatened to block activity if its issue of compensation was not accorded "equal status" during the course of the discussions. This dark sentiment was echoed by Polish colleagues. As it is, the incoming Bureau is comprised by some of the meanest spirits in the climate change context, including China, Iran, and Saudi Arabia. They will joined by Brazil once a representative can be named. Brazil managed to replace Argentina which was only on the Bureau for one year.

Argentine Minister's Arrival Delayed

Contributing to the sense of malaise was the non-arrival of Argentina's Environment Secretary Maria Julia Alsogaray whose flight was apparently delayed. She will now miss the opening of the COP on Monday and is not expected to arrive until Monday afternoon. Some of the nastier wags in Bonn have suggested that Alsogaray's non-show is related to her alleged legal problems at home. More probably, it is related to Argentina's national election which was held on October 24 with a less than stellar showing by Alsogaray's Peronist party anticipated.

More Saudi Delaying Tactics in our Future?

The Saudis again raised the point about the unequal treatment of its favored Articles 4.8/4.9 issue by pointing out that the number of meetings scheduled on these topics during COP-5 appear to be less than those accorded to other issues. When the Secretariat explained that this was related to interpretation requirements, the Saudi Bureau member, Muhammad Al-Sabban, indicated that all meetings must be conducted in a similar manner. In other words, all or none would have to be accorded interpretation facilities. The Bureau tentatively decided to permit this matter to be decided by each of the subsidiary bodies (the SBSTA and the Subsidiary Body on Implementation or SBI). It is clear that the Saudis will continue to press this and similar tactics during this conference.

New Point of Contention: Articles 4.2 (a) and (b)

More troublesome was a new position that was apparently adopted by the G-77/China during their consultations on Saturday, October 23. The point concerns their proposed adjustment to the agenda item on the Second Review of Adequacy contained in convention Articles 4.2 (a) and (b). According to reliable sources, initially several powerful G-77/China members called for the elimination of this agenda item. When this proved impossible (due to support for its inclusion by the EU and the Alliance of Small Island States or AOSIS among others), these same Parties (led by the Saudis and China) called for a G-77/China position which advocates changing the text of the item to read "a review of the *implementation* of the commitments in Article 4.2 (a) and (b)."

Both the EU representative on the Bureau (Yvo de Boer of the Netherlands) and the JUSCANZ representative (Dovland of Norway) protested, citing the strong legal position which favors retaining this item in its current form reading "second review of commitments under Articles 4.2 (a) and (b). The incoming President of the COP, Jan Szyzsko of Poland, asked for the EU and JUSCANZ reps to consult on this issue with their relevant constituencies, which both men undertook to do.

■ Umbrella Group Ponders its Options on this and on Proposed Intersessional Activities

At the umbrella meeting, it was determined that the language calling for a *review* of the commitments under Articles 4.2 (a) and (b) is one issue on which Annex I would be advised not to alter its stance. To accept the G-77 language – which has no legal basis for discussion – would open up a framework in which Annex I commitments and only Annex I commitments, would be examined. Moreover, it would call into question the ability of Parties to carry out the Third Review that is anticipated once the Third Assessment Report has been issued has been issued by the Intergovernmental Panel on Climate Change (IPCC) or at a suitable time thereafter.

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The umbrella group agreed that the best approach would be for a "strong chair" to use his prerogatives to stop debate on this topic shortly after it begins and prior to letting it get out-of-hand by referring the matter to consultations under his direction. If need be, the issue could be carried over for plenary discussion at a future COP. The U.S. undertook to press this point upon the new President, while early consultations with the EU was also held to be advisable.

Intersessional Plans Broached

The umbrella discussions also ranged over a number of other issues including the mechanisms, compliance, AIJ, and intersessional activities. Japanese, Dutch and Australian proposals for the latter were briefly discussed, but no decision was taken. Additional consultations with the EU and sympathetic G-77 countries will be undertaken.

Compensation Issue Also Creating More Problems

As if there were not enough potential burps along the way to a smooth conference, the U.S. obtained a pirated copy of the proposed draft for a decision on Articles 4.8 and 4.9 – the Saudi compensation issue. The proposal would establish the terms of reference for a new workshop on this topic that appears to move the plateau from one of discussion to one of negotiation. Despite our efforts to engage the Saudis and OPEC in a dialogue on this issue, this decision (probably crafted by foreign attorneys working quietly for OPEC), if enacted, would force us to focus on compensation at the expense of the valid concerns raised by developing countries faced with the impacts climate change. The umbrella group agreed that this issue would have to be discussed carefully with our EU partners who have been rather stalwart allies on this question.

■ Support for "Voluntary Action" Main Theme at Glion

Support for voluntary action (as opposed to the more politically charged phrase "voluntary targets") was the main theme of discussion at the second dialogue of some 17 countries organized by the World Business Council for Sustainable Development in Glion, Switzerland, between Oct 20-22, 1999. The countries represented at Glion included Argentina, Chile, Guatemala, Uruguay, Senegal, South Africa, the UK, Netherlands, Samoa, Korea, Mexico, Kazakhstan, Canada, Japan, Australia, Switzerland, and the U.S. Business representatives from Shell, BP/Amoco, and LaFarge Cement also made positive contributions, as did two representatives from the World Resources Institute who made an helpful and well-received presentation of varying target options.

With the addition of Mexico, South Africa, the UK and the Netherlands, the tone of this session differed somewhat markedly from the earlier meeting last May where first budget period action – whether binding or not – was bandied about with some fervor. None of these newcomers is in favor of first commitment period action, and South Korea had difficulty in getting consensus from the group that a country could even have a voluntary, non-binding target during the first commitment period.

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By the end of the meeting, the group agreed on a range of "voluntary actions" a non-Annex I Party might consider and what is needed to introduce a binding commitment, including negotiation of some kind of third way. However, some of the G-77 members (including South Africa and Argentina) indicated that these actions should only be undertaken once evidence of Annex I fulfillment of its obligations and early ratification of the Protocol are more clearly evident. The group agreed that this dialogue is useful, although it was also decided that the time for introducing any results from its deliberations is not yet ripe.

Diplomatic Tidbits

Three tidbits emerged from these discussions. First, Argentina's Ricardo Rigario (the MFA's Elsa Kelly remained behind because of the general election in which her opposition candidate was holding a strong lead in the polls) appeared to suggest that while Argentina would announce a voluntary, binding target, it would not press for the negotiation for a third way now (although he confessed that he does not know what Minister Alsogaray will say in this regard on Nov 2).

Kazakhstan's representative announced the good news (if accurate) that his country has revisited the way in which it intends to take on Annex I commitments during this COP. Rather than follow through on its original and very problematic position of asking the Parties for their agreement to Kazakhstan's joining Annex I under Article 15 of the Convention, he stated that a decision has been taken to merely notify the Parties of his country's intention to abide by the provisions of Annex I as is provided for under Article 4.2(g) of the Convention. This decision, if confirmed by Almaty, should obviate the need for what would have been a tortuous and unhelpful debate of this question on the plenary floor.

Nevertheless, Dovland of Norway predicted a difficult passage for Kazakhstan into Annex I, even if it chooses the Article 4.2(g) route. Japan raise concerns about the impact on JI discussions if Kazakhstan is allowed to join Annex I without establishing an Article b commitment at the same time. The U.S. cautioned the umbrella group not to jump to conclusions in this regard.

Finally, Korea showed movement in its position on targets by indicating that it is considering the pros and cons of undertaking a non-binding voluntary commitment during the first budget period. Korea asserted that it is not interested in trading at the present time. This is not sufficient for our purposes. However, it is quite a change from the Korean position at COP-4 in which ROK indicated it was considering a commitment in the third budget period which would start in 2017 or 2018. A more detailed report on Glion will be prepared after COP-5.

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25 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley 

Subject: COP-5 Update No. 2 (October 25, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25 to November 5, 1999. This report covers activities and discussions from Monday, October 25 through mid-day on Tuesday, October 26.

Also included with this report is a copy of the first edition of **ECO**, the somewhat acerbic periodical published by a group of NGOs with supplemental funding by certain prominent European and U.S. environmental organizations. **ECO** is rarely complimentary to U.S. positions on climate change. We are also submitting a copy of the more reputable NGO-published **Earth Negotiations Bulletin** which provides a relatively objective accounting of the previous day's events. This first edition provides accounts of recent intersessional activities associated with the climate change negotiations.

This report also includes an item on the COP-5 Plenary on October 25 prepared by State's Jack Shick.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

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25 October 1999

COP-5 Update No. 2 (Oct 25): First Day Hiccups as Climate Conference Stumbles, but Recovers, following Welcoming Addresses and the Election of a New President

HIGHLIGHTS

- Conference Opens Smoothly but then.....
- Alsogoray Bids Farewell as Szyszko Takes Charge
- German Chancellor Schroeder Addresses Conference
- Agenda and Bureau Fight Halts Proceedings
- Compromise on the Agenda, while a New Bureau Takes Office
- Comment: More Frustration Beckons

DETAILS

- Conference Opens Smoothly but then.....

The Fifth Conference of the Parties (COP-5) opened only a few minutes late on October 25, although the smooth start was later interrupted by the anticipated food fight over the agenda forecast in Update No. 1. The latter fortunately took place out of public view in an emergency Bureau meeting and not on the plenary floor, but the conference was delayed for a full two hours (see item below).

The first 50 minutes were taken up with four relatively short addresses of welcome by the outgoing COP President, Argentina's Environment Secretary Maria Julia Alsogoray (who was just arriving from the airport after a delayed flight); by the Mayor of Bonn, and by the Executive Secretary of the Climate Change Secretariat (delivering remarks on behalf of Kofi Annan). The most significant address was delivered by German Federal Chancellor Schroeder. A brief review of his remarks is contained in an item below. We will forward the complete address once it becomes available.

- Alsogoray Bids Farewell

Argentina's Environment Secretary Maria Julia Alsogoray left her office as the chair of COP-4 with an address remarkable for its candor and upbeat assessment of prospects for the future. With her party upseated in national elections one day earlier, Alsogoray was somewhat subdued in her one brief conversation with USDEL (she is

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reportedly returning immediately to face a Congressional interrogation on Oct 27, prior to returning for the High Level Segment of the COP on November 2 although this report has not been confirmed.)

■ Szyszko Promises to Play an Active Role in the Lead-up to COP-6

For his part, Poland's Jan Szyszko has also been quite subdued during his two days in Bonn. Removed from his office as environment minister only days before the conference began during a cabinet reshuffle, it was uncertain whether he would in the end be able to fulfill his new duties as COP President. His appointment in Warsaw as an unprecedented secretary of state for climate change reporting to the Polish Prime Minister assuaged the personal pain of this sudden but not wholly unanticipated change, but the Minister has yet to express the self confidence which has been a dominate characteristic of his in the past.

In any case, Szyszko said all of the right things during opening remarks following his election as President or Chairman of the COP and has directed the plenary well since he assumed office. He promised to work with all Parties to forge consensus and to continue momentum in the process. He has also undertaken to meet daily with a representative groups of countries to try to forestall problems and to undue roadblocks which may appear to block progress. The umbrella group will be represented by the U.S., Japan, Canada, and Australia. Our first meeting will be on October 26.

■ German Chancellor Schroeder Addresses Conference

Although he did not dwell on the differences between Germany and the EU, on the one hand, and members of the umbrella group, on the other, German Federal Chancellor Schroeder emphasized that countries should implement at home agreements that they made abroad. He stressed the importance of establishing a compliance system and indicated that the flexibility mechanisms need to be clarified. While he acknowledged that international emissions trading could be meaningful, he stressed that major efforts must be national in origin. He spent some time outlining German domestic action and received muted applause (from NGOs we suspect) with his assertion that the gradual elimination of nuclear power did not mean an automatic return to the old way of producing energy.

Concluding, the Chancellor noted that developed countries must take the lead in addressing the problems associated with climate change. However, developing countries are increasing their emissions, too, albeit on a lower per capita level. He argued that they should see the opportunities available to them from engaging more fully in the climate change process. He urged governments to take action now so that the grandchildren of delegates will look upon the Kyoto Protocol as a challenge which was met and not as a disappointment.

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■ Agenda and Bureau Fight Halts Proceedings

This was the easy part of the morning. As agreed at the subsidiary body meetings last June, the first day's half session session was to be confined to the adoption of the agenda and to the election of officers. However, because no one wanted to serve as rapporteur and with the absence of one of the names for a candidate (from Brazil), a clean slate was not immediately available for presentation to the plenary. More pertinent, the Bureau was at odds over how to handle Item Five on the agenda which deals with the Second Review of Adequacy of Commitments under Articles 4.2 (a) and (b).

As was reported in Update No. 1, the G-77/China are attempting to gut the significance of this agenda item by changing it to read a "review of the adequacy of the implementation of commitments under Articles 4.2 (a) and (b). This proposed change is opposed almost unanimously by Annex I.

Compromise Reached on Item 5

Accordingly, following some 50 minutes of welcoming speeches, Chairman Szyszko asked both the outgoing and incoming Bureaus to meet for "a few minutes" and asked delegates to remain in their chairs. Two hours later, the plenary resumed. A "compromise" on the Item 5 question had been reached whereby the Chair called for the adoption of the agenda without Item 5 which he would take for consultations. No individual delegate was recognized to address the body - despite the G-77/China's initial assistance that it be allowed to do so. We will now have an opportunity to require that this agenda item not be dropped or modified from the agenda, although practically speaking, there is little likelihood of any resumption of dialogue on the Second Review of Adequacy at this meeting.

Bureau Elected

As for the other Bureau members who are to "support" President Szyszko in his duties, Ambassador John Ashe from Antigua/Barbuda was chosen as the chair of the SBI replacing Senegal's Bakary Kante, while Harold Dovland of Norway was chosen to replace Malaysia's Chow Kok Kee as chair of the SBSTA. Other members of the new Bureau include the Netherlands, China, Iran, Saudi Arabia, Samoa, Ukraine, Uganda, and the Gambia. Indicative of the geopolitics which often follow otherwise mundane matters such as elections, Brazil took the seat of Argentina on the Bureau, even though Argentina could easily have retained its seat for a second year.

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■ **Comment: More Frustration Beckons**

To be sure, this agenda fight clearly portends of further difficulties during the opening sessions of the SBI and the SBSTA later on October 25 and on October 26. Saudi Arabia's Muhammad Al-Sabban warned reporting officer that he will filibuster the issue of the timing of COP-6 if the U.S. does not agree in on-going consultations on a November 2000 date this week rather than wait until later in the session. Another issue that could cause trouble is the question of interpretation which is being insisted upon by Saudi Arabia for all contact groups. This is neither practical nor financially feasible, and one suspects that Al-Sabban knows it. Nevertheless, the issue will have to be addressed. At the moment, no one seems to know how to deal with these rather blatant, if often procedurally correct, attempts to hold down progress. At Finland's request, Canada is organizing a meeting of the Common Interest Group of all Annex I Parties on October 26 (Tuesday) at which the way forward will undoubtedly be discussed. End Comment.

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25 October 1999 Morning Plenary
Notetaker—Jack Schick

The plenary opened with outgoing COP 4 President Alsogaray of Argentina delivering farewell remarks. She gave acceleration of the negotiating process the highest priority at this point so that the Kyoto Protocol could enter into force by 2002 on the 10th anniversary of the Rio Convention. She warned incoming COP 5 President Szyszko that her task as president had not been easy.

Szyszko immediately introduced German Chancellor Schroeder, who gave a moderate, green speech. Schroeder spoke in German for his domestic audience with Environment Minister Trittin of the Green Party on the platform with him. Schroeder's speech did three things:

- He gave a push to the climate talks, raising their visibility by coming to deliver a speech himself. He urged further progress, noting that "it is not enough simply to leave this congress hall with a pile of papers." He put in a plug for the EU position on caps (without overdoing it) by asserting that emissions trading and JI can be a meaningful addition but no substitute for domestic emissions reductions. He also called for "developing countries to undertake their own efforts in the medium term" and not drive for economic development without climate measures.
- He touted Germany's advances with domestic policies and measures to enhance energy efficiency. Last April, the Bundestag enacted an eco tax on motor fuels. Last summer, the government decided on steps to take over the next five years for a gradual increase in energy taxes. In the middle of next year, the government will publish a comprehensive emissions reduction strategy with further measures. He noted that German emissions are down 13.2 percent on 1990 but unless further steps are taken will end up only with a 17 percent reduction by 2005 rather than with the 25 percent reduction the Kohl Government established as a national target in 1995.
- He boosted Bonn—the "federal city on the Rhine,"—as a center for UN conferences, noting that the secretariat of the desertification convention had just relocated here. The Bundestag building will be refurbished to serve as a conference center. He did not say—but implied—that future COPs could be held there.

In the press this morning, Greenpeace said it was looking for a signal from Schroeder that Germany would soon ratify the Protocol. He gave no such assurance.

In addition, Der Bundeskanzler stated firmly that his government had decided to phase-out nuclear power. He called for an efficiency revolution as an alternative to nuclear—modern non-nuclear power stations [probably a reference to CHP and super efficient natural gas driven turbines]. The federal government plans to double renewables by 2010. Fuel efficient cars are needed such as the three liter car recently introduced. Freight transport needs to move off the highway and onto railroads. And he pointed to home efficiency upgrades that are needed for energy saving fridges, lighting, computers, televisions, and audio systems. He also made a statement for broad application:

"Those with political responsibility should therefore remember that anyone trying to slow down climate protection or merely failing to make progress will in just a few years' time be out of touch with one of the most important markets of the next millennium."

Executive Secretary Zammit-Cutajar read out a message from UN Secretary General Kofi Annan inter alia noting that the climate convention is riding the wave of green investment strategies.

Before closing the morning session, Szyszko moved to adopt the applied rules of procedure, accept the work program, and elect a new Bureau, including new SUBSTA chair Dovland of Norway and SUBIM chair Ashe of Antigua/Barbuda. Szyszko himself will undertake consultations on the controversial move by Saudi Arabia—joined by China—to change the wording of an agenda item dealing with the second review of adequacy of commitments under the Convention to "review of the implementation" of those commitments. And Saudi Arabia did not object at this point—a minor breakthrough for the day.

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CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

ecco



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 COP5 in Bonn, October-November 1999.

Willkommen!

Just when you thought it was safe to return to Bonn, there are a number of substantive issues that can and must be resolved here at COP5. Otherwise, we risk arriving at COP6 with too many contentious issues on the agenda to be successfully negotiated. Of course, there are those who would like to see everything delayed...

For those interested in real progress, we would like to draw your attention to the following pressing issues:

- Compliance - rules should include strict enforcement functions, joint buyer-seller liability, and automatic, strong, binding consequences, and don't let the Saudis hijack the agenda.
- CDM - strong additionality criteria and

transparent monitoring and verification are required to prevent the creation of large loopholes with this mechanism. At a minimum, big fossil fuel, large hydro and all nuclear projects should be categorically excluded, and don't let the Saudis hijack the agenda.

- Sinks - Parties must not be allowed to claim business-as-usual LULUCF activities as credits to their budget under Art 3.4. They should also provide country specific data on the impact on their Kyoto targets of both additional activities under Article 3.4 and different interpretations of Article 3.3, and don't let the Saudis hijack the agenda.
- Adequacy of Commitments - the time is

continued over col 1

Keep the CDM Clean - No Nukes!

Before even having started with the most logical projects on renewable energy, the Clean Development Mechanism (CDM) has to resist fundamental attacks on its environmental integrity. The recent requests by the Canadian government to receive carbon credits for exporting its trouble-prone CANDU reactor technology to developing countries is just the tip of the iceberg. It is widely known that other nuclear rich OECD nations such as Japan, Australia, USA, and France back this aggressive pro-nuclear with varying degrees of openness. It is also understood that these industrialised countries belong to those who desperately need the CDM credits to meet their Kyoto commitments in compensation for their steady increase of carbon dioxide emissions.

Much more disturbing, however, is the recent (September 30) governmental resolution of the General Conference of the International Atomic Energy Agency. Here, the nuclear club reinforced its general support for global nuclear expansion. It stresses "the importance of the transfer of nuclear technology to developing countries" and reminds delegates of the "great potential of nuclear power for meeting energy requirements in many countries and the need to protect the environment and recognizing that many countries consider nuclear power, being a climatically benign source of energy, to be an eligible option under the Clean Development Mechanism of the Kyoto Protocol."

Austria, Denmark, Ireland, Luxembourg, Norway and Sweden questioned this resolution, saying that they do not consider nuclear energy an option for the CDM. Unfortunately, it was fully backed by Belgium, Germany, Finland, Switzerland and The Netherlands at least;

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Delegates demonstrating that local attractions cannot divert them from their work

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CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

-Wilkommen!, from front page

now to set a firm date for the next review of adequacy of commitments. The best opportunity is at the first COP after the release of the Third Assessment Report, which will provide the necessary data to make an informed evaluation, and don't let the Saudis hijack the agenda.

- National Communications – It is essential that Parties report the necessary indicators and projections that are critical to assess potential non-compliance (more "shall's" and fewer "should's" would be a good start), and don't let the Saudis hijack the agenda.
- Compensation (e.g. for oil-exporting countries) and adaptation – these are separate issues and should be de-linked. Adaptation is an issue of national survival and should be implemented immediately. Definitely don't let the Saudis hijack the agenda on this one!
- JT and Trading – the rules need to ensure that GHG emissions are not higher than they would have been in the absence of these mechanisms, and that the mechanisms do not detract Parties from strong domestic action to reduce fossil fuel use in industrialized countries, and don't let the Saudis hijack the agenda.

Sorry to crash any relaxing plans of after-
luns in the biergarten – there's much more
where these came from!



Nuclear can have unforeseen effects

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-CDM and Nukes, from front page

countries that in public pay lip service to domestic nuclear phase-out or sustainable development.

It remains very important for developing countries to recall criteria for sound CDM projects. Nuclear projects are not among them. Nuclear is *not* clean, as it produces highly toxic long-lived wastes which cannot currently be disposed of in a safe manner. Probably more important is the nuclear industry's bleak economic prospect, which results from past economic disasters. It's not cheap – it's very costly!

The present nuclear provision of 17% of the world's power has only been achieved thanks to tens of billions of dollars of subsidies and export credits in developed nations, ever since the 50s. Since the early 80s orders for construction have slowed globally; and since the 90s they have come to an almost complete halt. When the French finish the Civaux-2 reactor in the next few months, there will be no reactor under construction or on order in Western Europe for the first time in decades. In most industrialised countries who have liberalised their electricity system, clean and efficient natural gas fired stations are much cheaper. In many areas of Europe even wind energy is cheaper if the very long lead construction times of nuclear are taken into consideration.

The World Bank, not famous for its environmental record, states on its web site: "The issues surrounding nuclear power go beyond economic costs alone. Nuclear energy is not acceptable in many parts of the world because of concerns of reactor safety, disposition of nuclear wastes and proliferation of fissile materials..." It has previously referred to nuclear power plants as "white elephants".

For NGOs, eligible technology dissemination under the CDM must follow those criteria that prioritise decentralised and easy-to-implement technologies. For nuclear, a country needs at the very least a sophisticated safety infrastructure and skilled engineering personnel to avoid accidents. However, the recent accident at Tokaimura in Japan showed that even one of the most technologically advanced countries in the world cannot handle nuclear technology safely. These risks and infrastructural requirements do not exist with solar, wind and sustainable biomass technologies. If countries do not want to kill the environmental integrity of the CDM, they had better insist on leaving nukes out of the deal. For NGOs, ensuring that the CDM's design is environmentally sound from the start is one of the key priorities for COP 5.

Remaining Inadequate

There is now a second chance to look at the Second Review of the Adequacy of Commitments in Article 4.2(a) and (b).

This issue was deferred at COP4 and as consequence is now on the agenda of COP5. It was the first review of the adequacy of commitments in Article 4.2(a) and (b) of the Climate Convention that led directly to the negotiation of the Kyoto Protocol.

It is important that the second review of the adequacy of emission commitments is completed at COP5. This should be a relatively simple task.

The emission commitments contained in Article 4.2(a) and (b) of the Convention are clearly inadequate to meet the ultimate objective of the Convention, even taking into account the commitments in Article 3.3 of the Kyoto Protocol (which is yet to enter into force). Furthermore most Annex I Parties have failed to put in place policies and measures that would meet the aim in Article 4.2(a) and (b) to return emissions to 1990 levels by the 2000.

Hence COP5 should find that the commitments taken under Article 4.2(a) and (b) remain inadequate, in spite of the Kyoto Protocol. Given that the rules for implementing the Kyoto Protocol are still under negotiation and that the IPCC Third Assessment report will not be completed until 2001, the action that COP5 should take is to set a timetable for the third review of the adequacy of commitments. This should begin at COP7 and be based upon the IPCC Third Assessment Report.

**NGO PARTY
Saturday
30 October
Insel Hotel
Bad Godesberg**

THANKS

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COP-5
#1

FIFTH CONFERENCE OF THE PARTIES TO THE FRAMEWORK CONVENTION ON CLIMATE CHANGE 25 OCTOBER - 5 NOVEMBER 1999

The Fifth Conference of the Parties (COP-5) to the Framework Convention on Climate Change (FCCC) will meet from 25 October - 5 November 1999 in Bonn, Germany. Approximately 4000 participants, including 80 - 100 ministers, are expected to attend. A high-level segment for ministers and heads of delegation will take place from 2 - 4 November. Delegates to COP-5 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 eleventh meeting of the Subsidiary Body on Scientific and Technological Advice (SBSTA-11) will consider issues such as: guidelines for preparation of Annex I communications; development and transfer of technologies; and land use, land-use change and forestry (LULUCF). The Subsidiary Body for Implementation's eleventh meeting (SBI-11) will consider issues such as non-Annex I communications, the financial mechanism and the programme budget for 2000 - 2001. SBI and SBSTA will jointly consider issues related to the Protocol's cooperative mechanisms, compliance, capacity building and FCCC Articles 4.8 and 4.9 (adverse effects).

RECENT MEETINGS

INFORMAL EXCHANGE OF VIEWS AND INFORMATION ON COMPLIANCE UNDER THE KYOTO PROTOCOL: The informal exchange of views and information on compliance under the Protocol was held from 6 - 7 October 1999 in Vienna, Austria. The informal exchange was designed to facilitate deliberations on the development of a compliance system under the Protocol. The workshop was organized by the Austrian Government, the FCCC Secretariat and the Co-Chairs of the Joint Working Group on Compliance (JWG). Ninety-seven participants attended the meeting, including experts and representatives from governments, UN agencies, intergovernmental and non-governmental organizations. Participants heard presentations from experts and discussed various issues related to compliance, including: compliance regimes under the Montreal Protocol, the Convention on Long-range Transboundary Air Pollution (LRTAP) and its protocols, the International Labour Organization (ILO) and the

World Trade Organization (WTO); institutional issues such as facilitative and enforcement functions, eligibility to raise issues and information gathering; and issues related to the consequences of non-compliance. The JWG's Co-Chairs will prepare a non-paper on elements of a compliance system based on the workshop discussions to be presented to COP-5. The ENB report of the meeting is available at: <http://www.iisd.ca/climate/aanm1/>.

WORKSHOP ON IMPLEMENTATION OF FCCC ARTICLE 4, PARAGRAPHS 8 AND 9 (ADVERSE EFFECTS): COP-4 agreed on the programme of work outlined in the annex to decision 5/CP.4, including the organization of an expert workshop. Under the guidance of SBSTA Chair Kok Kee Chow and SBI Vice-Chair Mohammad Reza Salamat, this workshop was held from 21 - 24 September 1999 in Bonn. The subsidiary bodies will consider the outcome of the workshop and prepare a report including conclusions and/or a draft decision for COP-5, identifying initial actions to address the implementation of FCCC Articles 4.8 and 4.9 and Kyoto Protocol Articles 2.3 and 3.14 (adverse effects). The workshop included expert presentations followed by panel discussions addressing the policy-related implications of the information presented.

Regarding preliminary actions, some participants suggested that the policies and measures reported by Annex I Parties and the projected actions to implement the Protocol be examined to analyze potential impacts on the economies of the oil producing and other developing countries. In this context, it was suggested that the subsidiary bodies continue to examine information needed to minimize the adverse social, environmental and economic impacts of Annex I Parties' response measures on developing countries, including: tax restructuring to reflect the carbon content of fuels; measures to discourage the production of fossil fuels and nuclear energy; compensation; and assistance to developing countries, including increasing investment, to help them diversify their economies. Other participants said the uncertainties associated with the impact of implementing response measures are such that consideration of specific actions is premature. They noted that such actions under the Protocol would be considered at the COP serving as the Meeting of the Parties to the Protocol at its first session (COP/MOP-1). They also recalled that compensation was not provided for under the FCCC or the Protocol. Some participants stressed the need to identify and analyze initial actions to meet the specific needs and concerns of developing countries arising from the adverse effects of climate change and the impact of response

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Monday, 25 October 1999



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measures, including information on the possible use of insurance and other appropriate mechanisms. For more information contact: the FCCC Secretariat; e-mail: secretariat@unfccc.de.

INFORMAL MINISTERIAL CONSULTATIONS:

Informal ministerial consultations were held in Warsaw, Poland on 20 September 1999. Participants considered three questions: what needs to be accomplished at COP-6; what ministers should do at COP-5 to set the stage for a successful COP-6; and how Parties should proceed from COP-5 to COP-6. Participants supported maintaining or increasing the momentum of the negotiations through the next year. Many participants said a package was needed at COP-6 that would encourage ratification. A number of participants noted that if certain Parties do not ratify the Protocol, it would not come into effect. Participants generally agreed on the need for a balanced outcome, with resolution of both FCCC and Protocol issues. Some participants listed the cooperative mechanisms, compliance, sinks, and participation of a broader number of countries under the Protocol as key issues that need to be resolved.

Given the number and complexity of the outstanding issues, a number of participants preferred to hold COP-6 in early 2001. Some also noted that this would allow the COP to consider the IPCC Third Assessment Report. However, others expressed a preference for COP-6 to be held in the fall of 2000. COP-5 must decide on the date of COP-6.

A number of participants sought parallel progress on those key issues. Some called for flexibility and urged Parties not to set pre-conditions for agreement. A few participants urged Parties to focus on the BAPA rather than introduce new issues.

Most participants acknowledged that areas of significant disagreement remained, but urged Parties to set aside as many of them as possible at COP-5 to permit progress on areas of convergence. They called for the development of negotiating text at COP-5 in areas such as national communications by both Annex I and non-Annex I Parties, the mechanisms, AII, and compliance. Many participants also urged continued constructive progress on capacity building and technology transfer. Ministers noted the need for the COP-5 high-level segment to provide political direction to the negotiations. They also called for additional high-level consultations to periodically assess progress and resolve outstanding issues. Such consultations could be held in the Spring of 2000 in New York during the Eighth Session of the Commission on Sustainable Development (CSD). For more information contact: the FCCC Secretariat; e-mail: secretariat@unfccc.de.

WORKSHOP ON EMISSION FACTORS AND ACTIVITY DATA FOR THE IMPROVEMENT OF GREENHOUSE GAS (GHG) INVENTORIES: The FCCC Secretariat convened the second Workshop on Emission Factors and Activity Data for the Improvement of GHG Inventories from 6 - 8 August 1999 in Accra, Ghana, to provide a forum for the exchange of experiences in the development of emission factors and activity data for the estimation of inventories. Fifty participants from 26 countries attended this workshop, including representatives from national teams and international agencies who are experts in GHG inventories, especially in the energy and LULUCF sectors. The objectives of the workshop were: to continue a process that identifies strategies to improve the quality of emission factors and activity data for GHG inventories; to address related problems and gaps, with a view to improving the accuracy, consistency and comparability of GHG inventories; to prioritize immediate and longer term needs, including national, regional and global capacity-building; and to

propose and prioritize a list of project concepts on the improvement of emission factors and activity data in the energy and LULUCF sectors at the national, regional and global levels. Two working groups, one on the LULUCF, the other on the energy sector, reassessed and confirmed the related key sectoral issues identified at an earlier workshop held in Cuba. On this basis, 20 project concepts were proposed, aimed at improving the quality of national and regional emission factors and activity data. Two of the five project concepts proposed by the LULUCF sector working group, and eight of the 15 project concepts proposed by the energy sector working group, were ranked as high priority. For more information contact: the FCCC Secretariat; e-mail: secretariat@unfccc.de.

AOSIS WORKSHOP ON CLIMATE CHANGE AND THE CLEAN DEVELOPMENT MECHANISM OF THE KYOTO PROTOCOL: The Alliance of Small Island States (AOSIS) Workshop on the Clean Development Mechanism (CDM) of the Protocol took place in Majuro, Republic of the Marshall Islands from 14 - 16 July 1999. The Workshop was organized and hosted by AOSIS and the Government of the Republic of the Marshall Islands. Over 50 participants attended, including country representatives from small island states, experts from various UN and regional organizations, an environmental NGO representative and special invitees from the Philippines, Mauritania, the US, the UK, Australia, Norway, New Zealand and Switzerland. Participants discussed elements of the CDM, including assessment of vulnerability and adaptation, use of renewable energy in the design of mitigation projects under the CDM, and capacity building for AOSIS member states.

Participants adopted the Majuro Statement on Climate Change, which will be brought to the attention of COP-5. The Statement highlights domestic action in achieving Protocol commitments; notes the need for the CDM to be a credible and viable mechanism; stresses the need for special capacity-building initiatives in the least developed states and small island developing states (SIDS); underscores the importance of vulnerability assessment and adaptation for AOSIS members; and resolves to work together to coordinate donor activities and domestic priorities to more effectively address SIDS' capacity building and adaptation needs. The complete Sustainable Development report can be found at: <http://www.iisd.ca/sd/aosis/>.

RENEWABLE ENERGY FOR THE DEVELOPING WORLD: This workshop met from 28 June - 2 July 1999 in Carbondale, Colorado, US. Organized by Solar Energy International, the workshop explored different applications for renewable energy technologies in developing countries. Participants discussed how to successfully accomplish sustainable development projects with renewable energy. Methods for effective technology transfer, establishing infrastructure and the economics and financing of renewable energy projects, were presented. Participants heard case studies on solar cooking, rural household electrification, rural health care and micro-enterprises using renewable energy. For more information contact: Solar Energy International; tel: +1-970-963-8855; fax: +1-970-963-8866; e-mail: sei@solarenergy.org; Internet: <http://www.solarenergy.org/solarek.html>.

THINGS TO LOOK FOR TODAY

PLENARY: The COP-5 opening Plenary is scheduled to begin at 10:00 am in the Maritim Room.

SBI: SBI is scheduled to begin at 3:00 pm.

SBSTA: SBSTA is scheduled to begin at 4:00 pm.

3

25 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: Supplement Number 1 to COP-5 Update No. 2 (Oct 25/26, 1999)

This message conveys summaries of various meetings prepared by USDEL participants at the the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. It should be read in conjunction with our regular COP-5 Update No. 2 for October 25, 1999.

These reports include the following:

- (a) Report on the morning COP-5 Plenary Session prepared by State's Jack Shick
- (b) Report on the JUSCANZ meeting for October 25, 1999 prepared by State's Jack Shick
- (c) Notes on the October 25 umbrella group preparatory discussion on capacity building prepared by USAID's Ko Barrett, and
- (d) Notes from the October 25 briefing by Kazakhstan on its emissions inventories and projections provided by State's Daniel Balzer

A 4

25 October 1999 Morning Plenary
Notetaker—Jack Schlick

The plenary opened with outgoing COP 4 President Alsogaray of Argentina delivering farewell remarks. She gave acceleration of the negotiating process the highest priority at this point so that the Kyoto Protocol could enter into force by 2002 on the 10th anniversary of the Rio Convention. She warned incoming COP 5 President Szyszko that her task as president had not been easy.

Szyszko immediately introduced German Chancellor Schroeder, who gave a moderate, green speech. Schroeder spoke in German for his domestic audience with Environment Minister Trittin of the Green Party on the platform with him. Schroeder's speech did three things:

- He gave a push to the climate talks, raising their visibility by coming to deliver a speech himself. He urged further progress, noting that "it is not enough simply to leave this congress hall with a pile of papers." He put in a plug for the EU position on caps (without overdoing it) by asserting that emissions trading and JI can be a meaningful addition but no substitute for domestic emissions reductions. He also called for "developing countries to undertake their own efforts in the medium term" and not drive for economic development without climate measures.

- He touted Germany's advances with domestic policies and measures to enhance energy efficiency. Last April, the Bundestag enacted an eco tax on motor fuels. Last summer, the government decided on steps to take over the next five years for a gradual increase in energy taxes. In the middle of next year, the government will publish a comprehensive emissions reduction strategy with further measures. He noted that German emissions are down 13.2 percent on 1990 but unless further steps are taken will end up only with a 17 percent reduction by 2005 rather than with the 25 percent reduction the Kohl Government established as a national target in 1995.

- He boosted Bonn—the "federal city on the Rhine,"—as a center for UN conferences, noting that the secretariat of the desertification convention had just relocated here. The Bundestag building will be refurbished to serve as a conference center. He did not say—but implied—that future COPs could be held there.

In the press this morning, Greenpeace said it was looking for a signal from Schroeder that Germany would soon ratify the Protocol. He gave no such assurance.

In addition, Der Bundeskanzler stated firmly that his government had decided to phase-out nuclear power. He called for an efficiency revolution as an alternative to nuclear—modern non-nuclear power stations [probably a reference to CHP and super efficient natural gas driven turbines]. The federal government plans to double renewables by 2010. Fuel efficient cars are needed such as the three liter car recently introduced. Freight transport needs to move off the highway and onto railroads. And he pointed to home efficiency upgrades that are needed for energy saving fridges, lighting, computers, televisions, and audio systems. He also made a statement for broad application:

"Those with political responsibility should therefore remember that anyone trying to slow down climate protection or merely failing to make progress will in just a few years' time be out of touch with one of the most important markets of the next millennium."

Executive Secretary Zammit-Cutajar read out a message from UN Secretary General Kofi Annan inter alia noting that the climate convention is riding the wave of green investment strategies.

Before closing the morning session, Szyszko moved to adopt the applied rules of procedure, accept the work program, and elect a new Bureau, including new SUBSTA chair Dovland of Norway and SUBIM chair Ashe of Antigua/Barbuda. Szyszko himself will undertake consultations on the controversial move by Saudi Arabia—joined by China—to change the wording of an agenda item dealing with the second review of adequacy of commitments under the Convention to "review of the implementation" of those commitments. And Saudi Arabia did not object at this point—a minor breakthrough for the day.

B S

25 October 9 AM JUSCANZ (including Turkey)
Note taker—Jack Schick

JUSCANZ met for the first time in the abandoned Justice Ministry (moved to Berlin) across the street from the conference center at the Maritim Hotel. Harald Dovlin of Norway chaired for the only time because he will be busy the rest of the session at the same hour with Bureau meetings or SUBSTA meetings of which he is the new chair.

It was an extremely brief meeting because of Chancellor Schroeder's pending arrival in the conference hall. Dovlin reviewed for the benefit of the non-Umbrella Group members (Korea, Mexico, Switzerland, and Turkey) what he had reported last night at the UGroup meeting. He focused in particular on Saudi Arabia's move in the Bureau meeting yesterday to propose a rewrite of Item 5 of the COP 5 agenda, changing "review of adequacy of commitments" to "review of implementation of commitments." Dovlin described the Saudi ploy as a "severe issue" that may lead to a long debate today. He suggested that the president of COP 5 should hold consultations to get the issue off the table.

Japan agreed with Dovlin to put the issue in the president's hands. Alternatively, the Japanese suggested asking for a legal opinion from UN Legal Counsel. Dovlin chimed in to agree that Item 5 could not be changed, since it was adopted at Buenos Aires last year, unless the COP decides otherwise. And no consensus would exist to so decide.

(Postscript comment: As it turned out, the new President, Szyszko of Poland, appeared to follow JUSCANZ' advice this afternoon and agreed to lead consultations on this issue off stage, with the concurrence of the Saudis.)

C16

Umbrella Group - Capacity Building

10 am 10/25/99

↳ Co-Chair?

↳ review of revised plan for facilitating capacity-building (FCC/SB/1999/6)

Norway: good to be on the safe side on Co-Chair

Japan: - capacity building important, welcome G-77 submission, examine needs carefully, good start

- seek to improve existing efforts:

↳ coordination

- examine needs

- keep in mind financial needs → G-77 might propose a 'fund', must avoid duplication with GEF, therefore no need for new mechanism

Canada: - agree with importance of issue, welcome G-77 paper as first step

- GEF (COP-4 guidance) w/UNDP about to launch 18 month initiative to comprehensively address needs

- don't see an immediate need for fund - cap building can occur through ODA, private sector, mechanisms

- keep holistic view

Australia: agree with colleagues

US: should the discussion be more broad than mechanisms, including sustainable development under UNFCCC

Canada: this gets at balance of UNFCCC + ICA which is of real interest to developing countries

Japan: need a division of labor between contact groups (ie. tech transfer)

Norway: Aske hoping to consolidate cap building agenda item

Aus: limiting cap building to mechanisms might send wrong message to G-77.

US: Summary: recognize we have a mandate to look at mechanisms but want to be broad in our consideration of cap building. Maintain fact finding mode instead of pushing to conclusions

25.OCT.1999 8:21
US DEL TO CCPS
Vandrea Group Cap

(2)

C2 7

Canada: ^① needs, ^② summary of existing efforts, ^③ gap analysis
GEF work initially 9 months → 1st yr will see the development of a strategy

Australia: Will GEF look at Mechanisms? - NO - only FCCC

~~Japan~~

Canada: GEF SOL sent around 2 wks ago - Ashe had input

- US:
- May be contact group set up on GEF - to set up guidance?
 - Keep hearing, we need to do more on cap. building in a number of fr.
 - ↳ 13 Nat'l Comm, tech transfer, mechanisms
 - ↳ be clear about purpose -- capacity building to what end?
 - funds in budget for next biennium - Nat'l Comm
 - ↳ funds available for Nat'l Comm for prep & by GEF
 - ↳ COP should concern itself with consideration of Nat'l Comm
 - concern that cap building is prerequisite to meeting commitments and therefore an excuse for inaction

Canada: • on review of non-annex 1 comm: GEF is reviewing for cap. but not content

- to what end? measuring results is difficult -- inherently qualitative - therefore need clear purpose & definition
- do not intend pre-requisite language

US: controversy by letter from Mohammad Al-Ashry? GEF

- ↳ asked for comments from parties before COP
- ↳ concerns registered by G-77 that effort relies heavily on consultation from industrialized countries

Canada: hope was to launch TOR this week - no reference to nationality of consultants. Nothing that should preclude mixture of consultants in GEF guidance.

US: Placeholder for multilateral agencies report
DAC survey → revisited in November mtg.

Canada: need to sort out COP-GEF responsibilities

26.OCT.:999

8:01

US DEL TO COPS

NR.088 S.8

10/25/99

(3)

Umbrella Group - capacity building

C3 8

Canada: ADB project that address capacity building in KP/CDM

Japan: maybe we can show what we do already to show our good faith efforts.

US: one thing missing from G-77 paper that countries speak with one voice on capacity needs

Australia: can we clarify whether GEF will consider cap building for mechanisms? (Canada will)

US: Report back to JUSCANZ tomorrow. / Umbrella Grp^{summary} by noon tomorrow

UK: need to remember capacity needs for EIT

Australia: in light of this, need to look at G-77 paper for broadening CDM capacity

US: • Decision on which Umbrella Group country will take lead on capacity or each speak with own voice. Start w/ latter with eye to pace set by Ashe

• Financial mechanism → single decision on guidance to GEF this may be what Ashe has in mind - maybe looking at mondo decision - big & scary

Australia: w/ Omnibus decision - language must be linked back from tech transfer / int'l comm. / adaptation / mechanisms to broader decision

Japan: Korea part of JUSCANZ but not Umbrella - interesting case should be cautious

US: Also come up in CAN/US/MEXICO context

Written submissions should be shared...

Drafted by KBarrett

D

S.S
10/25/99
D. Baker

9

Kazakhstan Presentation on Emissions Inventories and Projections

Representatives of the Republic of Kazakhstan on Monday, October 25, made a presentation of recent technical work on national emissions done in preparation for Kazakhstan's eventual fulfillment of its pledge to join Annex I of the FCCC and assume an emissions target under the Kyoto Protocol. A mixture of national delegations, NGOs, and a few press totaling about 30 was in attendance. According to the presenter, Irina Yeserkepova of Kazakhstan's national modeling agency, the GOK has formed work groups on the following three topics to perform the technical work: energy, economic development, and emissions inventories and projections. Only the latter group has completed its work; as has been previously reported, macroeconomic forecasts are not expected out of the GOK Agency for Strategic Planning and Reform until the spring of 2000.

Yeserkepova presented emissions inventories from 1990 and 1994 and projections she said had been "revised" from those in the GOK's initial national communication. (Note: indications are that these numbers were the same as were presented at the July seminar in Almaty). According to these new estimates, Kazakhstan's 1994 emissions of 182 MMT of CO₂ equivalent were 23% below 1990 levels, with emissions from energy (the largest category) having fallen by 28%. Of those, CO₂'s share of total emissions slipped only slightly to 75%, with fuel combustion accounting for 95% of these.

The delegation presented 3 emissions projections – high, medium, and low. The "high" scenario suggests that Kazakhstani emissions will return to 1990 levels by 2012, the "medium" estimate projects 1990 levels by 2018, and the "low" shows emissions not returning to 1990 levels until sometime after 2020.

GOK head of delegation Baikarin also made brief remarks summarizing GOK actions and plans under the Kyoto Protocol, including the creation of an interagency commission on climate in 1998, and the intention to form a "government work group" to implement activities in the future. Baikarin was vague on Kazakhstan's plans for joining Annex I, indicating it had made application for an amendment, but allowing it was "looking at" means for doing so. He concluded his remarks by noting Kazakhstan's vulnerability both to the natural effects of climate change, and to "economic effects," and called for action on both Article 4.8 and 4.10 of the FCCC.

The Q&A period that followed was brief, but to the point. A member of the Polish delegation led off by asking for a prediction of Kazakhstan's Annex B target proposal. Yeserkepova replied with a "technical response" of "likely between -10% to +10% below/above 1990 levels." Baikarin chose not to add to her response. Other questions followed on the details of the GOK assumptions in its projections, and other technical issues.

26 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley *W*

Subject: COP-5 Update No. 3 (October 25/26, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25 to November 5, 1999. This report covers activities and discussions from the evening of Monday, October 25, through mid-day on Tuesday, October 26.

Also included with this report is the latest copy of ECO, the somewhat acerbic periodical published by a group of NGOs with supplemental funding by certain prominent European and U.S. environmental organizations. We are also submitting a copy of the NGO-published Earth Negotiations Bulletin which provides a relatively objective accounting of the previous day's events.

A supplement to this update will be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

26 October 1999

COP-5 Update No. 3 (Oct 25/26): Discussions Launched on Key Convention Issues, with Divergences in Views and Approaches Evident**HIGHLIGHTS**

- **Contact Groups Announced as SBI and SBSTA Begin Going Through Their Extensive Work Plans**
- **Discussion of Articles 4.8/4.9 (vulnerability/adaptation and compensation) Intense, with Divisions Appearing within G-77 Ranks**
- **Saudi Arabia and its Allies Once More Insist that Their Issues be Accorded "Equal Treatment"**

DETAILS**Officers Chosen**

Both the Subsidiary Body on Implementation (SBI) and the Subsidiary Body on Scientific and Technological Advice (SBSTA) began their extensive work programs on the afternoon of October 25, continuing in joint session on Tuesday, October 26. Both bodies chose their officers for the year: The SBI's slate includes John Ashe of Antigua/Barbuda as Chair, with Reza Salamat (Iran) as Vice Chair and Klaus Rodunsky (Austria) as Rapporteur. The SBSTA is headed by Harold Dovland (Norway) as Chair, with Lambert Gnapelet (Central African Republic) as Vice Chair and Andrej Kranjc of Slovenia as Rapporteur.

Contact Groups Announced as SBI and SBSTA Begin Going Through Their Extensive Work Plans

Discussions in the SBI session focused on Annex I and Non-Annex I national communications, while the SBSTA session dealt with cooperation with scientific institutions, Annex I communications, and Land Use and Land Use Change and Forestry. A discussion on national systems, adjustments and guidelines under Protocol Articles 5 (methodology), 7 (communications) and 8 (review of information) was also introduced. The joint SBSTA/SBI session on October 26 dealt exclusively with the impacts of climate change and on the impacts of response measures on non-Annex I Parties (compensation) under Convention Articles 4.8/4.9.

The status of the most important of these issues, along with an update on the various contact groups which have been organized, is recorded below:

SBI: Annex I and non-Annex I Communications: On Annex I communications, the U.S. called for the negotiation of Part I (description of the guidelines) at COP-5. However, the EU and Switzerland indicated their support for adopting the guidelines at COP-5. More discussion was focused on non-Annex I communications, where the compilation of the first synthesis report on communications from these countries was discussed.

Several obstacles to producing these communications were cited by the G-77/China, including inadequate financial resources, technical assistance and capacity building. The EU stated that the Global Environment Facility (the GEF) has provided most G-77 countries with funding for national communications work. China led a chorus of countries that disputed this assertion, with Iran complaining that countries also have needs which must be determined by their unique national circumstances. On a more positive note, several countries noted the utility that the compilation document has for identifying the difficulties faced by several non-Annex I Parties.

As for the preparation of new guidelines for second communications, the G-77/China opposed the suggestion that new guidelines are warranted. They called for the creation of a "non-Annex I experts group" along the lines of the Annex I body. This idea has become bogged down in part by Annex I insistence that its participation in any such undertaking must also be authorized; after all, it will be funded by the Annex I Parties.

A contact group on national communications will be convened under Mauritania's experienced negotiator, Mahmoud Al-Ghaouth. It appears that he will handle both Annex I and non-Annex I communications, although this will have to be confirmed in practice.

SBSTA: Cooperation with Scientific Institutions: Featured at this portion of the SBSTA meeting was an address by the Chairman of the Intergovernmental Panel on Climate Change (IPCC), Dr. Robert Watson. Watson reviewed the progress of the Third Assessment Report (TAR) (which he said would be available next May) and the three specialized reports now under way ((on Land Use and Land Use Change and Forestry (LULUCF), technology transfer, and emissions scenarios for greenhouse gases and aerial precursors.)) Watson stressed the severe budgetary problems faced by the IPCC and noted the lack of contributions from Parties - a serious situation which he urged them to address on an urgent basis.

SBSTA: LULUCF: A range of views was discussed during this relatively short exchange on this topic at the plenary session. Watson, speaking for the IPCC, said that key decisions should be made with regard to definitions, accounting, monitoring, and reporting systems and inventory guidelines before the Protocol should be implemented. The G-77/China said that no decisions should be taken until the IPCC releases its special report on this topic. Japan and Australia called for the establishment of a decision-

making framework at COP-5, with Australia asserting that the question is not "whether" but how to incorporate additional sink activities into the Protocol. Regarding additional activities, the U.S. said there should be transparency in reporting and verifiability. A contact group on this topic was established under the co-chairmanship of Iceland and Uganda.

SBSTA: National systems, adjustments and guidelines under Articles 5 (methodology), 7 (communications) and 8 (review of information): The Japanese Vice Chair of the IPCC Inventories Task Force updated the group on the work being done on uncertainties and good practices. Regarding guidelines for national systems, both the EU and Japan stressed the need for flexibility, while the U.S. urged Parties to incorporate the IPCC's good practice guidelines. New Zealand was tasked with organizing a contact group to develop a decision for the COP plenary on this topic.

Joint SBI/SBSTA Session: Article 4.8/4.9: The entire morning and part of the afternoon of October 26 was given over to a discussion of Saudi Arabia's pet issue: vulnerability/adaptation; and compensation. Nigeria introduced the discussion in the first of over 30 interventions on this topic. Not surprisingly, the Nigerian delegate took a page from the Saudi book on this topic, stressing that this issue must be treated "equally" with all other issues. He also warned that any consideration of technical workshops (something being advocated for the work on the mechanisms) would have to be open-ended and not confined to technical experts due to the "policy" implications of the work.

Zimbabwe, speaking on behalf of the G-77/China on this topic, took a more muted approach. The delegate expressed the group's concern that no action had been taken on this topic, and urged that a second workshop be scheduled prior to COP-6.

Saudi Arabia made the most hard-hitting remarks. Drawing conclusions from the September workshop in Bonn on this topic which were not evident to a great many other participants, Al-Sabban maintained that it is now time to stop gathering information and move to action, a point also echoed later in the morning by China's Prof. Zhong. Al-Sabban called for Annex I Parties to be compelled to provide complete information on the policies and measures they will use to implement the Protocol by February 2000, with a view to holding a workshop to decide a course of action in March. He said that reputable studies indicate that the OPEC countries will lose \$63 billion by 2010. He added that while OPEC is not insisting on any money exchanging hands now, the principle of compensation must be enshrined by COP-6. Finally, he complained about the role of nuclear energy, called for the removal of market distortions and subsidies. Al-Sabban's bottom line, read as a warning by some delegates was: "As long as there is equal progress on a package deal, there will be progress in this process."

Understandably, Japan, the U.S., the EU, Australia, Canada and a number of other Annex I countries disputed Al-Sabban's recollections of the meeting or rejected some of his more egregious conclusions. However, the more telling criticism came from a number of African and small island countries. The Marshall Islands criticized the third day of the workshop with the attempt to negotiate language into the conclusions as wholly

inappropriate. He and a few African representatives challenged the models cited by Al-Sabban, with the Marshall Islands expressing particular bitterness at Al-Sabban's assertion of a potential loss of \$63 billion. Uganda was dismissive of the package concept articulated by Al-Sabban. Both Japan and the Marshall Islands said an outright "no" to the idea of compensation, while most other opponents of the concept remained somewhat more diplomatic.

To a somewhat disgruntled SBI Chair, John Ashe, Japan proposed during the afternoon session that the contact group established by him to oversee this issue be changed from a sole chair (Iran's Salamet) to one which would be co-chaired by Sweden's venerable Bo Kjallen. The U.S. seconded this move, although Ashe stifled any further debate on this topic and said he would discuss the matter with the SBSTA co-chair, Harold Dovland (as will we).

Comment:

Although an overt confrontation with the Saudis has been averted thus far, this is probably only a matter of time. The Saudis are angry over the reception that their carefully crafted intervention on Articles 4.8 and 4.9 has received. We understand that the atmospherics at G-77/China meetings are occasionally quite explosive, with even the usual mild-mannered Ambassador Nironi Slade about to engage in fisticuffs with Zhong and Sabban who have attempted to dominate (thus far quite successfully it would appear) the G-77/China's approach to this meeting. Once the contact group on Articles 4.8 and 4.9 meets, we expect the tension among various Parties to increase.

As it is, we can expect Saudi attempts to slow down the mechanisms work and to use other pretexts to entangle the plenary into knots. One warning we have had concerns the October 26 discussion of the timing for COP-6. Al-Sabban has warned us that any effort to avoid a decision at this time could have some unspecified but unfortunate consequences. SBI Chair John Ashe, asserting that he had a commitment from Frank Loy at Ottawa not to block a decision in favor of COP-6 in November (which we are not trying to do in any case), has also expressed strong misgivings at our efforts to keep this matter open for discussion by ministers and other high level officials next week.

We will have to wait until tomorrow to see what transpires. In the meantime, we have been working overtime to convince Parties (with some success) not to rush into taking this decision too early – especially in the absence of any commitment, as yet, on the part of the conference to endorse the necessary intersessional work that must accompany any decision to host COP-6 in November 2000. End Comment.

CONFERENCE DE BONN CDP5 OCTOBRE-NOVEMBRE '99 LETTRE DES ONG

écco



ÉDITION FRANÇAISE

ÉCO est publié par les Organisations Non Gouvernementales lors des conférences majeures depuis la Conférence de Stockholm sur l'Environnement en 1972. Cet exemplaire est produit de façon collective par les groupes du Réseau Action Climat mondial présents à Bonn.

La Bonn Cuisine

« Il ne se passera rien à Bonn », « Les décisions importantes seront prises à la Cdp6 » a-t-on entendu çà et là... Si ces remarques glanées au vol devierrent vérité, il est temps de se préparer aux lits de camps de négociations à La Haye ! A moins que les 15 jours de la Cdp5 ne soient mis à profit pour éviter ce désagrément à l'ensemble des délégations ; auquel cas, nombre de sujets doivent impérativement être débattus et approfondis.

Au menu de la session, le chef vous propose :

En entrée, précision des règles du jeu pour

le respect des engagements :

- Définition des modes de contrôle et de sanction. Sans douter de la bonne foi des Parties, il est nécessaire que soit mis en place un mécanisme indépendant et transparent de vérification des réductions et/ou des limitations effectives des émissions. A ceci il faut ajouter un condiment nécessaire : un mécanisme de sanction suffisamment sévère pour être incitatif voire alléchant. Ceci passe notamment par la responsabilité conjointe des contractants aux échanges.

- Ingrédients indispensables à la préparation des communications nationales. Des indicateurs de performance et de prévision doivent être définis pour permettre d'évaluer de façon homogène le respect ou non des engagements. De même, une communication nationale n'est pas un ensemble de constatations satisfaites et de vœux pieux : les mesures à prendre pour rétablir éventuellement la situation doivent être explicites, claires... et ne pas être inscrites au conditionnel !

- Fixation d'un calendrier d'ajustement. La date à laquelle seront ré-examinés les engagements des Parties (notamment ceux de l'Annexe I) doit être fixée dès à présent. La

— suite au verso, col. 2

Adaptation : urgence !

Tous les scientifiques sont d'accord sur un point : les pays en développement sont les plus vulnérables aux changements climatiques, compte tenu de leur dénuement et de leur impréparation à faire face aux changements climatiques. Cependant, malgré leur responsabilité historique dans la concentration des gaz à effet de serre dans l'atmosphère, les pays développés appellent à la participation significative des pays en développement — même si la Convention et le Protocole de Kyoto recommandent aux pays développés de mener la danse. Les USA eux, avec le soutien des pays comme l'Australie et le Japon, exigent cette participation des pays en développement, ou du moins, la participation de certains pays avant même toute ratification du Protocole. Or, à l'heure actuelle, il n'est pas acceptable de parler de réduction des émissions de GES par les pays en développement sans parler d'adaptation. Par ailleurs, on ne peut continuer de passer sous silence les efforts de réduction entrepris dans ces pays.

Aujourd'hui, d'une part les engagements de réduction des émissions pris par les pays industrialisés ne sont toujours pas respectés et d'autre part, les objectifs de réduction ne sont pas non plus suffisants pour atténuer les changements climatiques. Devra-t-on laisser la vie des deux tiers de la population mondiale entre les mains d'un tiers ? La conscience collective qui soutient les principes directeurs de la convention exige plus que jamais que les préoccupations liées à l'adaptation soient prises en compte. Il est plus facile d'allouer quelques centaines de milliers de dollars pour préparer les communications nationales que de

— suite au verso, col. 1



Certaines actions sont sapées à la base...

CONFERENCE DE BONN COP5 OCTOBRE-NOVEMBRE '99 LETTRE DES ONG

Incapacités renforcées ?

Une fois de plus, les Pays non annexe I montrent sur la table de négociation, le problème crucial du renforcement des capacités. C'est une préoccupation incontournable autant que légitime si l'on veut que toutes les Parties participent de façon équitable au processus de négociation et de mise en œuvre de la Convention Cadre des Nations Unies sur les Changements Climatiques. Les réponses apportées jusqu'à présent à cette revendication ont été principalement orientées vers des actions ponctuelles de formation ou d'échanges souvent mal coordonnées et dont l'impact reste aujourd'hui très faible. Il va s'en dire que l'évolution actuelle du processus de négociation et de mise en œuvre de la Convention exige une réflexion approfondie sur les approches de renforcement des capacités qui répondent aux besoins spécifiques des pays non annexe I, ceci au regard des sujets complexes qui y sont abordés et des changements majeurs qu'elle implique dans les pays.

Les propositions formulées par le G77 et la Chine en matière de renforcement des capacités

illustrent bien les difficultés d'identification des besoins prioritaires. Elles mettent en évidence la multiplicité des acteurs et la diversité des compétences à développer en matière de changements climatiques. Pour éviter que ces propositions ne connaissent le même sort que les besoins de développement, il est important de mettre sur pied un plan d'action intégré de renforcement des capacités prenant certes en compte les préoccupations d'urgence de court terme mais surtout la construction d'un cadre beaucoup plus durable. Compte tenu de la diversité des domaines que couvrent les changements climatiques, et du fait que c'est l'ensemble du système de formation initiale et continue qui est sinistré dans les pays en développement. Il doit être introduit dans la mise en œuvre de la convention les éléments suivants :

- Le soutien au développement de réseaux institutionnels et de réseaux thématiques dans les pays non annexe I sur les questions de changements climatiques. S'il existe dans la plupart de ces pays, des institutions impli-

quées dans la mise en œuvre de la Convention, soit dans la préparation des communications nationales, soit ou dans de l'exécution de projets spécifiques, c'est un véritable réseau opérationnel qui doit être construit sur ces bases.

- L'appui aux différentes filières de formation initiale qui finalement nourrissent le monde professionnel. On devra développer en même temps les filières scientifiques mais aussi les sciences sociales qui permettent de faire évoluer les pratiques pour avoir un réel impact sur les changements climatiques. Il est temps de faire renforcer les programmes de formation des formateurs dans les différents pays non annexe I.
- De même, l'appui au développement institutionnel, dans un contexte de décentralisation annoncée - cas des pays africains - fait partie du renforcement des capacités dans la mesure où c'est l'un des moyens permettant de mobiliser l'ensemble des acteurs et des compétences présents dans ces pays.

-Adaptation, suite

s'engager dans des programmes d'adaptation viables pour sauver la majorité de l'humanité.

La seule issue pour les pays en développement consiste à s'adapter. C'est pour cela que le fonds d'adaptation d'une part et le mécanisme de développement propre (MDP) d'autre part devraient servir à couvrir les besoins d'adaptation des pays en développement.

Conférences de ce jour :

L'Eolien : 10% en 2020

Rapport présentant région par région le potentiel d'énergie éolienne

EWEA; FED & Greenpeace

Room 105 - Ministère des Transports

13:00 (sandwichs sur place)

Egalement à suivre aujourd'hui :

Critères et Indicateurs pour le CDM

Helio International

19:30 - salle indiquée sur le tableau.

Editorial/Production: Alistair Eglehart; Sheena Lee;

Dylinquid Narasta; Céline Lauvarjat; Emile

Tanawa; Jérôme Des; Moussa Kola Cissé.

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Eco Webtalker: <http://www.lgc.org/climate/Eco.html>

-Bonn Cuisine, suite

sortie du troisième rapport du GIEC serait le moment idéal pour une évaluation et un renforcement des engagements à la CdP suivante.

- Définition des pulls. Les signataires ne doivent pas espérer se faire créditer quoi que ce soit pour des projets qui auraient eu lieu de toute façon.

En plat du jour, définition des règles applicables aux mécanismes de flexibilité :

- Le mécanisme de développement propre (MDP). Il convient de définir ce qui est effectivement « propre » : goûtons la sauce avant le nappage. Il est ainsi évident que les technologies relatives à l'utilisation des combustibles fossiles, du combustible nucléaire, et la grande hydroélectricité ne sont pas « durables ». Encore faut-il que leur exclusion des MDP soit clairement annoncée dans les jours prochains. Sinon, comment imaginer les premiers pas en janvier prochain ?... enfin si l'on imagine...

- L'application conjointe (AC) et les permis d'émission négociables. Les règles de bonne conduite sont indispensables et absentes. Il faudra pourtant s'assurer que les émissions n'ont pas été accrues par le recours à ces mécanismes et que ceux-ci n'ont pas pris la place sur la mise en place de mesures domestiques, au besoin par la fixation d'un acuit.

Plateau de fromages. Voici les sujets dont l'odeur nous indique qu'ils seront prochainement sur la table :

- Les mesures d'adaptation. On parle beaucoup des mesures et des mécanismes de réduction, mais au rythme où vont les choses, des efforts d'adaptation doivent être entrepris dès maintenant. Ce sujet doit avoir la place qu'il mérite sur le plateau des négociations.... mais il est vrai qu'il concerne en priorité les pays en développement!
- Le renforcement des capacités. Les pays du Sud ont leurs intérêts à défendre face à des délégations extrêmement bien préparées. Les pays industrialisés ne doivent pas s'en tenir à des aides ponctuelles mais à un programme d'action coordonné. Il y va de la mise en œuvre de la Convention.

Mais attention ! Le dessert ne sera servi qu'aux Parties qui auront ratifié le Protocole.

Bon appétit !

REMERCIEMENTS

Le Réseau Action Climat tient à remercier World Wildlife Fund, Greenpeace International, National Environmental Trust, Environmental Defense Fund, Glastonbury Festival of Contemporary Performing Arts, Swedish NGO Secretariat for Acid Rain et Union of Concerned Scientists pour leur soutien financier.

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IISD



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COP-5
#2

HIGHLIGHTS FROM THE FIFTH CONFERENCE OF THE PARTIES TO THE FRAMEWORK CONVENTION ON CLIMATE CHANGE MONDAY, 25 OCTOBER 1999

On the opening day of the Fifth Conference of the Parties (COP-5) to the Framework Convention on Climate Change (FCCC), delegates met in Plenary to hear opening addresses and consider organizational, administrative, financial and other matters. The Subsidiary Body for Scientific and Technological Advice (SBSTA) considered Annex I communications and land use, land-use change and forestry (LULUCF). The Subsidiary Body for Implementation (SBI) considered Annex I and non-Annex I communications and the financial mechanism.

PLENARY

COP-4 President Maria Julia Alsogaray welcomed delegates to COP-5. She said the Buenos Aires Plan of Action (BAPA) had generated new momentum and stressed the need for political will to fulfill the BAPA and allow for the Protocol to enter into force by Rio+10 in 2002.

Jan Szyssko, Minister of Environmental Protection, Natural Resources and Forestry, Poland, was elected President of COP-5. He said the operation of the flexibility mechanisms, compliance and guidance on the COP acting as the Meeting of the Parties to the Protocol should be settled by COP-6. He referred to concerns by some developing countries on the Protocol's impact on their development efforts and noted the need to find alternatives that lower implementation-related costs for developing countries.

Gerhard Schröder, Federal Chancellor of Germany, said the vision for sustainable development articulated at the Rio Summit had not become a reality as quickly as hoped. He noted that, despite the establishment of the FCCC, there had been setbacks in the climate process, including the inability of most industrialized countries to reduce their CO₂ emissions to 1990 levels by the year 2000. He outlined Germany's efforts to reduce GHG emissions, including a reduction target it had set itself of 17% by 2005 and an "eco-tax" that raises energy consumption costs. He said the Protocol should enter into force by 2002 and urged Parties to implement their pledges in international fora.

FCCC Executive Secretary Michael Zammit-Cutajar, on behalf of Kofi Annan, UN Secretary General, stressed the need for urgent action if the Kyoto commitments were to be met. He called for sensitivity to the needs of vulnerable countries and financial empowerment of developing countries. Assuring the COP of UN support, he said the global community wished to see the CDM activated after COP-6 and the Protocol ratified by 2002.

On organizational matters, the COP adopted the agenda, with the exception of Agenda Item 5, as consensus had not been reached on a G-77/China proposal to amend the item to read "Review of the adequacy of implementation of Articles 4.2 (a) and (b) of the FCCC" (policies and measures by Annex I Parties), rather than "Second Review of the adequacy" of these articles.

The COP elected its Bureau members. The Vice-Presidents elected were: Papa Cham (The Gambia), Phillip Gwage (Uganda), Mohamed Al-Sabban (Saudi Arabia), Liu Zhemmin (China), Olexander Bilev (Ukraine), Yvo De Boer (Netherlands), Neroni Slade (Samoa). The COP elected Antonio Vallim Guerreiro (Brazil) as Rapporteur, John Ashe (Antigua & Barbuda) as Chair of SBI and Harald Dovland (Norway) as Chair of SBSTA. Delegates then adopted the proposed organization of work for COP-5.

On administrative and financial matters, the COP adopted a draft decision stating that the institutional linkage of the FCCC Secretariat to the UN will be continued. Delegates agreed to President Szyssko's proposal to continue consultations on the constitution of the proposed Multilateral Consultative Committee.

SBI

SBI Chair John Ashe introduced Vice Chair Mohammed Reza Salamat (Iran) and Rapporteur Klaus Radtinsky (Austria). The provisional agenda was adopted as amended by the Plenary.

On Annex I communications, the US recommended that only Part I (general description of guidelines) be negotiated through a contact group and adopted during COP-5. SWITZERLAND, with the EU and AUSTRALIA, supported adopting the guidelines at COP-5. AUSTRALIA said the guidelines may be applicable to Protocol inventories.

SBI discussed the first synthesis report of non-Annex I initial communications. On obstacles to producing non-Annex I communications, the G-77/CHINA called for provision of adequate financial resources, technical assistance and capacity-building to support non-Annex I countries in collecting data and identifying national emission factors and methodologies for adaptation assessment. The EU, opposed by CHINA, said the GEF had provided most non-Annex I Parties with funding for national communications. UZBEKISTAN noted that constraints included lack of research and data on emissions factors. IRAN noted that countries also have needs determined by their unique circumstances.

On the advantages of producing non-Annex I communications, the G-77/CHINA said that despite difficulties in identifying significant trends, the synthesis of initial non-Annex I communications was a first step in considering information related to FCCC implementation by non-Annex I Parties. The EU, CANADA and

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MICRONESIA noted the usefulness of the compilation and synthesis report in better understanding the difficulties faced by non-Annex I Parties.

On guidelines for non-Annex I communications, the G-77/CHINA opposed changing the guidelines, as many non-Annex I countries have not finalized their first communications. AOSIS noted the need to modify IPCC guidelines for small island developing states because they are not always applicable to their special circumstances. Since many countries had expressed an interest in initiating second national communications, the EU said guidelines should be reviewed. SWITZERLAND said there is a need for one unified reporting format for all FCCC Parties and for the use of IPCC guidelines.

The G-77/CHINA called for an expert review of non-Annex I communications by non-Annex I Party experts. The EU and others highlighted the need for an expert review and consideration of non-Annex I communications and said all countries could benefit from this exercise. AOSIS opposed technical assessment processes for individual national communications. ARGENTINA supported regional groups of experts. The REPUBLIC OF KOREA added that expert review teams should focus on identifying solutions to obstacles in preparing communications and sharing experiences.

On the timing of second national communications, the G-77/CHINA noted that there is a differentiated timetable under the FCCC for submission of national communications by Annex I and non-Annex I Parties. She said submissions of non-Annex I Parties' communications were contingent on the availability of financial resources. The US, supported by CANADA and SWITZERLAND and opposed by CHINA, said the revision of guidelines was fundamental to improving second national communications. A contact group will be convened on non-Annex I communications.

SBSTA

Delegates adopted the agenda, as amended by the COP Plenary, and the organization of work. Lambert Gnapelet (Central African Republic) and Andrej Kranjc (Slovenia) were re-elected as SBSTA Vice-Chair and Rapporteur respectively.

On cooperation with relevant scientific organizations, Robert Watson, Chair of the Intergovernmental Panel on Climate Change (IPCC), reported on progress on the Third Assessment Report (TAR) and three special reports on technology transfer, emissions scenarios of GHGs and aerosol precursors, and LULUCF. He highlighted IPCC's budgetary constraints due to the large number of special reports, the enhanced regional emphasis and increased participation of experts from developing countries and countries with economies in transition. He expressed concern over the poor financial response from the majority of governments and urged Parties to resolve this issue.

On Annex I communications, the EU noted the need to include indicators such as emissions per capita or emissions per unit of output. Regarding the draft guidance for reporting on Global Climate Observation Systems (GCOS), the EU, with MONGOLIA, recommended that Annex I Parties prepare separate reports on global climate observation and include in their national communications a summary based on general reporting requirements. AUSTRALIA suggested that projections of the effect of policies and measures on future trends of GHG emissions and removals be developed by sector. The MARSHALL ISLANDS and JAMAICA supported detailed and rigorous reporting. The US said the quantity and level of detail should balance needs for comparability, transparency and practicality. A contact group chaired by Jim Peman (UK) and Mark Mwandooya (Tanzania) will meet to consider this issue.

On LULUCF, Watson presented provisional findings from the Special Report on LULUCF. He said key decisions should be made with respect to definitions, the accounting system, monitoring and reporting systems and inventory guidelines, before the Protocol could be implemented. The G-77/CHINA said any consideration of the LULUCF process should begin after the release of the IPCC Special Report. JAPAN, with AUSTRALIA, called for the establishment of a decision-making framework at COP-5. AUSTRALIA stressed that the key question is not "whether" but "how" additional sink activities could be included in the Protocol. CANADA said the decision-making framework should be based on consistency between the provisions of the Kyoto Protocol.

Regarding additional activities, the US said there should be transparency in reporting and verifiability. According to the EU, the IPCC Special Report and country specific data should provide the basis for future discussions and decisions. A contact group will consider this issue further.

On national systems, adjustments and guidelines under Protocol Articles 5 (methodology), 7 (communications) and 8 (review of information), Taka Hiraiishi, Vice-Chair, IPCC Inventories Task Force, reported on the work being undertaken on uncertainties and good practice in inventory preparation.

Regarding guidelines for national systems, the EU, with JAPAN, said they should be flexible in order to reflect different national circumstances. The US highlighted the incorporation of IPCC good practice guidance. AUSTRALIA proposed including, *inter alia*, quality assurance and quality control procedures, links between national systems and emissions trading systems and links with the transfer and acquisition of assigned amounts. SWITZERLAND said guidelines should include criteria for national enforcement systems to comply with relevant guidelines, and the establishment and treatment of data related to Protocol mechanisms.

Regarding adjustments, AUSTRALIA said they are intended as an element of the Protocol's compliance system. The EU and JAPAN stated that further discussion on technical aspects should only occur after the completion of IPCC's work on good practices. CANADA noted the lack of clarity in what an adjustment would be. With NEW ZEALAND, he expressed support for a technical review process of inventories, noting that this is fundamental to the development of an adjustment process. Helen Plume (New Zealand) will conduct informal consultations.

IN THE CORRIDORS

An unexpected delay in Monday morning's Plenary led to expressions of pessimism by some participants at what can be expected from COP-5. Some said the failure by the G-77/China and the EU to agree on a proposed reformulation of an agenda item on the review of adequacy of commitments served as a telling reminder of the persistently contentious issues that can be expected to feature during the next two weeks.

THINGS TO LOOK FOR TODAY

JOINT SBI/SBSTA: SBI and SBSTA will meet in Plenary at 10:00 am and 3:00 pm.

INFORMAL CONSULTATIONS: Informal consultations are expected to be held in morning, afternoon and evening sessions. Consult the announcement board for details.

27 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: Supplement to COP-5 Update No. 3 (Oct 25/26, 1999)

This message conveys summaries of various meetings and side-events prepared by USDEL participants at the the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This message should be read in conjunction with our regular COP-5 Update No. 3 for Tuesday, October 26..

The following reports are included:

- (a) An account of the SBI afternoon/evening session on October 25 prepared by DOE's Linda Silverman;
- (b) An account of the SBI/SBSTA plenary session on the afternoon of October 25 prepared by EPA's Daniel Bilello;
- (c) Notes on the October 26 morning joint SBI/SBSTA session prepared by EPA's Daniel Bilello;
- (d) A report on the October 26 SBSTA meeting prepared by EPA's Martin Dieu, and
- (e) A report on the October 26 joint SBSTA/SBI session prepared by a joint USDEL team consisting of EPA's Jennifer Macedonia & Martin Dieu and USAID's Duane Lakich.

A

Linda Silverman DOE

Monday, October 25 SBI Afternoon/Evening Session

John Ashe of Antigua/Barbuda took over the Chair of SBI at this meeting. Most of the discussion focussed on non-Annex I National Communications – specifically, consideration of review of First National Communications (NCs), whether to revise guidelines for the preparation of NCs and problems/issues encountered by developing countries in preparing their NCs. The Secretariat opened this discussion by describing the Compilation and Synthesis document, which looked at the first 11 NCs by non-Annex I Parties. Because there were so few, it was difficult to note trends among countries with vastly different national circumstances and emissions profiles.

However, the Philippines, on behalf of the G-77/China, as well as many non-Annex I Parties that intervened, agreed on the following: the counterproductivity of revising guidelines since only 11 (actually 13 by this meeting) NCs had been submitted; insufficient GEF funding; the need to improve local emission factors and collection of activity data; the inability to simply adapt existing IPCC methodologies to many Parties (particularly AOSIS); and the practical difficulties inherent in collecting and analyzing data due to the need to build capacity. Several developing and developed countries endorsed the establishment of an Experts process to help with NCs of non-Annex I Parties. The U.S., Canada, Australia, Switzerland and Japan unanimously recommended revising guidelines for preparing Second NCs in order to improve reporting and correct gaps based on lessons learned to date. These countries also cited the need for voluntary reviews, which would benefit those developing countries who allowed this and would improve overall data availability. True to its OPEC leanings, Iran offered a suggestion to develop “technical options arising from impacts from response measures.” A contact group will reconvene to deal with all issues under this agenda item under the chairmanship of El Gaiouth (sp?) of Mauritania.

The session also dealt with NCs by Annex I Parties. Many Annex I Parties spoke on the need to adopt guidelines for 3rd NCs by Annex I Parties, on the need to regularize an in-country review process, and on the need for the Secretariat to develop an electronic database to compare data. A contact group under the chairmanship of Penman (UK) and Mendoza (Tanzania) will reconvene.

B

25 October 1999 Afternoon Plenary (50 minutes)
Nototaker - Martin Dieu

Just a quick bit of business before the SBSTA and SBI, Szyszko gaveled to conclusion item II(f) of the agenda. But before the new COP President could put-to-bed the COP5 scheduling item, Saudi Arabia offered an intervention, opening with, "Mr. President, we will be on your side in helping you achieve progress."

Saudi Arabia Intervention

1. There must be a balance of action on the Buenos Aires Plan of Action - not only issues of interest to Annex I countries. Therefore, an equal number of meetings must be scheduled on key issues of interest to China/G-77 such as Articles 3.14 and 4.8/9. By the end of COP5 Saudi Arabia expects to see equal progress on all issues, not just the Annex I issues.
2. Also, in previous COPs it was decided that there should never be more than two meetings scheduled for the same time. This is in deference to the small size of many of the delegations. Please instruct the Secretariat to follow this rule in scheduling all meetings at COP5.

As a final bit of business, it was agreed that the institutional linkage between the UN and the Secretariat next be reviewed by December 31, 2001.

We then adjourned to the separate SBI and SBSTA meetings.

Van Bille

C

Notes on SBSTA/SBI Joint Session - 10:00-13:00 on 10/26/99

Overview:

The session was chaired by SBSTA chair Harald Dovland and the full three hours were taken up by interventions on the first agenda item. (Implementation of Articles 4.8 and 4.9 (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol and Matters relating to Article 3.14 of the Kyoto Protocol) All interested Parties did not have the opportunity to intervene, and the agenda item was to be continued in the afternoon session under the Chairmanship of SBI Chair John Ashe.

The first statements were made by former SBSTA chair Chow regarding the recent 4.8/4.9 workshop held in Bonn. Chow summarized the workshop findings that are further detailed in FCCC/SB/1999/9. Over 35 countries intervened on this subject - commenting primarily on the recent workshop, the relationship of Convention Articles 4.8/4.9 to Kyoto Protocol Articles 2.3 and 3.14, linkages of progress on various elements of the Buenos Aires Plan of Action, and the most appropriate way forward on this issue.

Zimbabwe spoke on behalf of the G77 noting their concern over the implementation of work related to 2.3 and 3.14 of the Protocol and 4.8/4.9 of the Convention. Zimbabwe called for a second workshop on these issues, with an emphasis on the development of concrete proposals and actions to assist countries in identifying vulnerabilities and developing adaptation strategies. In addition, most G77 countries recognized capacity building, technology transfer, and financial assistance as priority issues to address vulnerability and adaptation.

Led by the intervention of Saudi Arabia - the OPEC countries emphasized their perceived vulnerability to response measures to climate change that would impact their economic development. Saudi Arabia among others called upon Annex I countries to present information (by 2/2000) on their specific Policies and Measures they plan to implement and the envisioned impacts that these policies will have upon developing countries. Their intervention also made specific reference to Article 3.14 and the requirement for the "establishment of funding" to address issues relating to vulnerability and adaptation.

Many non-oil producing members of G77 (particularly AOSIS and African countries) countered Saudi Arabia's call for a explicit linkage of progress certain elements of 4.8/4.9 to work in other areas on vulnerability and adaptation. These countries highlighted the distinction between the vulnerabilities faced by the least developed countries and Island states (and their economic capacity to respond) and those faced by oil producing states.

The U.S., other Umbrella countries and the EU noted their support of the recent workshop, but also their concern over the politicized tone of the discussion during the last day. They supported continued work on the identification and assessment of vulnerabilities to climate change, but noted that 4.8 and 4.9 address distinct issues and should be approached differently. These countries also highlighted the fact that many response measures undertaken may have positive impacts rather than negative.

Other Country Specific Comments of Note:

Nigeria - Referenced their CDM Equity Fund proposal as one way to begin addressing this issue.

Saudi Arabia - Highlighted recent nuclear accident in Japan as an example of why nuclear power is not a reasonable policy for addressing climate change.

Marshall Islands - Cannot accept the notion of "compensation" that was mentioned in point 15c of the workshop summary. Also noted that agenda item covering 3.14 was purely cosmetic. The Marshall Islands were most vocal among the AOSIS countries in countering the Saudi position on linking progress among the elements of 4.8/4.9.

EU - Guidelines for vulnerability assessment not available, but methodologies should be developed. Work on 4.8/4.9 should be linked to work on Policies and Measures.

Senegal - Called for debt relief to be considered as a means to assist the most vulnerable countries.

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26 October SBSTA 11 Plenary
Martin Dlen

[Comment: this document should be read in conjunction with Earth Negotiations Bulletin COP5#2; notes are meant to complement, and avoids duplication.]

Initial Business

Harold Dovland (delegation Norway) took over as the new SBSTA chair. Noting that the SBSTA agenda is unchanged from recent meetings, the chair pointed out that item 7 – Capacity Building – is making its first appearance in SBSTA. The chair asked that after the initial housekeeping business, Dr. Watson (Chair, IPCC) be allowed a special status update on the three special reports IPCC reports requested by SBSTA 11. The agenda was proposed as:

1. IPCC status report on special studies
2. Agenda item 8 (a) and (b)
3. Agenda item 9 (a) and (b)

Additional housekeeping items:

1. Dennis Tirpak was named the Secretariat's new chief coordinator for SBSTA.
2. Lambert Gnapet, Vice Chair (Central African Republic) and Andrej Kranjc, Rapporteur (Slovenia) were retained for SBSTA 11.
3. Item 9(c) documents are to be made available on Tuesday, October 26, 1999.

IPCC Status Report

Dr. Bob Watson updated SBSTA on the status of the Third Assessment Report three special assessments, reporting significant progress.

- Technology Transfer Report
- Emissions Scenarios of GHGs and aerosols precursors
- Land-Use, Land Use Change and Forestry (LULUCF)

Watson noted that special attention is being given to complicated issues such as assessment, sustainable development, "trade offs of action" (possibility of co-benefits), uncertainties and cost methodologies and framework. Comments from Parties should focus on these issues. Watson explained that he would be elaborating on these points in the discussion of Agenda Item 9(a).

In concluding, Watson upbraided delegations for not paying promised funds IPCC in support for the many additional reports requested. [comment: USG has already paid more than expected share, but will look into situation; these IPCC reports are considered very helpful by USG.]

Agenda Item 8(a) – Annex 1 National Communications Guidelines

Refer to documents: FCCC/SBSTA/1999/13
FCCC/SBSTA/1999/13/Add.1
FCCC/SBSTA/1999/13/Add.2

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Annex I National Communications Events Planned:

Workshop 30 Nov. - 2 Dec
Friday, 29 Oct. Special Event

Finland, in the chair for the EU, began the interventions, generally praising the Secretariat's rewrite as represented in Addendum II. Finland noted that policies and measures are valuable to include in the national reports. Finland also cited the importance of strong reporting as a prerequisite for flexible mechanisms. The need for greater detail and uniformity in reporting was also strongly supported by the Marshall Islands and Jamaica (AOSIS).

The USG agreed that these reports are very important, but placed more emphasis on raising the quality of the reporting rather than placing additional requirements on Parties: "The quantity and level of detail required in Part II of the guidelines should balance our needs for comparability and transparency, with practicality."

A policies contact group will be meeting at 10am on Tuesday to further address outstanding issues.

Agenda Item 8(b)

Chair referred Parties to document FCCC/SBSTA/1999/13 regarding Best Practices (BPs). For more on BPs, see document FCCC/SBSTA/1999/8. Denmark will host a workshop on BPs in Copenhagen from 11-13 April 2000.

Agenda Item 9(a) - Sinks

Refer to documents: FCCC/SBSTA/1999/MISC 7
FCCC/SBSTA/1999/MISC 7/Add.1

Watson reemerged, igniting a debate between EU-China/G77 vs Umbrella. He pointed out a number of outstanding questions that must be addressed before moving forward with the special report on LULUCF:

1. Definitions of forestation, deforestation and reforestation are unclear and must be resolved.
2. Selective accounting vs. full accounting
3. Accounting under Art. 3.3 - rate of sequestration
4. Monitoring system

The heart of the issue is that AOSIS and China/G-77 do not want to see Sinks included in CDM. To slow the decision process, the Marshall Islands, Brazil (for the G-77), and Congo all spoke against considering results of the LULUCF report prior to its finalization. Countering this position, many members of the Umbrella spoke in favor of moving forward now, with Japan forcefully proposing a decision making framework coming out of COP5, with specific follow-up sequence:

1. SBSTA consider list of eligible activities at SBSTA 12;
2. SBSTA submits data for discussion and elaboration of eligible additional activities at workshop to be held between SBSTA 12 and COP6;

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3. Decide list of eligible activities at COP6;
4. Review periodically the range of approved activities.

The chair determined that a contact group is needed to address these contentious issues. The contact group will meet at 7pm on Wednesday.

Agenda Item 9(b) – National Systems

Reference documents: FCCC/SBSTA/1999/MISC.9
FCCC/SBSTA/1999/MISC.9/Add.1

Taka Hiraishi began discussions with a report out from the IPCC Inventories Task Force. It was not clear to the notetaker that any controversies attended this issue. China/G-77 did not comment, though details regarding guidelines and adjustments were submitted through interventions by the EU, Japan, New Zealand, Australia, Canada and Switzerland. Japan and the EU supported flexibility in the guidelines. There seemed to be less agreement on what an adjustment would actually look like and how adjustments should be characterized within the Kyoto Protocol framework.

This agenda item will be taken up in informal consultations headed by Helen Plume (New Zealand) at 7pm on Tuesday.

Additional Meetings

The Friends of the Chair for Technology Transfer will meet at 3pm Tuesday to review concerns. The US delegation (Marsh/Schwengels) will be introducing a new information proposal at that meeting.

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26 October - Joint SBSTA-SBI Meeting (3:00-6:00 and 7:00-9:00)
Martin Dieu, Duane Lakich, Jennifer Macedonia

These notes cover spill-over of discussion on 4.8/9, as well as all of the capacity building, AIJ and consolidated Synthesis of Proposals discussions.

4.8/9 spillover

G-77 waxed eloquent on compensation under Article 4.8/9. The Swiss were the only counterbalance, arguing for more work on methodologies. The SBI Chair, John Ashe, proposed that Mr. Salamat lead a contact group on the issue. Japan, with the US supporting, suggested Swedish Ambassador Bocharan as a suitable co-chair. John Ashe will consider the suggestion.

Capacity Building - agenda item 7
reference document: FCCC/SB/1999/MISC.9

Discussion was based on G-77/China proposal. The interventions were contentious. The divide was sharpest between the interventions of the G-77/China and the Umbrella Group, but the EU was also very close to the Umbrella on this issue. Here are the summarized points.

G-77/China (with initial statement read by Tanzania)

Key Position: adoption of draft decision submitted by G-77/China
Underlying Principles

- CB takes place in developing countries and is for developing countries
- G-77 countries already have most of the talent they need
- G-77 countries lack access to technology transfer and could use assistance on some issues
 - Institutions
 - Finance
 - Information

Characteristics of Actions

- Comprehensive
- Build capacity in the human resources
- Address the special vulnerabilities of some nations
- Strengthen institutions in country
- Strengthen UN organizations and other existing international organizations
- Follow prioritized needs as expressed in G-77/China proposal.

Critique:

- GEF proposal will line the pockets of rich consultants (Marshall Islands)
- Avoid using high priced consultants from OECD nations
- Secretariat's approach is also not acceptable and did not incorporate G-77 comments (Marshall Islands)
- No more one day workshops - approach needs to be "consistent" (Central African Republic)
- Don't give money without follow-up (CAR)
- Even regional workshops are too expensive for very poor countries - let's do sub-regional workshops (Bhutan and Cook Islands)

Specific Interventions:

- Both China and the Philippines dusted off the rhetoric for their interventions: "we've been waiting for action from developed countries since before COP1"; "of developing countries, by developing countries and for developing countries".
- AOSIS: stressed that Sinks are uncertain in the long-term and cannot be included in CDM.
- African Countries: (CAR,) praised USAID and Canada for their approach to CB, and then later specifically thanked USAID for funding the latest workshop with \$15K.
- Thailand: seemed to be stating support for GEF proposal and not against assessment.

Umbrella Group and EU

Key Position: decisions on capacity building will not be made until COP6; COP5 is the beginning of this process

Underlying Principles:

- Balance priorities against possible financial resources
- Utilize current mechanisms where possible (including CDM)

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- Avoid duplication
- Use existing resources
- Look for synergies with other Articles of the Protocol (mechanisms, tech transfer, finance)
- CB is continually evolving and must be able to change
- Technology transfer
- Finance through the GEF

Actions:

- Comprehensive Assessment (identify gaps before moving forward)
- Clear review of current actions
- Identify clear priorities
 - use national communications to identify priorities (Norway)

Critique of Draft Decision:

- Too vague and theoretical – needs to more clearly focus on specific needs (Switzerland)

Specific Interventions:

- Russia/Hydromet representative was praised by G-77 for his blunt statement that Russia has no money to give to CB, but would be happy to offer in-kind training at advanced institutions in Russia.
- Kazakhstan like Russia, said it will share its experience and focused on dramatic gains that can be made with relatively modest investments.
- Japan: read long list of bilateral assistance (see intervention).

Chair finished off CB session by naming Reifsnnyder and himself as the co-chairs for the Contact Group for Capacity Building.

Review of Activities Implemented Jointly under the Pilot Phase – agenda item 5

reference documents: FCCC/SB/1999/5 (+addendum)

G-77/China: AIJ should be extended as is without credits and without AIJ-CDM convergence, because:

- AIJ is a convention issue
- AIJ is not equitable (few projects in Africa and AOSIS)
- Sinks are largest percentage of total projects and since Sinks are not long-term activities, AIJ cannot receive credits (AOSIS)
- Only 1/3 of all projects have taken place in developing world, so not enough experience.
- Need better definition of projects eligible for credits (Botswana)
- Need more funding to better evaluate projects.
- Not a source of technology transfer – only technical advice (Iran)
- AIJ addresses both GHG sources and Sinks – therefore it is not clear where it should fit under Protocol (Iran)
- ODA is used in AIJ, so AIJ cannot become CDM (Korea, immediately after Japan)

Umbrella Group: Want review now with decision at this COP. There will be significantly less private sector investment without a clear signal about credit.

- Russia: AIJ could develop into the flex mechs (CDM and JI). Cited US business interest in JI investments in Russia as important reason for supporting decision at this COP.
- Poland: strongly supported Umbrella position.

EU: came out in favor of ending the pilot phase, and allowing for eventual retrospective crediting.

Switzerland: expressed position very close to US and Australia. Wants simpler reporting rules.

Chair announced that a Contact Group for AIJ will meet Wednesday, from 6-7 in Salon Mann. It will be co-chaired by Ambassador DeBore. The agenda is as follows:

- Lessons learned
- Recommendations on draft agenda
- Report on URF

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Consolidated Synthesis of Proposals (SoP) – agenda item 6

Reference documents: FCCC/SB/1999/MISC.3
FCCC/SB/1999/MISC.10

Former Chair, Dr. Chow, introduced the document, pointing out that while not all of the proposals are included, they are all on the table.

G77/China: Sharma began the interventions with entertaining but delaying and obstructive content. He and others continually stressed the primacy of CDM development over other two mechanisms. Focused on defining principles, and rules. Suggests that Parties move CDM and other two mechanisms on separate tracks. On the positive side, all the G-77 speakers praised the format and the document itself. The G-77 cannot begin work on reviewing this document because:

- Only began consultations over weekend (claims that many G-77 members only saw SoP for first time yesterday), but needs to have more time to consult in G-77 (delay tactic).
- Some G-77 proposals were excluded.
- G-77 plans additional proposals.
- Too complicated.
- Uncertain on equity.

AOSIS/Tuvalu cautioned against inclusion of sinks in CDM, and admonished Annex 1 about "off-loading" responsibilities. Asked that any discussions begin with consideration of broad principles:

- Supplemental
- Conditionality
- Compliance
- Adaptation "surcharge"
- Need for mechanisms to address renewable energy
- Nuclear energy excluded from mechanisms

China tossed a few bombs:

- There must be three separate decisions on the three flex mechs.
- Chinese specified that since Article 12 refers to action at the first 1st COP/moP, decisions will have to be put off until after ratification of the Protocol.

Saudi's threatened progress on SoP if nothing is done on 4.8/9.

Brazil was the bright spot, saying that a decision on all three mechs at the same time could work:

- but all three need to have same rules and operational cost
- want trading and JI to have same verification methods so that there are equivalent operational costs

Bolivia also mentioned the need for additional Annex 1 contributions if G-77 countries were to attend additional meetings.

Umbrella: all speakers were very brief:

- Must be a COP6 decision on all three if Protocol is to be ratified
- Begin contact group immediately
- Intensify inter-sessional meetings

A late intervention from Russia was not helpful:

- pushing for definition of terms (additionality and supplementarity)
- came out in favor of joint liability

EU: came out in favor of a COP5 producing a negotiating text. Left door open on Supplementarity – this is the first proposal and we may be able to discuss other options.

Swiss announced a new climate change law. (Ref. Bern 004271)

Chair asked for a joint contact group to start meeting tomorrow with the following tasks:

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- Revise and consolidate SoP, amending where necessary with a view to preparing the negotiating text -- also give consideration to the technology appendices.
- Agree on a workplan leading up to COP6, including inter-sessional -- and consider resources.

This plan was rejected by the G-77, so in the end the Chair asked Dr. Chow to call a meeting of the regional coordinators for tomorrow at noon in Salon Anne, to consult and plan the work.

28 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley ~~W~~

Subject: Supplement to COP-5 Update No. 4 (Oct 26/27, 1999)

This message conveys summaries of various meetings and side-events prepared by USDEL participants at the the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This message should be read in conjunction with our regular COP-5 Update No. 4 for Wednesday, October 27.

The following reports are included:

- (a) An account of the Oct 26 compliance meeting prepared by DOJ's Jim Rubin;
- (b) Notes for the Oct 27th SBSTA-11 5th Meeting prepared by DOD's Dan Benton and EPA's Paul Schwengels;
- (c) Additional notes for the Oct 27th SBSTA-11 5th meeting prepared by DOD's Dan Benton;
- (d) Notes from the SBSTA-11 6th meeting (afternoon) prepared by NOAA's Linda Moody;
- (e) Notes for the October 27 SBSTA-11 afternoon/evening meeting prepared by State's Trigg Talley;
- (f) Notes from the Oct 27th SBSTA-11, 7th session prepared by EPA's Paul Schwangels;
- (g) Report on the evening session of the COP-5 plenary on October 27 prepared by State's Jack Schick and Dan Balzer; and
- (h) A brief report on the U.S. side-event on October 27 organized by TCAPP (hosted by Ron Benioff).

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Jim Rubin, 10/26/99

Compliance Discussion Begins with Promise

The Joint Working Group on Compliance began discussions in the late evening of October 26. Co-chair (for only this conference) Espen Ronneberg laid out the three issues the group would cover in five meetings over the next two weeks: design of a compliance system; consequences for noncompliance; and the report to COP5. Co-chair Harald Dovland next gave a brief read-out from the Vienna workshop on compliance held earlier this month. With the preliminaries out of the way, the JWG plunged immediately into the substance, making a promising start. The discussions largely were based on previous country submissions and the Chairs' synthesis document.

1. First on the agenda were objectives, nature, and principles of the compliance system. There appeared to be broad consensus at least on the objectives -- to promote compliance, and prevent/deter noncompliance -- and nature of the system, and predictable disagreements on principles. Japan led off, stressing the need for the system to be credible, efficient, fair, predictable, transparent, with due process, and designed to achieve the objectives of the Protocol. South Africa stated that G77 nations would each speak individually, then agreed generally with the stated objectives, and continued that the system should be comprehensive, credible, timely and predictable. As to principles, South Africa stated the G77 line that the compliance system must recognize common but differentiated responsibilities, and additionally be efficient, with due process and have consequences proportional to the type and nature of noncompliance. The system should cover all elements of the Protocol but focus on Annex 1 reduction obligations. Finland/EU agreed with the stated objectives, adding that a compliance system should have both facilitative and enforcement functions. As to its nature, the system must be comprehensive, coherent, strong, unified, effective, and make use of soft and hard consequences. The principles should include fairness, equity, transparency, proportionality and due process. New Zealand first clarified the description of the Vienna workshop, stressing that the meeting emphasized more the facilitative nature of the compliance system, as opposed to the enforcement component. It stressed the need for a cost-effective system, and questioned the relevance of common but differentiated responsibilities to a compliance regime. It stated that Protocol obligations were indeed differentiated, but once parties took on obligations, there was no need for further differentiated treatment of their compliance with those obligations -- parties with equal obligations should be treated equally.

United Arab Emirates expressed concern that the potential role and powers of a compliance system may overlap with the roles of the COP/moP, subsidiary bodies and MCP. Brazil supported South Africa on objectives, saw the nature of the system as both facilitative and enforcement-related, and reiterated the principle of common but differentiated responsibilities. Australia said that the system should focus on meeting reduction obligations, and to facilitate meeting commitments and preventing noncompliance. It also saw a technical role in assessing and facilitating compliance. As to principles, it warned parties not to spend too much time articulating these since they would only guide discussions and not be in text. It saw the relevant guiding principles as transparency, due process, certainty and credibility. As to common but differentiated responsibility, it supported New Zealand's view that this was already captured in the differentiated Protocol obligations. Switzerland stated that a strong, efficient and predictable system was key to Protocol implementation, agreed with the objectives and added that consequences must be graduated and make compliance more attractive than noncompliance. It continued that the parties should begin negotiations based on the synthesis, with the goal of a COP6 decision. The United States argued that general provisions like objectives and nature were important but should not be in the text. It continued that compliance was a broader concept than noncompliance, and included efforts to promote implementation. As to nature, the Protocol is fairly unique and other compliance regimes, while useful as models, would not provide exact fits. The system must be both facilitative and enforcement related, credible, with certainty as to consequences, and transparent. As to principles, it asked (but was not adequately answered) whether the G77's concern over common but differentiated responsibilities in the compliance context meant a recognition of the differentiated Protocol obligations or rather that there should be differential treatment in noncompliance.

Canada stated that the compliance system should ensure implementation, be based on facilitation and adaptation and vary according to type of obligation. It should ensure observance of rule of law, be credible, impartial, effective, proportional and ensure foreseeability. It agreed with New Zealand,

Australia and the U.S. that common but differentiated responsibilities should not be part of compliance. Saudi Arabia was unexpectedly cooperative, noting that its position on compliance was evolving and that it would make another submission soon. As to objectives, it initially saw determination of and addressing noncompliance as the central features, but now recognized that compliance was broader, taking in implementation. That being said, the parties must determine how the compliance system will affect the functions of the COP/moP or subsidiary bodies. As to principles, common but differentiated responsibilities was vital, as was state sovereignty. It warned somewhat ominously against importing issues from outside the Protocol or weakening or interfering with other provisions of the Protocol. China stated that the Protocol was fairly unique and that other compliance systems may not be good models. It found most party submissions reasonable and agreed that the synthesis should form the basis for discussion. It agreed with the stated objectives, with priority to Annex B implementation. It saw common but differentiated responsibilities as a cornerstone.

Japan added that it agreed with the U.S. that the focus should be on compliance, not noncompliance (which is not exactly what we said!). The United Kingdom supported Finland, adding that compliance system should relate to the performance of individual party commitments rather than collective obligations, which was for SBI to discuss. It agreed with the U.S. and others that general principles, objectives, etc. should not be in the text and that the design of the system would reveal these underlying features. Cataloguing them would be a misuse of time. It also agreed with China that the submissions on the whole were reasonable. Argentina agreed with the stated objectives and saw the compliance system as both facilitative and penal/preventative. It reiterated the need to differentiate among country responsibilities, though it appeared to recognize that such differentiation already existed in the parties' obligations. It compared Articles 3 and 10, observing that both should be complied with, but consequences for noncompliance would vary. Samoa/AOSIS saw the objectives as transparent, predictable and effective, and the nature comprehensive and coherent, cover all obligations but be graduated to take into account different obligations. As to differentiation among parties, it recognized that this already existed in the Protocol and that parties with the same commitments should have the same compliance responsibilities, although noncompliance decisions would be case-by-case and could vary with individual circumstances. It saw the synthesis as a good compilation of range of views and was ready to move ahead on it. It saw a compliance system as nonconfrontational yet able to deal with disputes with formal responses. It should be fair, prompt, efficient and with due process. It should not be a recommendatory body only. Kuwait agreed with UAR on the potential problems of overlapping bodies, agreed with the stated objectives, and stressed the importance of differentiated responsibilities.

2. The parties next addressed the issues of coverage and application of compliance procedures. Japan stated that mechanism-related compliance issues could be dealt with in "mini" compliance regimes within the mechanisms themselves. New Zealand argued that the main focus of compliance should be Article 3 as well as Articles 5 and 7, and that there should be a link to registries. Finland/EU stated that the compliance regime should apply to all obligations, including mechanisms and that there could be different treatment for different obligations. The U.S. said that since the system should have both facilitative and enforcement functions, these functions should operate differently. The facilitative function could cover all commitments, but only binding consequences and the enforcement function would pertain to legally binding obligations which are quantitative and capable of being assessed, e.g. targets, measuring, reporting, mechanisms. Mechanisms is the most complicated issue - there may be consequences in the mechanism rules themselves, so the compliance system may not cover all aspects of mechanisms. Further discussion is warranted on how to handle procedural issues with mechanisms and compliance. Australia said that the compliance system must undertake assessment of only that which can be assessed, namely Articles 3, 5, 7, 8 and the mechanisms. The latter issue merits further consideration; mechanisms are only a means to an end and should be dealt with that way. Canada agreed that the focus must be on quantifiable elements, like Article 3.1 as well as Article 4. It also agreed that the mechanisms issue was complicated and merited further discussion.

Switzerland thought quantifiable targets should get specific treatment, including Articles 3 and 4 as well as mechanisms. It suggested the parties proceed article by article to determine coverage (yikes!). China said that coverage was closely linked with design of noncompliance; if the system only addressed binding consequences, then coverage would be limited to target-related obligations. But if the system were broader, it should be facilitative and include other obligations. It noted the differences among commitments, with some annual, others end of period and some more frequent (e.g. mechanisms), recognizing that these merit different approaches. It was not clear what to do with

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mechanisms, since rules were still under negotiation. Korea thought the primary focus was Article 3 but that the system should cover all obligations.

3. Finally, the parties discussed the functions of a compliance body, including whether there should be one or two bodies. Samoa/AOSIS said form should follow function; without an understanding of penalties, it would be hard to determine the functions of a compliance body or its procedures. It also suggested too much of a distinction was being made between facilitative and enforcement; they may be more overlapping than we think. It saw mechanism eligibility questions as special, needing quicker resolution and perhaps a different body. The U.S. referred to its chart, and agreed that we needed to start with substance before form. It assumed that there were certain binding obligations relating to targets and working backwards, proposed a body to make official determinations of noncompliance (Article 8 parties couldn't do this, so there is a gap). It questioned whether the same people should decide both facilitation and enforcement issues, concluding that there should be two different "branches" to perform the different functions, with flexibility as to how they are described (i.e. one body or two). Determination of noncompliance would not also determine consequences; the latter would need to be decided in advance and be automatic, although the U.S. was open to consider some small degree of discretion. It further stated that Article 8 guidelines were very relevant to compliance in that they could determine which issues could go to a compliance procedure (to avoid politicizing review teams and filtering out de minimis cases). It suggested that Article 8 be considered in any future compliance workshop.

Finland/EU agrees on the facilitative and enforcement functions and favors simple and efficient processes. Hence, it favors a single body but could see the need to differentiate between the two different procedures, e.g. one being more judicial in nature. The facilitative function would provide advice and assistance. The judicial function would determine noncompliance and consequences on an individual basis. New Zealand stated that Article 8 review teams have no authority to determine noncompliance but can only advise and assist; a quasi-judicial system would be needed to deal with other nonfacilitative aspects. It noted that there was an issue as to whether the two functions would go in sequence or parallel. It favored sequencing because it would be hard to determine the jurisdictions of the two functions. Japan produced its own chart (unseen by any Umbrella Group members) which it described as a "thought piece," not an official Japanese position. The chart set out procedures where all commitments would go to one compliance body, except mechanism-related elements, which would be decided in mechanism rules. The chart contained an indicative list of consequences, taken from the Montreal Protocol, which ranged from facilitation to warnings to loss of rights and privileges. Saudi Arabia stated it would consider ad hoc bodies and a staged approach, reiterating that we must decide on what we want in a system before we decide on the bodies. Switzerland preferred one small (10-15 experts) standing body, working in their personal capacities. Under their proposal, Article 8 review teams can detect noncompliance, send the issue to a compliance body, which gets together with the parties, and then reports to the COP/moP. The UK favored a comprehensive approach where all compliance issues could be addressed. It disfavored a number of separate compliance systems, but thought one body with 2 or more different branches to deal with different aspects might work out.

The JWG is to meet again on October 27 and will begin with eligibility to raise issues and the role of the COP/moP. Following the JWG meeting on October 26, the U.S. participated in an umbrella group meeting to discuss common concerns on compliance as well as the Japanese "proposal." The meeting was productive, and the group will convene again following the October 27 JWG meeting.

Notes for 27 October 1999
SBSTA 11, 5th Meeting (Morning)
Prepared by Dan Benton, DoD
Paul Schwengels, EPA

Development and transfer of technologies: Status of the consultative process:
SBSTA 10 Provisional Agenda Item 10(a)

The Chair began with a recap of initial consultations on issues relating to the transfer of technology in the African context at a regional workshop on the transfer of technology consultative process, held from 16 to 18 August 1999 in Arusha, Tanzania. The objective of the workshop was to advance the understanding of special situations and needs of the African countries, and to generate information on practical steps to enhance the transfer of technology in Africa. It was attended by 74 participants, 44 from non-Annex I Parties (2 African, 2 Asian) and 11 Annex I Parties. Six inter-governmental organizations and two NGOs also participated.

Two similar regional workshops are being planned for the Asia/Pacific region and Latin America/Caribbean region before COP6.

An IPCC representative then updated the Parties on the status of an IPCC Special Report on Technology Transfer. The Report has undergone government review, and the IPCC is now responding to the comments received a process that will take eight weeks. Based on comments from government review, the Summary for Policy Makers has been substantially rewritten and a new technical summary has been added. Several Parties, notably China, welcomed these changes.

Positive interventions supporting the on-going technology transfer consultative process were delivered by Japan, the U.S., Finland/EC, and Switzerland. The U.S. intervention stressed its bilateral model, the Technology Cooperation Agreement Pilot Project (TCAPP) and its active participation in the multilateral Climate Technology Initiative (CTI). These positive comments were later echoed by Canada and Republic of Korea. Canada noted that CDM and JI investments are critical, while Korea stressed the role of the private sector.

Uganda, on behalf of the G-77 and China, expressed its disappointment with the slow progress of technology development and technology transfer and expressed its belief that a draft negotiating text should be produced by the end of the next workshop in May 2000 so that the issue can be concluded at COP6. Uganda was supported in its comments by Sierra Leone on behalf of the African Group and Senegal. Uzbekistan also stated that the process should be "more dynamic" and suggested an MOU to incorporate the harmonized understandings of the parties. Later Saudi Arabia supported the call for negotiating text by June 2000.

China supported the Uganda and G-77/China interventions and stressed its belief that progress on technology transfer had not been adequate and should be more action oriented to implement Article 4.5 of the Convention. They also called for extra workshops and an "action oriented" approach to achieve more effective and efficient technology transfer results. They further noted that while CDM under the Kyoto Protocol might be a component in any transfer scheme, the fact that the Protocol is not in effect means that for now the Parties should work under the UNFCCC. China recognized the

proposal for "national systems of innovation" in the revised IPCC Special Report as a starting point for this action outcome but insisted that the technology transfer system to be agreed at COP 6 should also include: 1) national systems for technology transfer and reporting to the COP by all Annex 1 and non-Annex 1 parties, 2) integration supported by Technical Advisory Panels (TAP), their long-standing demand, 3) establishment of special funding to support technology transfer, and 4) strengthening of the UNFCCC Secretariat as the coordinating point for this system.

Mauritius on behalf of AOSIS noted that the upcoming workshops would be in regions where most AOSIS countries were located and suggested that adaptation technology be put on the agenda. It was supported in its comments by Kiribati.

The Philippines noted that it had been five years since the beginning of the UNFCCC and yet the Parties were still talking about a consultative process rather than actual technology transfer and stated that Annex I countries be including revised guidelines information in their national communications. While private sector involvement in the process was acceptable, she noted that technology transfer was not subject to any limits in the Kyoto mechanisms and that publicly held technology was also covered. While the voluntary funding of the workshops was welcomed, she stated that the issue was too important for only voluntary funding and took the position that this should be included under commitments of the Parties.

Developing countries, especially China, Philippines and Saudi Arabia stressed repeatedly the high priority that they place on this issue and the principle that all components of the Buenos Aires Plan of Action must move forward together to conclude at COP 6. The insistence on negotiating text for technology transfer by SBSTA 12 was linked to the Annex I Parties efforts to move forward with negotiation text and methodology development for the Kyoto mechanisms.

At the end of the session the Vice-Chair (Italy) of the Climate Technology Initiative (CTI) presented a report of its recent activities. The Chair then announced that he would produce a draft decision and present it to the Parties at the session on Monday 1 November.

[COPIES OF THE JAPANESE AND U.S. TT INTERVENTIONS ARE ATTACHED]

"Best practices" in policies and measures: SBSTA 10 Provisional Agenda Item 8(b)

The Chair noted that Denmark had offered to host a workshop at Copenhagen in April 2000 on this topic and requested that the Parties express their views as to what issues should be discussed.

Finland/EC urged that national circumstances be considered and stated that there were two requirements that must be met -- significant reductions of greenhouse gas emissions and harmony with sustainable development.

Samoa, on behalf of AOSIS, apologized to the Chair for departing from his request for views on agenda items, and noted at some length that many Annex I countries would not meet their commitment under the UNFCCC to reduce their emissions to 1990 levels by 2000. However, at the end of the presentation the Chair stated that he could not consider these matters.

Japan offered their domestic experience for the workshop, suggesting the importance of national circumstances. They found that a broad range of measures was needed. In their experience they needed national and local laws, energy efficiency standards, and voluntary actions by industries.

Australia stressed their commitment to domestic response, and suggested that what was needed was "good" rather than "best" practice policies and measures, because "best" implied a hierarchical set, whereas, "good" measures could be applicable one place but not another.

In contrast to Australia, Saudi Arabia said that the workshop should look at "best and wrong" practices and eliminate the wrong practices of Annex I countries. As examples of "wrong" practices they mentioned the export of natural gas by Norway. Other examples of "wrongdoing" that needed correcting included coal subsidies, agricultural subsidies in the EC, and the encouragement of fossil fuel production in Annex I countries. The Chair responded that these matters could not be considered in the upcoming workshop, which was only three days in duration, but he said that he would discuss this matter further in private with Saudi Arabia.

The U.S. intervention noted that policies and measures are "best fits" when they: (1) are flexible to changing circumstances and regional differences, (2) provide multiple benefits, (3) recognize existing institutional frameworks and establish processes for public participation, (4) are cost-effective, (5) match key attributes of the technologies they target, and (6) are implemented with clear accountability and enforcement measures. The U.S. took issue with the value of international efforts to monitor best practices as suggested by the Secretariat, saying that national governments are in the best position to assess policy effectiveness.

Venezuela indicated that the criteria for best practice should contain three elements: (1) potentiality to reduce and capture carbon dioxide, (2) contribution to sustainable development, and (3) a measure of adverse effects of policies and measures on developing countries.

At the conclusion the Chair proposed to draft conclusions and present them to the SBSTA on Monday, 1 November.

[COPIES OF THE U.S., FINLAND/EU, AND JAPANESE P&M INTERVENTIONS ARE ATTACHED]

Methodological issues: Emissions resulting from fuel used for international transportation: SBSTA 10 Provisional Agenda Item 9(c):

As the last elements of the morning SBSTA session, the Chair received reports from two other international bodies, the International Maritime Organization (IMO) and the International Civil Aviation Organization (ICAO), noting that under Article 2.2 of the Kyoto Protocol, Annex I Parties would work through IMO and ICAO to limit or reduce emissions from ships and aircraft, respectively.

IMO provided a brief history of the development of activities for the prevention of air pollution from ships under the framework of the 1997 Protocol and Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL). This 1997 Protocol and Annex VI will enter into force twelve months after the date on

which not less than fifteen States, the combined merchant fleets of which constitute not less than 50 percent of the gross tonnage of the world's merchant shipping, have become Parties to it. At present, two States have become Parties, their combined merchant fleets representing only 4.83% of the world's tonnage. IMO also briefed the IMO study of greenhouse gas emissions from ships. They have contracted for a study that commenced in September 1999 that is expected to be available for consideration by the next meeting of the Marine Environment Protection Committee (MEPC) in March 2000. IMO committed to keep the SBSTA advised of developments.

The IPCC updated the SBSTA on progress since its last update at SBSTA10 in June 1999. Since June there has been a meeting of the Committee on Aviation Environmental Protection (CAEP) Steering Group and meetings on emissions at working group or expert level. The IPCC provided Parties a copy of the latest Draft Action Plan addressing all aspect of aircraft engine emissions, both at ground level and at global level. Although it has yet to be formally approved by the CAEP process, it is sufficiently advanced to enable SBSTA to see how IPCC is responding to Article 2.2. The ICAO Assembly will consider policy options in late 2001.

This item was continued in the afternoon session.

[COPIES OF THE IMO AND ICAO STATEMENTS ARE ATTACHED]

C

Notes for 27 October 1999
SBSTA 11, 5th Meeting (Morning)
Prepared by Dan Benton, DoD

SBSTA 10 Provisional Agenda Item 10(a): Development and transfer of technologies: Status of the consultative process

The Chair began with a recap of initial consultations on issues relating to the transfer of technology in the African context at a regional workshop on the transfer of technology consultative process, held from 16 to 18 August 1999 in Arusha, Tanzania. The objective of the workshop was to advance the understanding of special situations and needs of the African countries, and to generate information on practical steps to enhance the transfer of technology in Africa. It was attended by 74 participants, 44 from non-Annex I Parties (2 African, 2 Asian) and 11 Annex I Parties. Six inter-governmental organizations and two NGOs also participated.

Two similar regional workshops are being planned for the Asia/Pacific region and Latin America/Caribbean region before COP6.

An IPCC representative then updated the Parties on the status of an IPCC Special Report on Technology Transfer. The Report has undergone government review, and the IPCC is now responding to the comments received a process that will take eight weeks.

Positive interventions supporting the on-going technology transfer consultative process were delivered by Japan, the U.S., Finland/EC, and Switzerland. The U.S. intervention stressed its bilateral model, the Technology Cooperation Agreement Pilot Project (TCAPP) and its active participation in the multilateral Climate Technology Initiative (CTI). These positive comments were later echoed by Canada and Korea.

Uganda, on behalf of the G-77 and China, expressed its disappointment with the slow progress of technology development and technology transfer and expressed its belief that a draft negotiating text should be produced by the end of the next workshop in May 2000 so that the issue can be concluded at COP6. Uganda was supported in its comments by Sierra Leone on behalf of the African Group.

China then supported the Uganda and G-77/China interventions and stressed its belief that progress on technology transfer had not been adequate and should be more action oriented to implement Article 4.5 of the Convention.

[COPY OF THE JAPANESE AND U.S. TT INTERVENTIONS ARE ATTACHED]

D

Notes from 27 October 1999
SBSTA 11, 6th Meeting (afternoon)
Prepared by Linda Moodie

Cooperation with Relevant International Organizations: U. N. Bodies
(SBSTA agenda item 11b)

The U. N. Conference on Trade and Development (UNCTAD) briefed delegates that SBSTA-9 encouraged four U. N. bodies—UNCTAD, UNDP, UNEP, and UNIDO—to explore avenues of collaboration and development of joint projects, particularly one on capacity building for developing countries for CDM. The four have developed the proposal, "Treating CDM Projects," have secured half the funding (\$1.5 million of \$3 million) from the U. N. Foundation, and are seeking the remainder. UNDP joined UNCTAD in affirming that all four organizations are fully committed to this umbrella project.

The Philippines and China argued that this project should be developed in the context of the FCCC and considered under the Capacity Building agenda item, so that states could have more direct input into the project. China has submitted a draft decision on capacity building, which these Parties would like to be the framework for all capacity building activities. The Philippines and China stated that this draft decision on capacity building should be decided before the project is undertaken. The Philippines also expressed concerns that it was proposed that the project "facilitate participation of public and private sector entities," which it considered the responsibility of governments. China also argued that the project deals with the important issue of CDM and that COP-4 agreed that COP-5 would address AII and CDM issues. The Secretariat rejoined that the project acknowledges that CDM is under development by the Parties, but the proposed project is a pilot intended to help nations prepare for CDM and demonstrate how CDM might work. Finland, on behalf of the EU, expressed concern with how the project would be financed, but encouraged the continued cooperation of the U. N. bodies and requested the Secretariat to continue coordinating the joint efforts of these bodies. The Secretariat will prepare draft conclusions of this item.

Cooperation with Relevant International Organizations: Other Conventions

SBSTA encouraged the Secretariat to continue consultations with other international environmental conventions, especially the U. N. Convention to Combat Desertification (CCD) and the Convention on Biological Diversity, on the substantive linkages between climate change and their conventions and to strengthen cooperation on issues of common interest. UNEP reported that the World Bank, NASA, and UNEP had recently published a report, "Protecting Our Planet, Securing Our Future," comprehensively depicts the linkages—physical and biochemical—between a number of environmental issues and addresses the means by which interlinked global environmental issues can be confronted in an integrated manner. The World Conservation Union (IUCN), on behalf of the RAMSAR Convention on Wetlands, stated it wished to establish a cooperative working relationship with the FCCC. Issues of mutual interest would include those related to small island states, inland waters, and management of peatlands. RAMSAR is the oldest of the international environmental conventions (1971), has 116 Parties with 25 others moving toward accession, and provides wetlands guidelines aimed at the local, national, regional, and international levels. The CCD stated there was increased interaction with the FCCC Secretariat and that sustainable forest management was an important mutual concern because forests provide a carbon sink and also decrease soil degradation.

E-1

Notes for 27 October, 1999
SBSTA 11, 6th Meeting (afternoon/evening)
Prepared by Trigg Talley

SBSTA 10 Provisional Agenda Item 9(c): Emissions resulting from fuel used for international transportation. This issue has received increased attention in the wake of an IPCC Special Report on Aviation indicating that aviation GHG emissions are rising more rapidly than most other source categories. Interventions focused on the report, and most interventions opined that the report should provide greater impetus for action on bunker fuels. Most noted recent secretariat reports highlighting inconsistencies in reporting of international bunker sales. The issue of national allocation also arose in most interventions, with Parties split on the desirability of initiating technical discussions relating to allocation of bunker fuels to national totals.

The International Civil Aviation Organization (ICAO) and International Maritime Organization (IMO) each outlined activities that are being undertaken through their respective organizations to implement Article 2.2 of the Convention. Switzerland proposed a workshop in 2000 to look at measures identified by IPCC to reduce emissions; issues relating to inventory consistency; and allocation options. Finland, on behalf of the EU, stated that it acknowledges that Parties will pursue policies and measures through ICAO, and "noted with interest" proposals to begin work on allocation and to establish a joint IMO/ICAO/FCCC working group. Saudi Arabia excoriated ICAO for making available a "draft action plan" not yet approved by ICAO; and said that any work on allocation was impossible, as it is an issue for the COP/moP, and not something to be decided prior to the entry into force of the Protocol. Australia, New Zealand, and ourselves all indicated support for the IMO and ICAO activities, but indicated that discussions on allocation should not take place (if at all) until after the work of these organizations was more advanced. Australia encouraged a close working relationship between ICAO, IMO and FCCC; Japan suggested expert meetings to begin dealing with methodological problems in preparation for allocation discussions. Korea also indicated that it is premature to address allocation. After interventions, the Chair announced a contact group, chaired by Switzerland.

SBSTA 10 Provisional Agenda Item 9(d) Impact of single projects on emissions in the commitment period. Iceland, the author of a proposed decision for COP-5 to enable it to exceed its target in order to build an aluminum processing facility, began consideration of this item by asking for a deferral of the decision until the next COP. [note: Iceland recognized that it did not have sufficient support to be successful]. Finland, on behalf of the EU, agreed to defer to COP-6, and said that its decision would be linked to the issue of sinks and mechanisms. The U.S. underscored that its appreciation for Iceland's work in bringing forward information and analysis, and looked forward to further consideration of the item. Canada recalled that at COP 4, it expressed concern, and indicated that it does not [support the proposal CHECK]. It exhorted all to work together and decide at COP-6. Australia announced support of Iceland's approach, saying that projects that have a major impact for a country the size of Iceland has only a

small blip in emissions for a larger country. AOSIS indicated its position has not change. The Chair indicated he would undertake informal consultations on the matter [CHECK].

SBSTA 10 Provisional Agenda Item 9(e). Brazil Proposal. Brazil outlined its proposal to establish a technical basis for allocating responsibility for adverse impacts associated with climate change. It outlined its workshop, and indicated that its proposal was intended to find the simplest way to estimate the relative contribution of different actors (e.g., countries, regions, sectors), as measured through three variables: temperature; time and rate of change of mean temperature; and sea level rise. The Brazilian delegate posited his view that, even after Kyoto, the exercise is helpful to the negotiating process, as it would help in resolving the question of how to share the burden. Intervening countries (Switzerland, Finland, Russia, Australia, and two other unidentified interveners) expressed interest in the proposal, and deemed it worthy of further consideration, either through IPCC (Finland, unidentified country) or through some other peer review process. The chair indicated that in his conclusion, he would propose to contact (with the Secretariat) the IPCC, probably for COP-4 or COP-6.

SBSTA 10 Provisional Agenda Item 9(f) Other Matters – Forestry and Wood Product Exports. New Zealand raised the issue of allocation to national totals of imports and exports of wood products. Finland and Canada intervened to indicate that they recognize the issues and options for allocation and are grateful for the IPCC workshop report on the issue. Japan and Bolivia said it was premature to discuss now or in the near future, given the workload of the sinks contact group. The chair recognized that while this was an important issue, other issues already being handled by the contact group were of such importance that this issue should be deferred until after COP-6. We expect this to be the conclusion on this item from this COP. The U.S. did not intervene on this agenda item.

Notes for October 27, 1999
SBSTA (11), 7th Session
prepared by: Paul Schwengels, EPA

Agenda Item 10 (b): Development and Transfer of Technologies: Ways and Means of Limiting Emissions of HFCs and PFCs

The Co-Chairs of IPCC/WG3 and the Montreal Protocol Technical and Economic Advisory Panel (TEAP) summarized results of their joint expert meeting and joint report. They identified 4 approaches to reducing HCF, PFC, SF6

- 1) Alternate substances to replace existing uses.
- 2) Containment to prevent leakage of gases.
- 3) Improved system and process designs and product design to be less intensive in high GWP gases.
- 4) End of product life recovery and recycling or destruction.

They also highlighted the complexity and uncertainty in dealing with both problems jointly, and noted concerns which have been expressed by some experts about the possibility that implementation of climate change policies could adversely affect progress under the Montreal Protocol. They noted the need for help to build capacity in developing countries and needs for continued research. They also noted that despite uncertainty, many practical options for reducing HFCs, PFCs and SF6 were identified. The report recommended several additional steps including formation of an IPCC/TEAP experts group to continue assessment work and to report to SBSTA on a regular basis.

Switzerland introduced a proposed decision (text to be distributed) which addresses a need for standardized testing of GWPs of alternative substances. This proposal would include COP 5 request to UNEP, UNIDO and others to develop and report to SBSTA on methods for standardized testing, and a requests to the World Bank, GEF, UNDP, UNEP and other organizations to develop plans for implementing the Montreal Prototol and FCCC coherently, and to report at SBSTA 12.

Finland/EU expressed concern about potential rapid growth of these gases and that all Parties need to adopt Policies and Measures to limit these gases. They concurred with the concern that The Montreal Protocol and FCCC, while not necessarily in conflict, should be implemented coherently. They praised the work to date but more needs to be done both in research and assessment and in developing more detailed guidance to Parties. The EU is also preparing text for draft decision to be circulated later.

Slovenia indicated support for work to date and urge action on these gases quickly. Korea expressed concern that substitutes have not been developed and called for coordinated work, and more submissions by Parties on ways and means.

The remaining interventions by Parties dealt with the concern about the use of HFCs in metered

dose inhalers (MDIs) used by asthma sufferers. This was introduced by Argentina, referring to more than 100 million people affected by asthma globally. CFCs are already being replaced with HFCs with some adjustments for patients. There is concern that need for reductions of HFCs could create uncertainty for asthma sufferers. Argentina urged that the COP should take note of this situation and act to alleviate this problem. No specific action by COP was proposed in the intervention. Kenya, Brazil, Russian Federation, and Poland intervened to support this proposal by Argentina.

Bill Hare, of Greenpeace, on behalf of NGOs, stressed that the issue of reducing HFC/PFC/SF6 is important as they are growing rapidly. There are very few applications which cannot be replaced. Encouraged further work by the secretariat and proposed specifically including SF6 in the mandate to the secretariat, focusing on avoiding and replacing gases as well as limiting, and called on Annex 1 Parties to refrain from "dumping" high GWP gases and technology in developing countries.

The Chair of SBSTA closed by indicating SBSTA Rapporteur Andrej Kranjc (Slovenia) will carry out informal consultations, to develop a draft decision by Monday.

The US intervention is attached.

Agenda Item 10(c) Coastal Adaptation Technologies

Bahamas - for AOSIS. Noted recent experience with Hurricane Floyd, which caused damages in excess of \$100 million. Welcome the report from the secretariat, as a significant contribution. AOSIS believes there is urgent need much more research. They requested that the secretariat finalize and formalize its informal paper and bring to COP 5. AOSIS working to deal with coastal adaptation, but high cost and human resource limitations stifle action to address this problem. AOSIS countries need assistance with regional scale climate models, and also individual sector models, etc. They would like the COP to request IPCC to carry out some work in these areas and report to this body later. AOSIS indicated the need for workshops on adaptation strategies and policies, and also for national climate change teams. Regional training centers could also be useful. There is a need to bring together many small diverse efforts to improve effectiveness and synergy. Funds are a limiting factor, and AOSIS distinguishes CDM funds to be provided after entry into force of the Kyoto Protocol, from funding under the FCCC. We need to work on funding approaches under the FCCC now.

Samoa, Marshall Islands, Cook Islands Tuvalu, and Tonga intervened to support the AOSIS position and to add points including the need for adaptation to be closely linked with other economic and environmental processes such as BIS, and to connect to other conventions, e.g biodiversity, the need for research on all aspects of coastal adaptation, need for regional workshops, information exchange, and a secretariat website for widespread dissemination of information, need for work on soft technology options, and an emphasis on use of traditional knowledge where modern research is lacking. One AOSIS member welcomed the regional workshops under the consultative process on technology transfer and urged that coastal

adaptation be on the agenda.

The US intervention is attached. Finland/EU made a short intervention quite consistent with US. The Chair closed the session and indicated he would prepare draft conclusions and present them on Monday.

Item 10 (d) Other Matters

The secretariat reported on work with the Development Assistance Committee (DAC) of OECD on climate relevant data on funding/ODA flows. The secretariat is cooperating on joint effort for the three Rio Conventions. The DAC is working with its members to establish new classifications for funding which is principally, or has significant components for, climate change, Biodiversity, or desertification. Preliminary results suggest this can be very useful in improving understanding of ODA flows. The DAC report is due in March to be reported to SBSTA 12.

No interventions.

F-4

SBSTA-11, Agenda Item 10(c)
Development and Transfer of Technologies: Coastal Adaptation Technologies

Intervention of the United States of America
October 27, 1999

Thank you, Mr. Chairman. The United States appreciates the secretariat's efforts on coastal adaptation technologies, and considers this to be an important area for continued attention under the program of work on Development and Transfer of Technologies. In particular, the Technical Paper and comments by Parties on this paper have contributed useful steps toward addressing the issues related to technology development and transfer for coastal adaptation to climate change. The USG supports continuation of this important work on coastal and other adaptation technologies, and believes it should be considered under the ongoing consultative process on development and transfer of technologies.

The US review of the technical paper has highlighted several issues worth taking into account in development of future work. One important area is the exchange of information, knowledge and hands on experience, and need for enhancement of global networks to improve access to information on coastal adaptation technologies. Another key point is the value of working with global engineering and other expert communities to foster long-term partnerships and capacity building. The paper also highlights the importance of local factors, and the need to take account of local conditions and develop local expertise for successful coastal adaptation technology transfer.

The US agrees with comments, submitted by other Parties, that the secretariat's technical paper placed too much emphasis on hard engineering. Adaptation technology must include hard, structural solutions, soft engineering, and planning/institutional measures. Often the latter two categories offer more effective and affordable responses to coastal adaptation than hard technology measures alone. The report also placed substantial emphasis on the discussion of research and development needs for new coastal adaptation technologies. The US believes that, for most developing countries, demonstration and evaluation of indigenous and/or appropriate technologies is likely to be more useful than greater investment in R&D in technologies such as remote sensing. Existing coastal technologies that have been used to deal with climate variability in coastal zones can also be applied to adapt to climate change.

The United States has implemented coastal adaptation activities in developing countries for many years, including US Country Studies support for vulnerability and adaptation assessments, and extensive support for efforts to protect coral reefs and other coastal zone ecosystems in many countries. We support and encourage continued efforts through the UNFCCC to address this critical area of vulnerability to climate change.

F-5

SBSTA-11 Agenda Item 10 (b)**Development and Transfer of Technologies: Ways and means of limiting emissions of hydrofluorocarbons and perfluorocarbons**Intervention of the United States of America

October 27, 1999

Thank you, Mr. Chairman. HFCs, as well as PFCs and SF₆, are potent greenhouse gases with very long resident times in the atmosphere. For this reason, the United States was an original proponent of the inclusion of these high global warming potential gases in the Kyoto Protocol's "basket of gases."

In light of existing commitments under the Convention, the U.S. has been working with industry for some time to promote efforts to reduce emissions of HFCs, as well as PFCs and SF₆. These efforts are reported in our July 15 submission, included in the Secretariat document MISC.6, dated September 14, 1999. The submissions included in this document, from Parties and other organizations, form a useful compilation of efforts and options available to control the use and emission of these gases.

The US thanks the Secretariat for the helpful summary of these submissions and other relevant information contained in document INF.7

The United States also expresses its appreciation to the Parties of the Montreal Protocol and its Technology and Economic Assessment Panel for the report released earlier this month titled "The Implications to the Montreal Protocol of the Inclusion of HFCs and PFCs in the Kyoto Protocol." This comprehensive report, which was generated in response to a request from COP-4, will make a useful contribution as Parties consider the relationship between efforts to protect the stratospheric ozone layer and efforts to safeguard the global climate. In addition to consideration of the linkages between these efforts, the report provides a wealth of information on the use, emissions, alternatives, and technical options of these gases. This information will be helpful as Parties consider options to regulate these gases.

The U.S. also takes note of the report's conclusion that overly restrictive regulation on the use of HFCs where alternatives are not available could delay and increase the cost of the phaseout of CFCs in some countries and could delay the global phaseout of HCFCs.

The United States believes that additional scientific understanding of the role of HFCs, PFCs and SF₆ in the atmosphere and their global warming potential is essential, and welcomes forthcoming analysis by the IPCC in its Third Assessment Report and in its Special Report on Emissions Scenarios.

Things this intervention does not do, but which we could consider, either to include in the intervention or for proposals within a possible contact group:

(May fill in the blanks below with SBSTA or Montreal Protocol. But there is a difference. Though some have suggested that Montreal would be a good place, this contrasts with our basic stance that Montreal has no authority to regulate non-ODS gases.)

- Encourage _____ to provide periodic updates of technical options for reducing use and emissions of HFCs, etc.
- Request _____ to provide periodic updates of technical options for reducing use and emissions of HFCs, etc.
- Request _____ to convene experts meetings by sector to share info on technical options for reducing use
- -Argue against the Argentina proposal, which "urges each (Annex D) Party... to exclude medical uses of HGC MDIs from... measures... and to report the quantity of emissions from HFC MDIs pursuant to Article 12 of the Convention."
- Argue that we should not set a precedent of protecting any individual sector or use from regulation under Kyoto. (Society will determine priorities for uses and sectors through the flexible basket. Technically necessary uses of high-GWP gases, such as MDIs - particularly those with small climate impact - will face lighter reduction demands than other uses/sectors which have more flexibility.)
- It does not address the energy efficiency benefits of HFCs, along these lines:
The U.S. takes note of this report's conclusion that the high energy efficiency characteristics of HFCs can, IN SOME CASES, [reduce overall greenhouse gas emissions by resulting in less overall energy consumption]. This report and other recent reports also suggest that the energy-efficient characteristic of these gases can lower the cost of efforts to limit greenhouse gas emissions.

Possible proposals to expect in this SBSTA-11 session:

1. Argentina's (above)
2. from the EU: proposal to create (by whom??) a database of information on technical options to reduce these gases.

G-1

COP 5 Plenary 27 October
Notetakers Jack Schick and Daniel Balzer

Two items were on the agenda: Turkey's request to leave Annexes I and II of the Convention and Kazakhstan's to join Annex I. Leading off, Pakistan reminded that it has sponsored a proposal for three successive COPs beginning in 1997 to allow Turkey to leave. Turkey then noted that it has explained its case before and is simply not in a position to meet its obligations under the Annexes. For that reason, it has not signed or ratified the convention. It has, however, undertaken policies and measures to reduce emissions from its energy-intensive economy such as applications of clean coal technologies and expansion of natural gas consumption. President Szyszko noted that Azerbaijan was a co-sponsor to the proposal.

Mexico spoke with sympathy for Turkey's dilemma. In Mexico's view, the COP cannot impose an obligation on a sovereign state against its will: "Any unfair imposition makes all of us vulnerable." The Mexican delegate cited Immanuel Kant's dictum to so behave that your acts can be a universal standard, implying the COP has been acting unethically in denying Turkey's petition. On a practical note, he pointed out that Turkey's carbon emissions are less than those of two thirds of individual countries in the OECD. He wanted to know "who decided" that Turkey was an Annex I and II party, originally, betraying an ignorance that Turkey itself had so decided in 1992 and subsequently changed its mind.

It fell to Marshall Islands to point out the precedent-setting aspects of Turkey's request—which he characterized as a unilateral withdrawal—but Ambassador Ronenberg recommended that Szyszko undertake consultations to look for a compromise. The US supported his suggestion, and Szyszko accepted the task.

The fight over Kazakhstan's proposal to amend the Framework Convention to include it in Annex I proved surprisingly tame. Bulat Essekin, Director of Kazakhstan's National Ecological Center, introduced the GOK proposal by reviewing recent events, from its recent independence, through signature and ratification of the Framework Convention, to its completion of a country study and implementation of response measures to climate change. Speaking as a semi-arid country highly vulnerable to adverse effects of climate change, Kazakhstan seeks Annex I status to strengthen the legal basis for further action to reduce emissions.

Opposition from non-Annex I materialized from expected sources, but in notably weak fashion. The Saudis led off, basing their argument on the "insufficiency" of the Kazakhstani proposal. Citing the "poor record" of Annex I Parties in fulfilling their obligations under the Convention, the Saudi delegate insisted he would oppose the proposal without further evidence of Policies and Measures, including information on the adverse effects these measures might have on other countries, including his own. Other non-Annex I opponents, including the Marshall Islands, UAE, India, China, Iran, Sudan, and Kuwait, took up a similar refrain, citing a need for more information and calling upon the chair to undertake informal consultations.

G-2

Annex I parties unanimously rose to support Kazakhstan without reservation, led off by Finland speaking on behalf of the EU and including Australia, Slovenia, Switzerland, Japan, Ukraine, Russia, Canada, and the U.S. All pointed out that none of the current Annex I members had faced such opposition upon their accession. (The Ukrainian delegation (Alexander Belov), later seconded by Russia, Canada, and the U.S., neatly countered the call for by noting that it had, in fact, actually read Kazakhstan's national communication and did not feel the need for any additional information).

Mexico and Mongolia broke with the rest of non-Annex I to side with Kazakhstan. Citing its support for Turkey on the previous item, Mexico called on the COP to permit the sovereign expression of national will.

India, while joining the non-Annex I call for more information and consultations, also supplied a backhanded boost by pointing out the option open to Kazakhstan to assume Annex I obligations through Article 4.2(g) notification and inquired why Kazakhstan was choosing the amendment route instead.

Deferring to the absence of a consensus, the Chair referred the matter to informal consultations and promised a report later in the session.

Before closing, Szyszko made a ruling on the Secretariat's recommendation that Minister's interventions on 2 November be limited to four minutes. To date, 100 countries are inscribed to speak, which will take nine hours total.

H

Notes for October 27, 1999
TCAPP Side Event
Prepared by: Paul Schwengels, EPA

The USG, with the National Renewable Energy Laboratory, hosted a side event to present status of work on the Technology Cooperation Agreements Pilot Project (TCAPP) from 1:00 to 3:30 PM. Despite a very unfavorable location in a building some distance from the Maritim Hotel, the session was reasonably well attended (50+), including a substantial number of developing country representatives. Six country representatives all made very good presentations indicating significant progress toward expanding markets for clean technologies in their countries. In addition, a representative from Botswana talked about the work getting underway in the Southern Africa Development Community (SADC), supported by the US and other countries through the Climate Technology Initiative (CTI).

The presentations and some questions stressed the linkage of this work to the ongoing technology consultative process and as a model for possible future technology transfer programs in the FCCC context. The session ran over and about half the audience stayed an extra half hour to for questions and discussion. The agenda is attached.

28 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: COP-5 Update No. 5 (October 27/28, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This report covers activities and discussions from the evening of Wednesday, October 27, through mid-day on Thursday, October 28.

Also included with this report is the latest copy of **ECO**, the somewhat acerbic periodical published by a group of NGOs with supplemental funding by certain prominent European and U.S. environmental organizations. We are also submitting a copy of the NGO-published **Earth Negotiations Bulletin** which provides a relatively objective accounting of some of the events.

A supplement to this update will be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

28 October 1999

COP-5 Update No. 5 (Oct 27/28): "All Systems Go!" as Delegates Work on Multiple Topics**HIGHLIGHTS**

- COP Plenary Discusses Turkey and Kazakhstan
- Compensation contact Group Discloses New Rifts within G-77/China
- Contact Group on Capacity Building Faces Uphill Struggle
- AIJ Contact Group Attracting Interest but More Umbrella/JUSCANZ Participation Desired

DETAILS**COP-5 Plenary Discusses Turkey and Kazakhstan**

As is detailed in the Supplement to Update No. 4, both Turkey's request to be withdrawn from Annex I and Annex II of the Convention and Kazakhstan's request to join Annex I have been sent to the COP President for consultations. This followed a rather muted discussion of both requests with Saudi Arabia again playing the role of leading spoiler.

India, although it joined the call for additional information from Kazakhstan, said it would not object to Kazakhstan joining Annex I through the Article 4.2 (g) notification procedure provided for in the Convention (rather than by the Article 15 "permission" route currently envisioned by the Kazakhs). In any case, both Turkey's application (we spoke briefly at the plenary about the importance of getting Turkey into the convention proper) and that of Kazakhstan will probably be postponed until COP-6, following consultations being organized by COP Szyszko who will then be providing the conference plenary with his recommendations on these two matters..

SBSTA Continues Working Through its Agenda:

The SBSTA, meanwhile worked throughout the day and into the late night hours of Wednesday night, resuming for a 90-minute session on Thursday to complete going through its agenda which included such topics as examination of Iceland's single project proposal (decision will be deferred until COP-6), of Brazil's convergence proposal, of research and systematic observation, questions related to PFCs and bunker fuels, and the roster of experts. Many of these discussions have been sent to contact groups, and details of the discussions will be reported in the supplement.

The key SBI issues are all now also being treated in contact groups, as are those issues being handled jointly by joint SBI/SBSTA working groups. The status of the most important issues is recorded below:

Status of the Key Issues

Compliance: As reported, the first meeting of the compliance group went well. A second meeting was held on Thursday morning. A complete report will be forwarded with the supplement to this update (No. 5). This group is co-chaired by SBSTA Chairman Harold Doyland and the Marshall Islands Espen Ronnenberg.

Joint SBI/SBSTA Session on Capacity Building: A contact group is scheduled to meet on Thursday evening. Both the EU and the co-chairs are reported to have a draft text, but it is not known if the G-77/China will be willing to negotiate based on these (certainly not on the basis of the EU proposal). The contact group is co-chaired by SBI Chairman Ashe and Daniel Reifsnyder of the U.S.

Joint SBI/SBSTA Session on the Mechanisms: While awaiting the start of the first meeting of the open-ended (meaning open to all interested delegates) on Thursday evening, the umbrella and the EU have initiated their first contacts on this topic in order to try to identify areas of convergence and to try to develop common positions. These consultations are somewhat difficult, with some EU delegates worried by the prospect that they might become tainted by the umbrella brush, while some umbrella members have to control, almost visibly, their natural instincts to attack the EU jugular. One issue of potential dispute is a concern raised at JUSCANZ by both Switzerland and Australia about Chairman Chow Kok Kee's offer to permit additional submissions by January 31. This is viewed by some (Japan, for example) as a necessary step to mollify G-77 critics; Australia believes that this step only makes it more difficult for efforts to be focused on a true negotiation document.

Joint SBI/SBSTA Session: Article 4.8/4.9: The first contact group on this topic was held on October 28 under the co-chairmanship of Iran and Sweden. One new element is the apparently growing rift between Africa and OPEC about how to address this topic.

Uganda, for example, insisted that the impacts of Annex I response members should be expanded to include an examination of the impacts on *consumers*, and not just on *producers*. Quite blatantly a slap at Saudi Arabia's focus on compensation for oil producing countries, this effort to further entangle the Saudis in their own rhetoric and posturing was facilitated by the production of a UN list of the 48 least developed countries which is the focus of Article 4.9. The list does not include any OPEC member. The contact group meets again on October 28.

There has been a small tiff with Australia which believes that, despite the hard line taken in our interventions on this topic earlier this week, some of the proposals on the table which are endorsed by the EU, the U.S. and Japan, give more to OPEC than is necessary at this point in the negotiations. Australia has submitted a tougher proposal to try to ensure that there is more "balance" in the debate. The issue is one of tactics, not substance according to key Australian delegates.

Joint SBI/SBSTA Session on Activities Implemented Jointly (AIJ): A contact group under the chairmanship of the Netherlands (Yvo de Boer) discussed various proposals for handling AIJ after COP-5. Most Annex I Parties and some other non-Annex I Parties (such as Mexico) argue that some way should be found to end the pilot phase but to provide credit for projects that eventually comply with either JI or CDM rules. Many in the G-77/China, including the Africans, continue to express misgivings about this approach. Although this contact group was well-attended, the U.S. has suggested that additional participation by like-minded umbrella and JUSCANZ representatives would be helpful. Discussions continue.

SBI: Timing of COP-6: There has been little interest expressed in the timing issue since the debate on this on Wednesday morning. More interest is focused on the kind of intersessional program may be necessary or financially feasible before COP-6. The unwillingness of certain Parties (notably Saudi Arabia) to entertain such an intersessional process remains of concern.

SBI: Annex I and non-Annex I Communications: Contact groups on non-Annex I communications and on the provision of financial and technical support met under Mauritania's Mahmoud Al-Ghaouth, as did a joint contact group of SBSTA and SBI under Mark Mendoza of Tanzania and Jim Pennman of the UK which is handling guidelines for the technical reviews of GHG inventories for Annex I communications. Reports on these technical deliberations will be found in the supplement to this update.

SBSTA: Cooperation with Scientific Institutions: As was reported in Update No. 3, this issue was dealt with on Oct 26. The chair will draft conclusions for presentation at a future SBSTA plenary.

SBSTA: LULUCF: A contact group on this topic under the co-chairmanship of Halldor Thorgeirsson of Iceland and Philip Gwage of Uganda met on October 27. Rather than jumping into negotiating a decision, much of the meeting was spent on going over the various proposals of the Parties. Our team of negotiators (lead by State's Dan Bodansky, USDA's Margot Anderson, and EPA's Bill Hohenstein among others), feel confident (at this stage, at least) that the group will be able to decide on an adequate way forward.

SBSTA: National systems, adjustments and guidelines under Articles 5 (methodology), 7 (communications) and 8 (review of information): This item was discussed on October 26. New Zealand's Helen Plume has been charged with conducting informal consultations with a view to preparing draft decisions for consideration at the SBSTA plenary. A report will be forwarded in a future supplement.

Status of Other Topics

In addition, reports on the other issues covered by SBSTA will be contained in the supplements to this and future updates and should be read in conjunction with the **Earth Negotiations Bulletin** which provide additional details of the tenor of the debate.

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

eeco



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 COPS in Bonn, October-November 1999.

US ignores its public

Stacks and stacks of a flashy color "advertising supplement" from a major US paper recently showed up at the entrance of the Maritim. The supplement does an excellent job of highlighting the disconnect between US politicians and the American public on the issue of global warming. The contrast between public opinion polling results and statements by the Administration, Congress and presidential candidates, questions regarding who's interests are driving American policy.

The supplement covers a recent public opinion poll revealing strong support in the US for action on global warming. Two-thirds of the American public believe the US should act now to reduce global warming pollution. The same percentage feels that the US should restrict carbon dioxide emissions regardless of what any other country does. More than 80% of Americans support more fuel efficient, cleaner engines in new cars and requiring utilities to offer clean energy.

On the same page, only two current candidates for the 2000 presidential election voiced support for the Kyoto Protocol and only one called for immediate action to combat global warming. In a frightening display, George Bush Jr. implies that concern over global warming is "a social fad".

An article by Senator Frank Murkowski refers to the Protocol as the "bitter medicine that would weaken our economy and undermine the sustained, long-term effort that could help stabilize greenhouse gas concentrations and protect the global environment." US NGOs are interested in learning about this "long-term effort." Could this be the incentives for voluntary reductions while increasing emissions? Interesting approach... Thankfully,

many Senators support continued US involvement in Protocol negotiations. A bipartisan group of 34 Senators yesterday sent a letter to President Clinton urging him to oppose efforts by some members of Congress to limit the Administration's ability to negotiate the Kyoto Protocol.

The article by the Administration shows a disconnect with the American public as well. The NGO community is glad the Administration recognizes our efforts to rally businesses and local elected officials around global warming, but NGO initiatives should not be taken for "strong progress" by the Administration. The public overwhelmingly supports increasing fuel efficiency standards. Yet, a little over a month ago, the Administration walked away from an opportunity to regain its authority to raise fuel economy standards.

Perhaps the fossil fuel and auto industry are driving American global warming policy now, but the 2000 elections provide Americans with an opportunity to elect officials who will see past industry obstruction and take real action on this issue.

Highly Critical

September 30, 1999, saw the worst accident in Japan's nuclear history. Multiple violations of "rules and procedures" in the Tokaimura nuclear facility's uranium conversion facility - a crucial part of the nuclear fuel fabrication process - caused a nuclear fission chain reaction. It was as though the small factory in a residential area suddenly became the core of a nuclear reactor without reactor core shield, reactor vessel, or a thick concrete building to confine radioactivity.

As a result, neutron radiation - the most powerful and destructive form of radiation, as well as gamma radiation, were emitted for more than 17 hours before the chain reaction

-continued over, col. 2



Japanese Minister inspects site of accident

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

Fossil of the Day

Yesterday's Fossil award, for worst input to the negotiations, featured some strong contenders emerging from the pack. Nominated were Turkey, for attempting to sneak out of Annex I, Saudi Arabia – which will probably have to change its behaviour radically *not* to be nominated, and the winner, the good ol' US of A, which, having somehow avoided inclusion so far, received the award for its attempt to delay COP6 until well after its presidential elections.

Invited to comment on its success, all one US delegate could come up with was that "some of the same letters found in 'fossil' are also found in 'silly'". More to the point, David, some of the same letters found in 'decrease' can also be found in 'increase'.

Ludwig

Ludwig was a little confused during the debate on best practice in SBSTA yesterday. Saudi Arabia seemed to be suggesting that worst practice should be discussed. Ludwig was under the impression that "best" and "worst" have somewhat different meanings. However, this at least is consistent with the "contrary" stance being taken by the distinguished Saudi representatives. When, the previous night, one of them suggested that no-one else was taking the negotiations seriously, Ludwig was forced to restrain one of his NGO colleagues from physical assault...

By the way, is Mr Peelman psychic? Ludwig only asks because he was heard loudly exclaiming "Out of the body" during the same session. O Mystic Don, great wise one, please tell us where the future may lead...

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Published by: The Climate Action Network

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–Highly Critical, from front page
was halted. Officially, 69 people including nearby residents and firefighters were exposed to high levels, and three workers received a potentially lethal dose. One received 17,000 times more than is maximum for members of the public in a whole year! The amount of radioactivity released into the environment is not yet known, but the accident is now rated a level 4 – only one level below the 1979 Three Mile Island disaster in the United States.

This is a major blow to the Japanese nuclear industry. The Japanese Government has prepared an ambitious plan – as its major climate change mitigation measure – to build twenty more nuclear power plants. This is clearly now totally impossible. Even before the accident public attitudes towards nuclear power were not positive. A poll by the Prime Minister's office in August 1999 found that 80% of Japanese are suspicious of nuclear technology, while two thirds said nuclear is no longer necessary, with 70% preferring renewables to other sources of energy.

As it happens, the accident happened at the very time that two ships were arriving in Japan from Britain's reprocessing plant with the first ever shipment of plutonium fuel – Mox – for Japanese reactors, a crucial first step in Japan's plutonium fuel economy. There have already been indications that the accident has affected these plans, with one utility announcing that it had put its plutonium fuel program on hold, and predictions by Japanese officials that the plutonium program as a whole will be slowed.

The political impact will not be restricted to Japan. The nuclear industry worldwide will be affected, as this demonstrates that even the most advanced of countries cannot handle nuclear technology safely. Indeed, two of the three most serious nuclear accidents of the past twenty years – Three Mile Island, Chernobyl and Tokaimura – have happened in the most technologically advanced countries. The message is clear: nuclear power is unsafe.

Just as the people of Tokaimura were being threatened, the Canadian Government proposed including nuclear energy in the CDM. In this context it is surprising that so far only AOSIS countries have said anything about the exclusion of nuclear power from the CDM. Why have we heard nothing from other countries especially those that declared in Aarhus last year, at the European Environmental Ministers conference, that "the use of nuclear energy in general should be phased out in the long term"? Surely these should be the countries that take the lead in ruling nuclear energy out of the CDM or JI.

Bunkers Canned

CAN yesterday made an intervention on bunker fuels debate in the SBSTA plenary session, alongside the International Civil Aviation Organisation, the International Maritime Organisation and a few interested delegations. The CAN statement highlighted the main findings of the IPCC Special Report on Aviation and the Global Atmosphere, namely that this is one of the fastest growing sources of greenhouse gases. Also, according to the Special Report, GHG emissions from aviation account for 3.5% of the total contribution of man made greenhouse gases to global warming, which, in comparison, is more than the whole of Africa. Furthermore, according to all traffic growth scenarios assessed in the Report, in the next few decades emissions from aircraft will contribute up to 11% of the global warming associated with human activities.

CAN reinforced the need for stronger action in ICAO, and for concrete decisions from SBSTA on how to allocate emissions, and on what level of emissions reductions, over what time period (e.g. 2008-2012) is needed from the international aviation sector. Furthermore, CAN recommended that COP6 should decide on a method for allocation of emissions to the Parties, to ensure that these emissions are covered by quantified legally binding limitation and reduction commitments. CAN also suggested that COP6 sets obligations for quantified limitation and reduction for each Party of Annex B's bunker fuels for the first commitment period.

NGO PARTY
9.30pm, Saturday
30 October
Insel Hotel
Bad Godesberg

THANKS

The Climate Action Network would like to thank the World Wildlife Fund, Greenpeace International, the National Environmental Trust, Environmental Defense Fund, the Glastonbury Festival of Contemporary Performing Arts, the Swedish NGO Secretariat for Acid Rain and Union of Concerned Scientists for financial assistance.

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IISD

COP-5
#1

Earth Negotiations Bulletin

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HIGHLIGHTS FROM THE FIFTH CONFERENCE OF THE PARTIES TO THE FRAMEWORK CONVENTION ON CLIMATE CHANGE WEDNESDAY, 27 OCTOBER 1999

Delegates met in Plenary to consider proposals to amend Annexes I and II to the Framework Convention on Climate Change (FCCC). The Subsidiary Body for Scientific and Technological Advice (SBSTA) considered: development and transfer of technologies; Annex I communications; methodological issues; cooperation with relevant international organizations; and research and systematic observation. The Subsidiary Body for Implementation (SBI) discussed greenhouse gas (GHG) inventory data for Annex I communications, intergovernmental meetings, and administrative and financial matters. Contact groups met to consider: adverse effects; land use, land-use change and forestry (LULUCF); capacity building; activities implemented jointly (AIJ); non-Annex I communications; and Annex I communications.

PLENARY

COP-5 met in Plenary to consider proposed amendments to FCCC Annexes I and II. Turkey's proposal to be removed from the Annexes was supported by PAKISTAN, the US, MEXICO and GEORGIA. The MARSHALL ISLANDS expressed concern about the precedent it would set.

Several Annex I Parties welcomed Kazakhstan's proposal to be included in Annex I. Several non-Annex I Parties said further information was needed on Kazakhstan's ability to fulfill Annex I commitments. AUSTRALIA and the RUSSIAN FEDERATION had no information requirements were placed on initial members of Annex I. KAZAKHSTAN expressed willingness to provide the required information. SUDAN called for guidelines on amending the Annexes. INDIA, with CHINA and IRAN, recommended the use of Article 4.2 (g) (provision for non-Annex I Parties to bind themselves to commitments in 4.2 (a) and (b)). The President will conduct informal consultations on both issues.

SBT

ANNEX I COMMUNICATIONS: On GHG inventory data for Annex I communications, the US, with POLAND, stressed that timeliness and completeness of submissions were critical in providing a basis for COP action. The EU noted that its future national systems would fulfill quality and time requirements, and expressed concern about the continuous increase in GHG emissions since 1997.

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS: On the date and venue of COP-6, the G-77/CHINA proposed holding it in November 2000 and expressed concern over the proliferation of intersessional activities and workshops, their budgetary implications and obstacles for developing country

participation. In view of the workload to meet the Buenos Aires Plan of Action (BAPA), the US, with CANADA, AUSTRALIA and NEW ZEALAND, said COP-6 should be held early in 2001 with various intersessional activities on the run-up. CHINA said the BAPA only calls for "demonstrable progress" by COP-6. The EU and others emphasized the need for sufficient progress to allow early entry into force of the Protocol. To maintain political momentum, JAPAN noted its preference for COP-6 in November 2000. SWITZERLAND said timing of COP-6 should result from progress on pending issues and highlighted the need for a work-plan.

ADMINISTRATIVE AND FINANCIAL MATTERS: On income and budget performance in the biennium 1998-1999 and arrangements for administrative support to the FCCC, the EU proposed an open-ended group to clarify some issues. The G-77/CHINA called for informal consultations by Chair Ashe. The US expressed hope for the resolution of pending issues on non-Annex I communications to ensure budgetary resources on this topic.

On implementation of the Headquarters Agreement the Executive Secretary noted the need for more office space to host the growing Secretariat.

SBSTA

TECHNOLOGY TRANSFER: Delegates expressed appreciation of the African regional workshop organized as part of the consultative process. The IPCC outlined the Special Report on technology transfer and said actions to enhance technology transfer are specific to sectors, national circumstances and stakeholders.

Several Parties said the private sector should drive technology transfer. AUSTRALIA, the US and the EU highlighted the potential role of the clean development mechanism (CDM) in technology transfer. The PHILIPPINES, with SAUDI ARABIA and CHINA, stressed that technology transfer was a commitment under the FCCC and opposed linking it to the CDM. CHINA said technology transfer under the Protocol should be additional to that under the FCCC. The PHILIPPINES called for information on technology transfer activities in Annex-I communications. AOSIS stressed addressing adaptation technologies. The G-77/CHINA called for a COP-5 decision on capacity building. SWITZERLAND underscored consideration of specific national circumstances. The REPUBLIC OF KOREA noted the need to review the transfer of public-funded technology in the consultative process. The CLIMATE TECHNOLOGY INITIATIVE provided an overview of its ventures as a multilateral facilitator of technology diffusion. A draft decision will be prepared.

ANNEX I COMMUNICATIONS: Regarding "best practices" in policies and measures (P&Ms), Chair Dovland announced that Denmark will host a workshop in April 2000. The EU said the upcoming workshop should consider, *inter alia*, defining "best practices" and assessing the extent to which international cooperation may enhance effectiveness of P&Ms. AUSTRALIA preferred

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Thursday, 28 October 1999

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reference to "good" rather than "best" practices and, with JAPAN and the US, said P&Ms should reflect national circumstances. **SAUDI ARABIA** said the workshop should also address "wrong" practices.

METHODOLOGICAL ISSUES: On emissions resulting from fuel used for international transportation, delegates considered the International Maritime Organization's report on its activities to prevent air pollution from ships. The International Civil Aviation Organization reported on the progress made in developing an Action Plan on aircraft engine emissions and in evaluating market-based options in limiting bunker emissions.

On allocation of international bunker emissions, the **CLIMATE ACTION NETWORK** advocated their inclusion in national inventories. The EU recommended completing the work on including international bunker emissions in national inventories before negotiating the second commitment period. The **REPUBLIC OF KOREA**, supported by **AUSTRALIA**, **NEW ZEALAND** and **JAPAN**, said it was premature to discuss allocation due to the difficulties in differentiating emissions resulting from national and international fuel.

The US highlighted the need for guidance on definitions and clarity. **NEW ZEALAND**, with the EU and the US, stressed improving reporting of bunker emissions for consistency and comparability. Jose Romero (Switzerland) will conduct informal consultations on this issue.

On the impact of single projects on emissions in the commitment period, **ICELAND** said single projects have a greater proportional impact on emissions in smaller countries, affecting their ability to meet emissions targets. He called for a conclusive decision on this issue at COP-6. **CANADA** expressed reservations on the issue and opposed the draft decision tabled by Iceland at COP-4 in its current form. Informal consultations will be conducted by Ole Plougmann (Denmark) to forward conclusions or a draft decision to SBSTA.

Regarding the scientific and methodological aspects of the draft from Brazil, several delegates supported the concept of differentiated responsibilities, while a number noted that further scientific analysis would be useful. The EU and **PERU**, opposed by **MALAYSIA**, said the issue should be considered as part of IPCC's Third Assessment Report. Chair Dovland said he would prepare draft conclusions on this issue, following informal consultations.

On other matters, SBSTA decided to exclude consideration of harvested wood products. However, Parties were asked to submit their views to the Secretariat. On information on decision tools to evaluate climate change impacts and adaptation strategies, the Secretariat requested submissions from Parties.

COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS: The Secretariat outlined its efforts on an inter-agency project proposal for capacity building under the CDM. The **PHILIPPINES** and **CHINA** recommended consideration of the G-77/China capacity-building draft decision. **UGANDA** proposed a permanent clearing-house to streamline funding. The EU stressed the need for continuous cooperation.

On cooperation with other Conventions, SBSTA heard reports from UNEP, the UN Convention to Combat Desertification and the Convention on Wetlands on synergies between the FCCC and other conventions.

SBSTA continued its deliberations late into the evening on agenda items on: ways and means of limiting emissions of hydrofluorocarbons and perfluorocarbons; coastal adaptation technologies; and research and systematic observation.

CONTACT GROUPS

ADVERSE EFFECTS: The contact group on implementation of FCCC Articles 4.8 and 4.9 and matters relating to Protocol Article 3.14 (adverse effects) discussed the recent workshop held in Bonn. Several delegates called for analysis on the effects of

response measures for all developing countries, not only oil producing countries. Delegates were invited to submit written proposals on possible actions to be synthesized by the co-chairs.

AII: A contact group on the AII and its pilot phase raised a number of issues, including: whether to continue the review beyond this session; if the pilot phase should continue and, if so, in what form; whether the group should take decisions or make recommendations about the eligibility of AII to become CDM or JI; and if the issue of eligibility should be discussed by the contact group on mechanisms. Some delegates stressed the need to discuss AII's prospects, noting the need for incentives to maintain the momentum.

CAPACITY BUILDING: The contact group on capacity building discussed procedural issues. The G-77/CHINA said its draft decision should serve as the basis for a recommendation to COP-5, since it presents a comprehensive approach to all capacity building activities and specifies developing countries' needs in its annex. Other delegates said COP-5 should establish a process leading to a substantive decision at COP-6. They said more work was needed on assessing specific national needs. A co-chairs' text will be prepared based on Parties' written submissions.

ANNEX I COMMUNICATIONS: This contact group continued consideration of the second part of a revised draft text on guidelines for Annex I communications. Participants discussed P&Ms, projections of the total effect of P&Ms, and exchanged initial views on financial resources. Delegates agreed on a number of paragraphs. They invited the Chair to settle the terminology of projections "without measures," since these were unusual terms compared to "business as usual," and misleading, as they seemed to exclude consideration of P&Ms implemented prior to the starting point of the projection. They also deferred consideration of the information to be included in the description of each P&Ms to a smaller group.

NON-ANNEX I COMMUNICATIONS: The Chair distributed a draft text compiling the EU and G-77/CHINA proposals on non-Annex I communications. The group decided to devote its time to a question-and-answer session with the GEF and its implementing agencies. Participants discussed *inter alia*: GEF's interpretation of "agreed full costs," the non-duplication principle endorsed by the GEF Council, the terms of agreement between the implementing agency and the recipient country, including terms for the disbursement of funds, GEF funding for adaptation measures and FCCC COP guidance to the GEF.

LULUCF: The contact group, co-chaired by Halldor Thorgerisson (Iceland) and Philip Gwaga (Uganda), expressed diverging views on timing for consideration of the need for country-specific data and information and its relationship to a decision-making framework in the context of the Protocol. There was general agreement on the consideration of the IPCC Special Report at SBSTA-12. The group also agreed to initiate an exchange views on a decision-making framework and on data requirements.

IN THE CORRIDORS

While some observers were suspicious that Kazakhstan's proposal to add itself to Annex I could create a new source of "hot air," others welcomed the move as a first step toward expanding the number of countries with limitation and reduction commitments. Several participants also felt that systemic inadequacies in the climate regime made it extremely difficult to deal with requests for addition or deletion from the Annexes in a principled manner.

THINGS TO LOOK FOR TODAY

SBSTA: SBSTA will meet in Plenary I at 10:00 am.

JWG: The JWG on compliance will meet in Plenary II at 10:00 am.

CONTACT GROUPS: Contact groups will be held throughout the day. Consult the announcement board for details.

28 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: Supplement to COP-5 Update No. 4 (Oct 26/27, 1999)

This message conveys summaries of various meetings and side-events prepared by USDEL participants at the the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This message should be read in conjunction with our regular COP-5 Update No. 4 for Wednesday, October 27.

The following reports are included:

- (a) An account of the Oct 26 compliance meeting prepared by DOJ's Jim Rubin;
- (b) Notes for the Oct 27th SBSTA-11 5th Meeting prepared by DOD's Dan Benton and EPA's Paul Schwengels;
- (c) Additional notes for the Oct 27th SBSTA-11 5th meeting prepared by DOD's Dan Benton;
- (d) Notes from the SBSTA-11 6th meeting (afternoon) prepared by NOAA's Linda Moody;
- (e) Notes for the October 27 SBSTA-11 afternoon/evening meeting prepared by State's Trigg Talley;
- (f) Notes from the Oct 27th SBSTA-11, 7th session prepared by EPA's Paul Schwangels;
- (g) Report on the evening session of the COP-5 plenary on October 27, prepared by State's Jack Schick and Dan Balzer; and
- (h) A brief report on the U.S. side-event on October 27 organized by TCAPP (hosted by Ron Benioff).

29.OCT.1999 3:13

28 October 1999

COP-5 Update No. 5 (Oct 27/28): "All Systems Go!" as Delegates Work on Multiple Topics**HIGHLIGHTS**

- COP Plenary Discusses Turkey and Kazakhstan
- Compensation contact Group Discloses New Rifts within G-77/China
- Contact Group on Capacity Building Faces Uphill Struggle
- All Contact Group Attracting Interest but More Umbrella/JUSCANZ Participation Desired

DETAILS**COP-5 Plenary Discusses Turkey and Kazakhstan**

As is detailed in the Supplement to Update No. 4, both Turkey's request to be withdrawn from Annex I and Annex II of the Convention and Kazakhstan's request to join Annex I have been sent to the COP President for consultations. This followed a rather muted discussion of both requests with Saudi Arabia again playing the role of leading spoiler.

India, although it joined the call for additional information from Kazakhstan, said it would not object to Kazakhstan joining Annex I through the Article 4.2 (g) notification procedure provided for in the Convention (rather than by the Article 15 "permission" route currently envisioned by the Kazakhs). In any case, both Turkey's application (we spoke briefly at the plenary about the importance of getting Turkey into the convention proper) and that of Kazakhstan will probably be postponed until COP-6, following consultations being organized by COP Szyszko who will then be providing the conference plenary with his recommendations on these two matters..

29.OKT.1999 3:14

SBSTA Continues Working Through its Agenda:

The SBSTA, meanwhile worked throughout the day and into the late night hours of Wednesday night, resuming for a 90-minute session on Thursday to complete going through its agenda which included such topics as examination of Iceland's single project proposal (decision will be deferred until COP-6), of Brazil's convergence proposal, of research and systematic observation, questions related to PFCs and bunker fuels, and the roster of experts. Many of these discussions have been sent to contact groups, and details of the discussions will be reported in the supplement.

The key SBI issues are all now also being treated in contact groups, as are those issues being handled jointly by joint SBI/SBSTA working groups. The status of the most important issues is recorded below:

Status of the Key Issues

Compliance: As reported, the first meeting of the compliance group went well. A second meeting was held on Thursday morning. A complete report will be forwarded with the supplement to this update (No. 5). This group is co-chaired by SBSTA Chairman Harold Dovland and the Marshall Islands Espen Ronnenberg.

Joint SBI/SBSTA Session on Capacity Building: A contact group is scheduled to meet on Thursday evening. Both the EU and the co-chairs are reported to have a draft text, but it is not known if the G-77/China will be willing to negotiate based on these (certainly not on the basis of the EU proposal). The contact group is co-chaired by SBI Chairman Ashe and Daniel Reifsnyder of the U.S.

Joint SBI/SBSTA Session on the Mechanisms: While awaiting the start of the first meeting of the open-ended (meaning open to all interested delegates) on Thursday evening, the umbrella and the EU have initiated their first contacts on this topic in order to try to identify areas of convergence and to try to develop common positions. These consultations are somewhat difficult, with some EU delegates worried by the prospect that they might become tainted by the umbrella brush, while some umbrella members have to control, almost visibly, their natural instincts to attack the EU jugular. One issue of potential dispute is a concern raised at JUSCANZ by both Switzerland and Australia about Chairman Chow Kok Kee's offer to permit additional submissions by January 31. This is viewed by some (Japan, for example) as a necessary step to mollify G-77 critics; Australia believes that this step only makes it more difficult for efforts to be focused on a true negotiation document.

Joint SBI/SBSTA Session: Article 4.8/4.9: The first contact group on this topic was held on October 28 under the co-chairmanship of Iran and Sweden. One new element is the apparently growing rift between Africa and OPEC about how to address this topic.

29.OCT.1999 3:14

Uganda, for example, insisted that the impacts of Annex I response members should be expanded to include an examination of the impacts on *consumers*, and not just on *producers*. Quite blatantly a slap at Saudi Arabia's focus on compensation for oil producing countries, this effort to further entangle the Saudis in their own rhetoric and posturing was facilitated by the production of a UN list of the 48 least developed countries which is the focus of Article 4.9. The list does not include any OPEC member. The contact group meets again on October 28.

There has been a small diff with Australia which believes that, despite the hard line taken in our interventions on this topic earlier this week, some of the proposals on the table which are endorsed by the EU, the U.S. and Japan, give more to OPEC than is necessary at this point in the negotiations. Australia has submitted a tougher proposal to try to ensure that there is more "balance" in the debate. The issue is one of tactics, not substance according to key Australian delegates.

Joint SBI/SBSTA Session on Activities Implemented Jointly (AIJ): A contact group under the chairmanship of the Netherlands (Yvo de Boer) discussed various proposals for handling AIJ after COP-5. Most Annex I Parties and some other non-Annex I Parties (such as Mexico) argue that some way should be found to end the pilot phase but to provide credit for projects that eventually comply with either JI or CDM rules. Many in the G-77/China, including the Africans, continue to express misgivings about this approach. Although this contact group was well-attended, the U.S. has suggested that additional participation by like-minded umbrella and JUSCANZ representatives would be helpful. Discussions continue.

SBI: Timing of COP-6: There has been little interest expressed in the timing issue since the debate on this on Wednesday morning. More interest is focused on the kind of intersessional program may be necessary or financially feasible before COP-6. The unwillingness of certain Parties (notably Saudi Arabia) to entertain such an intersessional process remains of concern.

SBI: Annex I and non-Annex I Communications: Contact groups on non-Annex I communications and on the provision of financial and technical support met under Mauritania's Mahmoud Al-Ghaouth, as did a joint contact group of SBSTA and SBI under Mark Mendoza of Tanzania and Jim Pennman of the UK which is handling guidelines for the technical reviews of GHG inventories for Annex I communications. Reports on these technical deliberations will be found in the supplement to this update.

SBSTA: Cooperation with Scientific Institutions: As was reported in Update No. 3, this issue was dealt with on Oct 26. The chair will draft conclusions for presentation at a future SBSTA plenary.

SBSTA: LULUCF: A contact group on this topic under the co-chairmanship of Halldor Thorgeirsson of Iceland and Philip Gwage of Uganda met on October 27. Rather than jumping into negotiating a decision, much of the meeting was spent on going over the various proposals of the Parties. Our team of negotiators (lead by State's Dan Bodansky, USDA's Margot Anderson, and EPA's Bill Hohenstein among others), feel confident (at this stage, at least) that the group will be able to decide on an adequate way forward.

SBSTA: National systems, adjustments and guidelines under Articles 5 (methodology), 7 (communications) and 8 (review of information): This item was discussed on October 26. New Zealand's Helen Plume has been charged with conducting informal consultations with a view to preparing draft decisions for consideration at the SBSTA plenary. A report will be forwarded in a future supplement.

Status of Other Topics

In addition, reports on the other issues covered by SBSTA will be contained in the supplements to this and future updates and should be read in conjunction with the **Earth Negotiations Bulletin** which provide additional details of the tenor of the debate.

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

ecoco



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 COPS in Bonn, October-November 1999.

US ignores its public

Stacks and stacks of a flashy color "advertising supplement" from a major US paper recently showed up at the entrance of the Medtium. The supplement does an excellent job of highlighting the disconnect between US politicians and the American public on the issue of global warming. The contrast between public opinion and the results and statements by the Administration, Congress and presidential candidates, raise questions regarding who's interests are driving American policy.

The supplement covers a recent public opinion poll revealing strong support in the US for action on global warming. Two-thirds of the American public believe the US should act now to reduce global warming pollution. The same percentage feels that the US should restrict carbon dioxide emissions regardless of what any other country does. More than 80% of Americans support more fuel efficient, cleaner engines in new cars and requiring utilities to offer clean energy.

On the same page, only two current candidates for the 2000 presidential election voiced support for the Kyoto Protocol and only one called for immediate action to combat global warming. In a frightening display, George Bush Jr. implies that concern over global warming is "a social fad".

An article by Senator Frank Murkowski refers to the Protocol as the "bitter medicine that would weaken our economy and undermine the sustained, long-term effort that could help stabilize greenhouse gas concentrations and protect the global environment." US NGOs are interested in learning about this "long-term effort." Could this be the incentives for voluntary reductions while increasing emissions plan? Interesting approach... Thankfully.

many Senators support continued US involvement in Protocol negotiations. A bipartisan group of 34 Senators yesterday sent a letter to President Clinton urging him to oppose efforts by some members of Congress to limit the Administration's ability to negotiate the Kyoto Protocol.

The article by the Administration shows a disconnect with the American public as well. The NGO community is glad the Administration recognizes our efforts to rally businesses and local elected officials around global warming, but NGO initiatives should not be taken for "strong progress" by the Administration. The public overwhelmingly supports increasing fuel

efficiency standards. Yet, a little over a month ago, the Administration walked away from an opportunity to regain its authority to raise fuel economy standards.

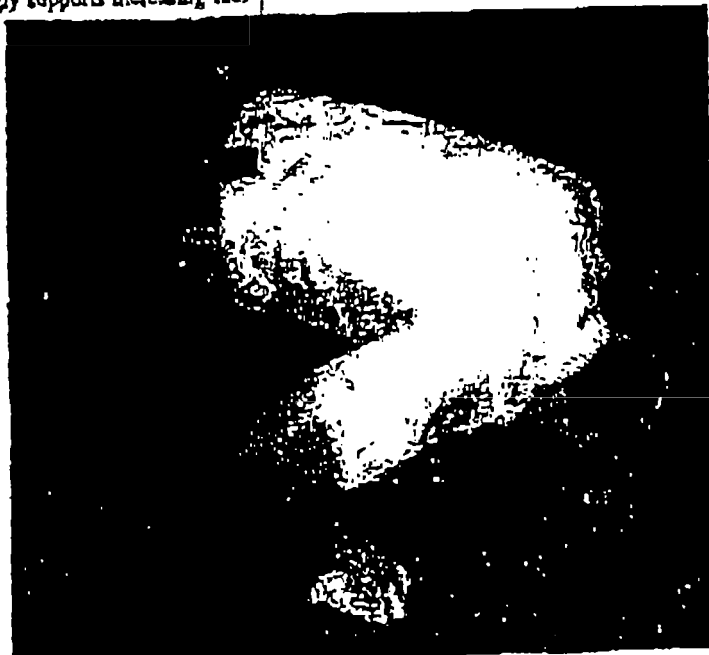
Perhaps the fossil fuel and auto industry are driving American global warming policy now, but the 2000 elections provide Americans with an opportunity to elect officials who will see past industry obstruction and take real action on this issue.

Highly Critical

September 30, 1999, saw the worst accident in Japan's nuclear history. Multiple violations of "rules and procedures" in the Tokaimura nuclear facility's uranium conversion facility - a crucial part of the nuclear fuel fabrication process - caused a nuclear fission chain reaction. It was as though the small factory in a residential area suddenly became the core of a nuclear reactor without reactor core shield, reactor vessel, or a thick concrete building to confine radioactivity.

As a result, neutron radiation - the most powerful and destructive form of radiation, as well as gamma radiation, were emitted for more than 17 hours before the chain reaction

-continued over col. 2



Japanese Minister inspects site of accident

ISSUE NO3

VOLUME CII

FREE OF CHARGE

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

Fossil of the Day

Yesterday's Fossil award, for worst input to the negotiations, featured some strong contenders emerging from the pack. Nominated were Turkey, for attempting to speak out of Annex 1, Saudi Arabia - which will probably have to change its behaviour radically not to be nominated, and the winner, the good ol' US of A, which, having somehow avoided inclusion so far, received the award for its attempt to delay COP6 until well after its presidential elections.

Invited to comment on its success, all one US delegate could come up with was that 'some of the same letters found in "fossil" are also found in "silly"'. More to the point, David, some of the same letters found in 'decrease' can also be found in 'increase'.

Ludwig

Ludwig was a little confused during the debate on best practice in SBSTA yesterday. Saudi Arabia seemed to be suggesting that worst practice should be discussed. Ludwig was under the impression that "best" and "worst" have somewhat different meanings. However, this at least is consistent with the "contrary" stance being taken by the distinguished Saudi representatives. When, the previous night, one of them suggested that no-one else was taking the negotiations seriously, Ludwig was forced to restrain one of his NGO colleagues from physical assault...

By the way, is Mr Peelman psychic? Ludwig only asks because he was heard loudly exclaiming "Out of the body" during the same session. O Mystic Don, great wise one, please tell us where the future may lead...

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-Highly Critical, from front page

was halted. Officially, 69 people including nearby residents and firefighters were exposed to high levels, and three workers received a potentially lethal dose. One received 17,000 times more than is maximum for members of the public in a whole year! The amount of radioactivity released into the environment is not yet known, but the accident is now rated a level 4 - only one level below the 1979 Three Mile Island disaster in the United States.

This is a major blow to the Japanese nuclear industry. The Japanese Government has prepared an ambitious plan - as its major climate change mitigation measure - to build twenty more nuclear power plants. This is clearly now totally impossible. Even before the accident public attitudes towards nuclear power were not positive. A poll by the Prime Minister's office in August 1999 found that 80% of Japanese are suspicious of nuclear technology, while two thirds said nuclear is no longer necessary, with 70% preferring renewables to other sources of energy.

As it happens, the accident happened at the very time that two ships were arriving in Japan from Britain's reprocessing plant with the first ever shipment of plutonium fuel - Mox - for Japanese reactors, a crucial first step in Japan's plutonium fuel economy. There have already been indications that the accident has affected these plans, with one utility announcing that it had put its plutonium fuel program on hold, and predictions by Japanese officials that the plutonium program as a whole will be slowed.

The political impact will not be restricted to Japan. The nuclear industry worldwide will be affected, as this demonstrates that even the most advanced of countries cannot handle nuclear technology safely. Indeed, two of the three most serious nuclear accidents of the past twenty years - Three Mile Island, Chernobyl and Tokaimura - have happened in the most technologically advanced countries. The message is clear: nuclear power is unsafe.

Just as the people of Tokaimura were being threatened, the Canadian Government proposed including nuclear energy in the CDM. In this context it is surprising that so far only AOSIS countries have said anything about the exclusion of nuclear power from the CDM. Why have we heard nothing from other countries especially those that declared in Aarhus last year, at the European Environmental Ministers conference, that 'the use of nuclear energy in general should be phased out in the long term'? Surely these should be the countries that take the lead in ruling nuclear energy out of the CDM or JI.

Bunkers Canned

CAN yesterday made an intervention on bunker fuels debate in the SBSTA plenary session, alongside the International Civil Aviation Organisation, the International Maritime Organisation and a few interested delegations. The CAN statement highlighted the main findings of the IPCC Special Report on Aviation and the Global Atmosphere, namely that this is one of the fastest growing sources of greenhouse gases. Also, according to the Special Report GHG emissions from aviation account for 3.5% of the total contribution of man made greenhouse gases to global warming, which, in comparison, is more than the whole of Africa. Furthermore, according to all traffic growth scenarios assessed in the Report, in the next few decades emissions from aircraft will contribute up to 11% of the global warming associated with human activities.

CAN reinforced the need for stronger action in ICAO, and for concrete decisions from SBSTA on how to allocate emissions, and on what level of emissions reductions, over what time period (e.g. 2008-2012) is needed from the international aviation sector. Furthermore, CAN recommended that COP6 should decide on a method for allocation of emissions to the Parties, to ensure that these emissions are covered by quantified legally binding limitation and reduction commitments. CAN also suggested that COP6 sets obligations for quantified limitation and reduction for each Party of Annex B's bunker fuels for the first commitment period.

NGO PARTY
9.30pm, Saturday
30 October
Insel Hotel
Bad Godesberg

THANKS

The Climate Action Network would like to thank the World Wildlife Fund, Greenpeace International, the National Environmental Trust, Environmental Defense Fund, the Glastonbury Festival of Contemporary Performing Arts, the Swedish NGO Secretariat for Acid Rain and Union of Concerned Scientists for financial assistance.

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COP-5
#4

HIGHLIGHTS FROM THE FIFTH CONFERENCE OF THE PARTIES TO THE FRAMEWORK CONVENTION ON CLIMATE CHANGE WEDNESDAY, 27 OCTOBER 1999

Delegates met in Plenary to consider proposals to amend Annexes I and II to the Framework Convention on Climate Change (FCCC). The Subsidiary Body for Scientific and Technological Advice (SBSTA) considered: development and transfer of technologies; Annex I communications; methodological issues; cooperation with relevant international organizations; and research and systematic observation. The Subsidiary Body for Implementation (SBI) discussed greenhouse gas (GHG) inventory data for Annex I communications, intergovernmental meetings, and administrative and financial matters. Contact groups met to consider: adverse effects; land use, land-use change and forestry (LULUCF); capacity building; activities implemented jointly (AIJ); non-Annex I communications; and Annex I communications.

PLENARY

COP-5 met in Plenary to consider proposed amendments to FCCC Annexes I and II. Turkey's proposal to be removed from the Annexes was supported by PAKISTAN, the US, MEXICO and GEORGIA. The MARSHALL ISLANDS expressed concern about precedent it would set.

Several Annex I Parties welcomed Kazakhstan's proposal to be included in Annex I. Several non-Annex I Parties said further information was needed on Kazakhstan's ability to fulfill Annex I commitments. AUSTRALIA and the RUSSIAN FEDERATION said no information requirements were placed on initial members of Annex I. KAZAKHSTAN expressed willingness to provide the required information. SUDAN called for guidelines on amending the Annexes. INDIA, with CHINA and IRAN, recommended the use of Article 4.2 (g) (provision for non-Annex I Parties to bind themselves to commitments in 4.2 (a) and (b)). The President will conduct informal consultations on both issues.

SBI

ANNEX I COMMUNICATIONS: On GHG inventory data for Annex I communications, the US, with POLAND, stressed that timeliness and completeness of submissions were critical in providing a basis for COP action. The EU noted that its future national systems would fulfill quality and time requirements, and expressed concern about the continuous increase in GHG emissions since 1997.

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS: On the date and venue of COP-6, the G-77/CHINA proposed holding it in November 2000 and expressed concern over the proliferation of intersessional activities and workshops, their budgetary implications and obstacles for developing country

participation. In view of the workload to meet the Buenos Aires Plan of Action (BAPA), the US, with CANADA, AUSTRALIA and NEW ZEALAND, said COP-6 should be held early in 2001 with various intersessional activities on the run-up. CHINA said the BAPA only calls for "demonstrable progress" by COP-6. The EU and others emphasized the need for sufficient progress to allow early entry into force of the Protocol. To maintain political momentum, JAPAN noted its preference for COP-6 in November 2000. SWITZERLAND said timing of COP-6 should result from progress on pending issues and highlighted the need for a work-plan.

ADMINISTRATIVE AND FINANCIAL MATTERS: On income and budget performance in the biennium 1998-1999 and arrangements for administrative support to the FCCC, the EU proposed an open-ended group to clarify some issues. The G-77/CHINA called for informal consultations by Chair Ashe. The US expressed hope for the resolution of pending issues on non-Annex I communications to ensure budgetary resources on this topic.

On implementation of the Headquarters Agreement the Executive Secretary noted the need for more office space to host the growing Secretariat.

SBSTA

TECHNOLOGY TRANSFER: Delegates expressed appreciation of the African regional workshop organized as part of the consultative process. The IPCC outlined the Special Report on technology transfer and said actions to enhance technology transfer are specific to sectors, national circumstances and stakeholders.

Several Parties said the private sector should drive technology transfer. AUSTRALIA, the US and the EU highlighted the potential role of the clean development mechanism (CDM) in technology transfer. The PHILIPPINES, with SAUDI ARABIA and CHINA, stressed that technology transfer was a commitment under the FCCC and opposed linking it to the CDM. CHINA said technology transfer under the Protocol should be additional to that under the FCCC. The PHILIPPINES called for information on technology transfer activities in Annex-I communications. AOSIS stressed addressing adaptation technologies. The G-77/CHINA called for a COP-5 decision on capacity building. SWITZERLAND underscored consideration of specific national circumstances. The REPUBLIC OF KOREA noted the need to review the transfer of public-funded technology in the consultative process. The CLIMATE TECHNOLOGY INITIATIVE provided an overview of its ventures as a multilateral facilitator of technology diffusion. A draft decision will be prepared.

ANNEX I COMMUNICATIONS: Regarding "best practices" in policies and measures (P&Ms), Chair Dovland announced that Denmark will host a workshop in April 2000. The EU said the upcoming workshop should consider, *inter alia*, defining "best practices" and assessing the extent to which international cooperation may enhance effectiveness of P&Ms. AUSTRALIA preferred

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Earth Negotiations Bulletin

Thursday, 28 October 1999

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ence to "good" rather than "best" practices and, with JAPAN the US, said P&Ms should reflect national circumstances. SAUDI ARABIA said the workshop should also address "wrong" practices.

METHODOLOGICAL ISSUES: On emissions resulting from fuel used for international transportation, delegates considered the International Maritime Organization's report on its activities to prevent air pollution from ships. The International Civil Aviation Organization reported on the progress made in developing an Action Plan on aircraft engine emissions and in evaluating market-based options in limiting bunker emissions.

On allocation of international bunker emissions, the CLIMATE ACTION NETWORK advocated their inclusion in national inventories. The EU recommended completing the work on including international bunker emissions in national inventories before negotiating the second commitment period. The REPUBLIC OF KOREA, supported by AUSTRALIA, NEW ZEALAND and JAPAN, said it was premature to discuss allocation due to the difficulties in differentiating emissions resulting from national and international fuel.

The US highlighted the need for guidance on definitions and clarity. NEW ZEALAND, with the EU and the US, stressed improving reporting of bunker emissions for consistency and comparability. Jose Romero (Switzerland) will conduct informal consultations on this issue.

On the impact of single projects on emissions in the commitment period, ICELAND said single projects have a greater proportional impact on emissions in smaller countries, affecting their ability to meet emissions targets. He called for a conclusive decision on this issue at COP-6. CANADA expressed reservations on the issue and opposed the draft decision tabled by Iceland at COP-4 in its current form. Informal consultations will be conducted by Ole Ugmann (Denmark) to forward conclusions or a draft decision SBSTA.

Regarding the scientific and methodological aspects of the proposal from Brazil, several delegates supported the concept of differentiated responsibilities, while a number noted that further scientific analysis would be useful. The EU and PERU, opposed by MALAYSIA, said the issue should be considered as part of IPCC's Third Assessment Report. Chair Dovland said he would prepare draft conclusions on this issue, following informal consultations.

On other matters, SBSTA decided to exclude consideration of harvested wood products. However, Parties were asked to submit their views to the Secretariat. On information on decision tools to evaluate climate change impacts and adaptation strategies, the Secretariat requested submissions from Parties.

COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS: The Secretariat outlined its efforts on an inter-agency project proposal for capacity building under the CDM. The PHILIPPINES and CHINA recommended consideration of the G-77/China capacity-building draft decision. UGANDA proposed a permanent clearing-house to streamline funding. The EU stressed the need for continuous cooperation.

On cooperation with other Conventions, SBSTA heard reports from UNEP, the UN Convention to Combat Desertification and the Convention on Wetlands on synergies between the FCCC and other conventions.

SBSTA continued its deliberations late into the evening on agenda items on: ways and means of limiting emissions of hydrofluorocarbons and perfluorocarbons; coastal adaptation technologies; and research and systematic observation.

CONTACT GROUPS

ADVERSE EFFECTS: The contact group on implementation of FCCC Articles 4.8 and 4.9 and matters relating to Protocol Article 3.14 (adverse effects) discussed the recent workshop held Bonn. Several delegates called for analysis on the effects of

response measures for all developing countries, not only oil producing countries. Delegates were invited to submit written proposals on possible actions to be synthesized by the co-chairs.

AJL: A contact group on the AJL and its pilot phase raised a number of issues, including: whether to continue the review beyond this session; if the pilot phase should continue and, if so, in what form; whether the group should take decisions or make recommendations about the eligibility of AJL to become CDM or JI; and if the issue of eligibility should be discussed by the contact group on mechanisms. Some delegates stressed the need to discuss AJL's prospects, noting the need for incentives to maintain the momentum.

CAPACITY BUILDING: The contact group on capacity building discussed procedural issues. The G-77/CHINA said its draft decision should serve as the basis for a recommendation to COP-5, since it presents a comprehensive approach to all capacity building activities and specifies developing countries' needs in its annex. Other delegates said COP-5 should establish a process leading to a substantive decision at COP-6. They said more work was needed on assessing specific national needs. A co-chairs' text will be prepared based on Parties' written submissions.

ANNEX I COMMUNICATIONS: This contact group continued consideration of the second part of a revised draft text on guidelines for Annex I communications. Participants discussed P&Ms, projections of the total effect of P&Ms, and exchanged initial views on financial resources. Delegates agreed on a number of paragraphs. They invited the Chair to settle the terminology of projections "without measures," since these were unusual terms compared to "business as usual," and misleading, as they seemed to exclude consideration of P&Ms implemented prior to the starting point of the projection. They also deferred consideration of the information to be included in the description of each P&Mx to a smaller group.

NON-ANNEX I COMMUNICATIONS: The Chair distributed a draft text compiling the EU and G-77/CHINA proposals on non-Annex I communications. The group decided to devote its time to a question-and-answer session with the GEF and its implementing agencies. Participants discussed *inter alia*: GEF's interpretation of "agreed full costs," the non-duplication principle endorsed by the GEF Council, the terms of agreement between the implementing agency and the recipient country, including terms for the disbursement of funds, GEF funding for adaptation measures and PCCC COP guidance to the GEF.

LULUCF: The contact group, co-chaired by Halldor Thorgerisson (Iceland) and Philip Gwage (Uganda), expressed diverging views on timing for consideration of the need for country-specific data and information and its relationship to a decision-making framework in the context of the Protocol. There was general agreement on the consideration of the IPCC Special Report at SBSTA-12. The group also agreed to initiate an exchange views on a decision-making framework and on data requirements.

IN THE CORRIDORS

While some observers were suspicious that Kazakhstan's proposal to add itself to Annex I could create a new source of "hot air," others welcomed the move as a first step toward expanding the number of countries with limitation and reduction commitments. Several participants also felt that systemic inadequacies in the climate regime made it extremely difficult to deal with requests for addition or deletion from the Annexes in a principled manner.

THINGS TO LOOK FOR TODAY

SBSTA: SBSTA will meet in Plenary I at 10:00 am.

JWG: The JWG on compliance will meet in Plenary II at 10:00 am.

CONTACT GROUPS: Contact groups will be held throughout the day. Consult the announcement board for details.

29 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: Supplement to COP-5 Update No. 5 (Wed/Thurs Oct 27/28, 1999)

This message conveys summaries of various meetings and side-events prepared by USDEL participants at the the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This message should be read in conjunction with our regular COP-5 Update No. 5 for Thursday, October 28.

The following reports are included:

- (a) An account of the Oct 27 compliance meeting prepared by DOJ's Jim Rubin;
- (b) Notes for the Oct 27th JUSCANZ meeting prepared by State's Jack Schick;
- (c) Notes from the Oct 28th JUSCANZ meeting prepared by DOD's Dan Benton;
- (d) Notes from the SBSTA-11 7th meeting (morning of Oct 28) prepared by NOAA's Linda Moody; and,
- (e) Notes for the October 28 meeting of the contact group on capacity building prepared by EPA's Martin Dieu.

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Jim Rubin
October 27, 1999

Substantive Discussions Continue on Design of a Compliance System

The second meeting of the Joint Working Group (JWG) on compliance occurred on October 27, 1999, with the parties continuing to plough through the Chair's agenda on the design features of a compliance system. On the whole, the discussion was fruitful and showed emerging areas of agreement, although the focus on specific design elements often left open more general questions as to purpose and function of the system. The U.S. strategy of providing a flow chart as its proposal paid off as other parties followed suit, often with striking similarities to the U.S. proposal.

At the Chairs' request, those parties that had submitted flow charts of proposed compliance systems first gave brief presentations on their proposals. The U.S. began by explaining the assumptions underlying its proposal and its main features, which included facilitative and enforcement functions based on the types of commitments at issue. Japan then presented its proposal, reiterating that it was meant to be illustrative rather than an official position. Its proposal included one mostly facilitative body and a list of examples of consequences that could be imposed. The proposal sent all mechanism-related issues to a mechanism-specific compliance procedure, without deciding where that procedure might reside. Finland/EU next described its preliminary thoughts, reflected in a chart that resembled the U.S. proposal by creating a compliance body with both facilitative and enforcement branches. It had questions of noncompliance sent through the Secretariat, as a conduit, to a compliance body. Finally, Samoa/AOSIS presented its proposal, which embodied its view that facilitation and enforcement were not necessarily distinct features. Rather, the proposal combined the two functions into one body and process that could issue consequences for noncompliance, but that reserved binding consequences, defined as Article 3 violations, until the end of the budget period. Only binding consequences would issue from an enforcement body, with rights of appeal; consequences mentioned included financial penalties or increased commitments in the second budget period. Finally, mechanism eligibility issues would be determined by yet another, speedier process. Saudi Arabia stated that it would issue its own chart imminently.

1) The parties then began to discuss eligibility, i.e. how to trigger the compliance system, as well as the roles of the COP/moP and Secretariat. Finland/EU began the discussions, stating that a party or parties could trigger the system, while the Secretariat would act only as a conduit from the parties or expert review teams (ERT) to a compliance body. The compliance body would then make a determination on how to proceed in order to depoliticize the ERT, and possibly could raise issues on its own. As to the COP/moP, Finland didn't see much of a role for the body since compliance issues would be too technical and detailed for a policy body. Canada thought that Article 8 reports could trigger the process and provide the basis for review, although another party could raise an issue as well, though it saw a need to dismiss baseless claims. Parties should also be able to seek assistance. The COP/moP needn't be involved in every aspect of compliance, but rather would set up the implementation bodies and review a final compliance decision (based on Article 8.6). A compliance body, consisting of objective experts would make these compliance decisions. China believed that parties could trigger the system, while the Secretariat would play only an informational role. ERT could not trigger noncompliance procedures, and the COP/moP would remain the supreme body that could play a role in the initiation of the procedure and in final compliance decisions, as well as providing policy guidance.

Brazil said that parties could raise issues, and had no formal view on the role of the COP/moP, though it thought there was probably some role for it at the beginning of the process and at the end, where it could take note of a compliance decision, but not review or change the decision. The expert review teams shouldn't determine noncompliance, although its report would be the most important source of information for the compliance process. Samoa/AOSIS thought that the trigger mechanism would depend on which part of the compliance system was involved: for the compliance body, any party or parties or Article 8 reports; for eligibility determinations, any party concerned and the compliance body; for an appeal, the party concerned; it was open to the role of the secretariat. It saw no fundamental role for the COP/moP in individual cases because individual parties had roles and would suffice. The COP/moP would however establish and review compliance procedures in general, and could provide a venue for general political discussions on noncompliance. Japan saw the secretariat mainly as providing information to the process. Since parties can trigger the system, the COP/moP

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would have no role in initiating the process but may have a role at the end. Parties would have to show sufficient evidence to start the compliance process so as to avoid frivolous cases.

Iran saw different triggers depending on whether a country self-reported or challenged another. In the latter circumstances, there must be a group of parties to initiate the challenge. The secretariat would facilitate and remain neutral. The ERT would be a fact-finding team that would report to a compliance body but make no compliance determinations. The role of the COP/moP would depend on the size of the compliance body. The COP/moP would have the final word on compliance, especially if the compliance body were small. South Africa thought that parties could trigger the compliance system and was still thinking about parties self-reporting. The ERT would not trigger the system. The COP/moP would have a role at the beginning and end, particularly to provide due process and ensure that the compliance body was not both accuser and judge. Other bodies might be included in the system, e.g. the CDM executive board. The U.S. stated that the trigger depended on the outcome of the particular compliance decision: where decisions led to facilitation, parties could trigger the process. But where the decisions led to enforcement, it had a more restrictive view, i.e. only Article 8 reports. The secretariat had no particular role, nor did the COP/moP, except perhaps at the end of the process. It then asked whether the compliance body would decide if a case could go forward, and if so, who would present the case? It suggested this issue needed further discussion. UAR thought the secretariat played a key role, especially with regard to Article 8 reports. The COP/moP would help enforce decisions and minimize the issue of sovereign rights.

Australia saw Article 8 as the first step, but ERTs could make technical, not legal or political assessments. Once a question of implementation was raised, the matter would move to the compliance procedure, based on Article 8 guidelines and criteria. It doubted the value of other parties triggering the system once Article 8 review were done, particularly if we wanted to impart confidence in the Article 8 process. It agreed with the U.S. that the issue of parties triggering the system must wait until we determined what was being triggered. It doubted the COP/moP could play a role in the process, except to provide policy guidance and get reports from the compliance body. The secretariat's role as information conduit was specified in Article 8. Saudi Arabia said that the ERT and parties could raise issues, but the secretariat should not be involved except for providing information. The COP/moP could screen cases, and SBI may have a role in articles 5, 7 and 8. The COP/moP would play an important role with regard to the nature and scope of the compliance body and Article 18 binding consequences. Saint Lucia thought parties could trigger the system by giving notification of potential problems to the secretariat (who would have an informational role only) with reasons why either it couldn't comply or why others were not. The ERT would not have this role. The COP/moP would set the rules and guidelines and would determine noncompliance.

Kuwait saw the ERT only as reviewing information of Annex 1 submissions; it had no authority to review information from other parties, and the secretariat had only an informational role. New Zealand thought only parties could initiate the noncompliance process, and that the ERT and secretariat would be precluded from doing so. It agreed with Brazil that the COP/moP would only review decisions but not rule on them. Korea spoke about the COP/moP but I couldn't for the life of me figure out what they said! Argentina said only parties to the protocol could raise issues and that the ERT could not trigger the system. Parties would take action based on the Article 8 reports. The COP/moP would have some role at the end, as per Article 8.6. Senegal saw the secretariat as gathering information relating to compliance derived from the ERT and making recommendations to the COP/moP for decision. Clear rules were needed in advance. Switzerland saw the compliance body issuing reports to the COP/moP, which would play some role, as per Article 8.6. but it was not sure what. It would at least develop guidelines for the ERT. But there should be a clear list of consequences of noncompliance so that no body would need to decide which consequences should attach to what conduct. The ERT and compliance body would be composed of experts in their personal capacities.

The UK tried to clarify that parties referring to "triggering" the process were referring to causing the system to start, not the provision of information. As to information, all sorts of things could come in, but this was a separate question. The COP/moP was not an appropriate body for compliance decisions because it was too big and met infrequently, plus parties were already involved in the process. It also thought it hard that a party that initiated the system would be involved in final judgment. It was not sure what role the COP/moP would ultimately play, except perhaps to take notes of compliance determinations. As to other subsidiary bodies, it thought trigger determinations needed to be made

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case-by-case. It would be better to have groups of parties trigger the process to avoid the bilateral dispute aspect. As to self-help, the MCP would provide precedent. Samoa thought that the compliance body needed some way to dismiss de minimis referrals, and that the ERT would determine eligibility for mechanisms, which was not really a compliance issue. Eligibility had automatic force by virtue of Article 6.4. Parties could appeal binding consequences.

The U.S. asked what exactly was a party initiating – an actual case or simply causing the compliance body to decide whether to look into the matter. The result might change the nature of who did the initiating. It asked who the plaintiff would be in an enforcement procedure. The matter would be simpler in a facilitative setting without binding consequences, but what happened to a triggering party in an enforcement action with binding consequences. Would it prosecute or stay involved in the matter? Would it just send information? Provide evidence? Play no further role? If a party just stayed in the case, the matter was no different than dispute resolution, and we wanted to move away from this model in a compliance system. If a party dropped out, who would prosecute the matter? If the compliance body, this would bring up the concern of the same party prosecuting and adjudicating a matter. These same issues would arise in the provision of information. Russia then intervened with rambling, rather hard to follow discussion on a number of compliance-related matters that weren't really relevant to the instant discussion. It did see the COP/moP as playing a major role, determining noncompliance, and that compliance should be based on Article 3 and common but differentiated responsibilities, equal rights, justice and transparency. Countries must have effective domestic regimes. It recognized that there were different time frames for compliance and constant compliance monitoring was needed. Chile saw Article 8 as requiring ERT reports to go to the COP/moP through the secretariat. WWF intervened, stating that the ERT would provide the primary trigger, with self-reporting to facilitate compliance, and other parties, the secretariat and civil society able to raise questions of implementation. Issues raised by parties and the secretariat would go to Article 8 review while issues raised by NGOs would go to the secretariat for screening. NGOs play a key role in a number of agreements and were recognized in Article 8.4.

2) The parties finally moved on to sources of information. Australia saw Article 8 reports as key, but that due process demanded that parties at issue be able to submit information. Other types of information, e.g. experts, could come in for the facilitative branch. The U.S. saw Article 8 reports as the main source of information, with the process having some discretion to consider other relevant information. In an enforcement proceeding, it would be important for a party to submit evidence to rebut allegations of noncompliance. But this again raised the issue of who was the plaintiff because evidence raised by the compliance body would take on a new meaning if that same body prosecuted and adjudicated the matter. Finland/EU saw Article 7 and 8 submissions as key and corroborating information would be allowed. The compliance body could request further information, including gathering additional information in the territory of the party involved. Provisions would be needed for confidentiality. China mentioned Article 7 and 8 reports as well as submissions from complaining and defending parties. There was a need for balancing discretion and criteria/rules for using information. A strict procedure was needed for information coming from outside the protocol. Ultimately, the procedure for information review depended on the sources of the information.

Brazil thought the issue critical because compliance would be based on information received. Japan thought additional information could come from parties, the ERT or outside experts. Samoa/AOSIS said that any institutional arrangement should have the right to seek and consider information. South Africa saw information gathering as key, and that official information from parties and the ERT would be considered. The compliance body should also be able to seek additional information, but clear criteria on the use of that information were needed. If an enforcement matter were involved, due process would be required. The parties needed to look at what weight to give different types of information. Iran said that the only relevant sources of information were the parties. The compliance body could not ask for information not relevant to the proceedings. There may be need to help some parties gather this information. Saudi Arabia said that the structure of the system would determine which type of information was used, but that parties should be able to present information at all stages. New Zealand thought the sources of information were broad, and added that adjustments to inventories needed to be done by 2008 so that information could be utilized in compliance determinations.

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Next Steps:

The JWG on compliance will meet for three more sessions. The first two meetings were fairly substantive and the parties moved apace through the agenda. The Chair hopes to complete the first round of discussions on its outline of elements of design and consequences by October 27, with additional discussions on October 28, and finalization of a report to COP5 in the following week. After the October 27 meeting, the Chair asked China, the U.S., South Africa and Finland to consult on the best way to move forward. It was decided that to speed things along, the Chair would draft a list of compliance elements, based on discussions in the JWG, and to seek input individually from interested parties. At the same time, those parties (Japan, U.S., EU and AOSIS) that have submitted charts of proposed compliance systems were tasked with trying to produce a combined chart that indicates any areas of possible convergence. It is hoped that both the Chair's elements paper and a combined chart will substantially move the process forward.

B

JUSCANZ 27 October
Notetaker Jack Schick

SUBSTA Chair Dovlin briefed JUSCANZ on Bureau activities, noting in particular that the Bureau is eager to resolve the issue of a Co-chair for the Contact Group on 4.8/4.9 where the discussion focuses inter alia on OPEC's demand for a compensation fund. The Group of 77 developing countries has tried to engineer a situation with just one chair for the Contact Group—Ambassador Salamat of Iran. JUSCANZ is concerned to have more balance and favors Ambassador Sjellen of Sweden to co-chair. In fact, Sjellen and Salamat co-chaired the Group at COP 4 last year. The Bureau worries that lack of a solution will spill over and affect the functioning of other Contact Groups.

Dovlin noted that the Vienna Workshop on compliance earlier this month was paying good dividends at COP 5, having enriched the debate at the first meeting of the Joint Working Group on Compliance last night.

In discussing the Saudi's demand for another workshop on 4.8/4.9 next March, Japan's Ambassador Koike asserted that JUSCANZ should hold back on endorsing another workshop until the one last September had been evaluated. The Saudis politicized the September workshop, and he does not want a repeat of that experience. He prefers to isolate OPEC and address AOSIS concerns, split the convention's Article 4.8 (refers to least developed countries) from 4.9 (OPEC oil exporters). Dovlin suggested not to say that the workshops should avoid negotiations but to say that the September workshop did not adhere to its terms of reference.

Canada initiated a discussion of the Common Interest Group meeting yesterday but gave it a more positive twist than others were willing to do. Canada characterized the meeting as a good exchange of ideas, but New Zealand complained that the meeting failed to produce a significant dialogue with the EU. Switzerland stepped-in to defend the EU practice of a single spokesperson, in this case, The Netherlands Ivo DeBoer. But Australian Ambassador Hillman insisted that the EU had asked for the meeting and then failed to engage. He thought the CIG needed to be more like an OECD or Annex I Experts Group meeting where individual countries should speak.

Iceland gave a heads up that it does not intend to press for a draft decision on the issue of an exemption for emissions from a single project from SUBSTA today but to urge a decision at COP 6. Iceland noted that many international agreements have had to make exceptions for specific cases. The Swiss suggested that a Special Report by IPCC may be in order for an assessment of the possible implications of an exemption, but Iceland resisted the idea for bad timing ie there is not enough time for IPCC to undertake the task before COP 6.

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JUSCANZ 28 October 1999
 Notetaker Jack Schick

The Norwegian chair called for comment on activities in the proliferating Contact Groups (CG).

- Capacity Building The US noted that the G 77 and OECD are in divergent positions but that the EU seems eager to move on this issue and has a draft decision text for COP 5. Co-chairs Ashe and Reifsnnyder also have one.

- 4.8/4.9. The Chair had the impression—perhaps no surprise—that other G 77 parties were not as fervent about a compensation fund for OPEC as was Saudi Arabia. China, for example, spoke in generalities without even referring to the impact on developing countries of OECD countries' response measures.

- AIJ. The Chair reported that the G 77 had still not fleshed out its draft decision. The US reiterated its position on extending AIJ with retroactive credit for projects that meet the CDM guidelines. Mexico expressed concern that a gap would open up, in any event, between the end of AIJ and the start of CDM. Canada was uneasy about keeping AIJ going, in effect, "going from pilot to pilot," as she put it and opined that the private sector would lose confidence that CDM would ever eventuate. The Canadian spokesperson could not see what would be gained by extending AIJ. The US came back to urge greater JUSCANZ participation in the AIJ CG to balance a rather overwhelming G 77 presence.

- Mechanisms. Switzerland had the impression that this CG was losing momentum both in terms of speed and sense of direction. An un-named delegation had suggested to him that the mechanisms debate could run past COP 6 and beyond. The US agreed but was slightly more optimistic because the tone in Chairman Chow's small advisory group was better than it had been last June. India, for example, has not insisted on discussing principles first before starting work on Chow's synthesis draft negotiating text. The US further opined that Chow's offer to solicit another round of comments from parties due 31 January may be the reason for India's new flexibility. He said the US preference still was for a draft text to ensue from COP 5.

Switzerland was not happy anyway with another round of commentary in January but knew he had to live with it.

Japan shared a cautious optimism because G 77 behavior was 180 degrees different from last June. Moreover, he did not believe every country would provide a January submission, and he did not expect to see any new concepts provided.

Australia pointed out that Ministers agreed in Warsaw that a draft text should emerge from COP 5. He urged JUSCANZ to work to limit new submissions to a very narrow technical field. Norway picked up on Australia's comment to point out that the technical appendixes to Chow's draft are not filled out so that new submissions are due anyway. Nonetheless, he does not look for a completely new third synthesis draft.

Japan opined that JUSCANZ cannot prevent any party from making more submissions and, as a matter of fact, Japan will have a submission to correct mistakes in legal form in Chow's text.

New Zealand worried about a replay of last June, when the G 77 repeatedly went behind closed doors to consult among its members. Norway disagreed, still not ruling out the possibility of a negotiating text emerging before the end of COP 5. He asserted that the EU wants a text from COP 5.

- LULUCF. Iceland reported that he had a workmanlike meeting but that there remains a significant gap between parties on the timeframes for dealing with the issue.

The chair noted that the Secretariat expects 100 statements by Ministers or heads of delegation at the start of the High Level Segment next Tuesday. New Zealand volunteered to withdraw and donate his

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time to interactive dialogue in the CGs, but he is condemned by the rules to make a statement. The Norwegian chair said the Norwegian Minister would not be speaking for exactly that reason.

Switzerland pointed out that a consensus would be needed to do away with the statements, and Canada reminded that JUSCANZ has fought this issue before and lost. However, Canada did not want to leave the public message coming out of COP 5 to G 77 Ministers.

John?
Notes from 28 October 1999
SBSTA 11.6th Meeting (morning)
Prepared by Linda Moodie

Research and Systematic Observations (SBSTA agenda item 12)

Global Climate Observing System (GCOS) Secretariat Director, Alan Thomas, briefed delegates on developments in the observing systems for climate, noting some start-up activity in ocean and terrestrial observations, but some deficiencies and decline in the longer-term atmospheric observation record. The problems result from inadequate equipment, need for training of personnel, and a shortage of operating funds for personnel, supplies, and maintenance. GCOS had prepared draft guidelines for the preparation of national communications on systematic observations by Annex I Parties and where appropriate for non-Annex I Parties. The guidance would allow for more uniform and comprehensive information and enable a more useful analysis. GCOS proposed to hold a series of regional workshops to identify the specific needs of the Parties or groups of Parties in a given region to address observing deficiencies. These workshops could lead to the preparation of joint proposals of developing countries in the region for submission to the GEF or other funding organizations. Pursuant to COP-4 Decision 14, GCOS is informally consulting with Parties on initiating an intergovernmental process to address action priorities and funding shortfalls.

The Global Ocean Observing System (GOOS) also reported on improvements in ocean observations, including the proposed Argo Project to seed the ocean with 3000 subsurface floats, the successful forecasting of the 1997-98 El Nino nine months in advance, and the launching of the research CLIVAR program, which is studying decadal variability in the climate system.

Parties generally agreed with the need to improve the observing capability and with the need for a more consistent approach for nations to report on observing systems. The EU and the US both proposed that Parties submit detailed national reports on research and observations, as requested by GCOS and using GCOS guidelines (as modified by SBSTA discussion), but that these detailed reports be independent of the formal national communication. A summary of a nation's activity would be sufficient for the national communication. The US proposed that the detailed national reports be submitted by Spring 2001 so that GCOS could integrate and analyze the information and make recommendations to COP-7. The EU also requested that contributions through the integrated approach of the Integrated Global Observing Strategy be added to the guidelines and that there be some way to capture and report the contributions of regional or multilateral observing bodies, e.g., the European Space Agency and EUMETSAT. Japan proposed that satellite observations be used to fill the gaps in the ground-based observing systems for climate.

Botswana and Mauritius pointed out the costly nature of operating observing stations and taking routine observations. There was general support for the proposed regional workshops as one option for approaching the problem. The GEF reported that it will accept national proposals to improve its observing capability, including training, with a cap of \$100,000 for Parties that have not exceeded \$400,000. Beyond these limits, regional or clustered proposals would be more appropriate. The EU welcomed the potential availability of funding through the GEF.

Roster of Experts

Parties supported the current Secretariat practice of providing an opportunity for all Parties to nominate experts to rosters and then using technical competence and regional balance as criteria. There was general agreement to merge the three current rosters, making it clear where the expertise of each member lies. Additions to the roster, including new areas of expertise, should be sought as the need arises. The US stated it would be relatively simple and cost-effective to construct an integrated database of experts, which could be sorted for specific tasks, expertise, language skills, nominating Party, contact information, etc. The US believes a separate field should indicate whether experts have been authorized by the nominating Party to perform more sensitive tasks (e.g., methodological expertise). Most agreed that the integrated roster should be published on the Secretariat's website, but in the interest of confidentiality, contact information should only be available with the permission of the expert or through a password. The roster member should be responsible for ascertaining the accuracy of the information being kept.

E-1

Oct 28, 1999

Capacity Building Contact Group (7:15 - 9:10)
Co-Chaired by Dan Reifsnyder and John Ashe

This meeting has been extremely contentious from the beginning. With the possibility that John Ashe is considering a much more ambitious combined Capacity Building, Mechanisms, Tech Transfer and Finance decision during his tenure as Chair of SBI, the Capacity Building Contact Group is a critical component.

The situation just before the meeting was complicated in dramatic fashion when the draft text of the newly written (and still secret) Chair's decision text was found to be already in the hands of the Philippines senior delegate. After a series of confrontations and a last minute Umbrella Group meeting, Reifsnyder called the meeting to order.

The Chair opened the meeting by introducing the chair's revised text - which took the G-77/China's proposed draft decision and revised it using both the Umbrella Group and EU proposals. After introducing the text, the meeting adjourned for 40 minutes at the chair's insistence so that all parties could review the text.

Reconvening, the Chair asked the Parties whether they would accept the text as a negotiating document. **Tanzania, speaking for the G-77/China**, accepted the text as the basis for negotiation, though they reiterated previous arguments that any eventual decision needs to contain an integrated framework and the framework must be country driven.

Poland followed, pointing out that Annex II countries, not Annex I, should be referenced when talking about providing additional information on capacity building for developing countries. Poland also invited Annex II countries to support capacity building in Economies in Transition (EITs). Ukraine followed by noting that EITs have different capacity building needs, requiring a special formulation for EITs. [comment: the US and G-77 have been of one voice on making any mechanism country-driven and appropriate to self prioritized needs. Simple mention of EITs may be enough to meet their special needs, given a flexible approach.]

Finland/EU: cryptically opened by saying that he looked on the text with amusement. While the EU stated that the Chair's draft was suitable negotiating text, they pointed out unacceptable areas of the text and overall concerns, including:

- Preamble para beginning with "Underlining"
- 2(a), which may prejudge the capacity building approach
- does not stress the "bottom-up" or country specific approach
- need to add additional paras in preamble
- needs qualitative criteria

The EU also mentioned that they had already accepted the annex on capacity building needs as it was listed in original proposal.

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The US spoke next. After pointing out that we were not speaking for the Umbrella Group, the US rejected the draft decision as a negotiating text for the following reasons:

- no clear pathway from COP5 to a COP6 decision
- does not follow the assessment, stocktaking and prioritization framework
- does not address funding issues, in particular how more work will be done without significant increases in funding
- must be means-tested
- missing broader participation and transparency
- not integrated

The US delegation continued, covering the EU concerns as well, and was by far the most aggressive in criticizing the draft decision text. The US was the only Party to reject the text outright.

Canada and Japan also mentioned problems with the text and largely supported the US concerns. Canada did not repeat its proposal from the plenary session. Additional concerns raised were:

- include a section on lessons learned
- strengthen the last para of the preamble
- eliminate the work "prerequisite" in second-to-last paragraph on first page
- 4(b) is too weak – needs a clearer and faster timeframe
- do not add a mandatory new workshop on page three

After caucusing briefly, the Chair stated that they would attempt to rework the text tonight and tomorrow morning to better reflect the comments, and get a new draft to delegates by noon tomorrow for review before the 4:00 – 6:00pm meeting.

At this time, the Philippines objected strongly saying that the G-77 had refrained from commenting, but since all the other countries had commented in this session, they would have to comment as well before the new draft. Norway also pointed out that they had not been able to comment.

The Chair pointed out that the room schedule dictated an immediate adjournment. It was agreed that Parties would provide comments to the chair by 10:30am tomorrow, and the Chair would provide a redraft of the text by early in the afternoon. [comment: the US was the only intervention rejecting the text outright.]

Notetaker: Martin Dieu

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Japan's
dilemmas**REPUBLICANS: Squeeze on climate package**

By Nancy Dunne in Washington



White House officials yesterday struggled to salvage a package of environmental initiatives designed to reduce carbon emissions, in the face of Republican opposition.

The administration has been reduced to fighting off a

Republican measure that would limit President Bill Clinton's scope to use executive orders to implement the Kyoto Protocol for climate change.

The protocol, agreed in 1987 by about 150 countries, commits the US to reducing carbon emissions by 7 per cent from 1990 levels no later than 2012.

The Republican measure, attached to the Interior Department appropriations bill, would prohibit the use of federal funds "to propose or issue rules, regulation, degrees or orders for the purpose of implementing... the Kyoto Protocol".

Mr Clinton has vowed to veto the bill, which also contains funding for energy efficiency programmes. But he has already been forced to sign legislation that hinders efforts to reduce carbon emissions.

The transportation bill, for example, prevented the administration from requiring higher vehicle fuel efficiency standards.

Moreover, budget constraints forced the administration to limit its request for tax credits to spur private sector development of technologies to address climate change.

This modest Climate Change Technology Initiative came under attack from both ends of the political spectrum. Gary Cool, of Greenpeace, called the administration proposals "very inadequate, given the size of the problem and US emissions".

The rightwing Cato Institute, called the package "a sham" and a "repackaging of failed programmes that do nothing to significantly reduce global temperatures".

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But Roger Ballentine, deputy assistant to the president for environmental initiatives, defended the programme and said it was impossible to estimate the savings that could be achieved. "The initiative is meant to spur development of technologies which will make a significant contribution to the way we consume energy," he said.

The Energy Department's partnership programme with US carmakers, which aims to triple fuel efficiency by 2004, has also suffered deep cuts. Congress has refused all funding for a \$200m programme to help the states implement clean air plans.

The Senate has ordered the administration not to submit the Kyoto Protocol for approval unless developing countries agreed to reduce emissions as well.

Congressional stinginess has forced the administration to address global warming through a series of small measures. In August the president issued an executive order co-ordinating federal efforts to convert crops, trees and other biomass into fuel, power and products. In June the president required each federal agency to reduce greenhouse gas emissions in their buildings by 30 per cent below 1990 levels over the next decade.

While environmentalists have strong doubts about whether the administration's emissions reduction initiatives would be effective, they may not get a chance to find out if the Republican-dominated Congress gets its way.

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Why There's More Hot Air on Global Warming

The nations of the world are meeting to discuss air pollution, but many don't seem to give a hoot

Most of us need deadlines to spur us into action, which may be why nobody's rushing to stop the belching of greenhouse gases into the atmosphere. The international deadline for the 5.2 percent cut from 1990 global output levels envisaged in the 1997 Kyoto Climate Change treaty is 2012, four full election cycles from now. Representatives of the 150 nations party to the treaty gathered in Bonn, Germany, on Monday to discuss technical details of fulfilling its requirements. But the treaty has yet to be ratified by a number of the world's leading industrialized nations, including the United States, and that's something President Clinton may be unlikely to risk following his humiliation in the Senate on the nuclear Comprehensive Test Ban Treaty. After all, as the world's largest polluter, the U.S. will be expected to dramatically cut its consumption of gasoline and other carbon-based fuels, and no president will comfortably pass the tax hikes and other restrictions necessary to effect that reduction. Especially when the oil industry is funding an aggressive marketing campaign telling voters that the problem is overstated and the treaty is unfair.



Far from showing any downward trend, carbon gas emissions in the U.S. are continuing to increase; even the European Union, which fancies itself as the world leader on environmental matters, is stabilizing rather than reducing its output. And although

President Clinton recently characterized Republican opposition to the Kyoto Climate Change treaty as a threat to American jobs, the electorate may be more easily persuaded that signing the treaty is a threat to their SUVs. That may be why the most attractive item on offer at the Bonn talks could be an emissions-trading scheme, that will allow industrialized countries to buy "credits" from others whose pollution levels are below their quotas allowed under the treaty. If they can't convince U.S. consumers to make the sacrifices needed to cut their own outputs, future White House tenants may at least be able

ENVIRONMENTAL
WEEKLY

to buy others' polluting rights.

- TONY KARON

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29 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley *MA*

Subject: COP-5 Update No. 6 (Thurs/Friday, October 28/29, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This report covers activities and discussions from mid-day on Thursday, October 28, through mid-day on Friday, October 29.

Also included with this report is the latest copy of **ECO**, the somewhat acerbic periodical published by a group of NGOs with supplemental funding by certain prominent European and U.S. environmental organizations. We are also submitting a copy of the NGO-published **Earth Negotiations Bulletin** which provides a useful accounting of some of the events.

A supplement to this update will be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

29 October 1999

COP-5 Update No. 5 (Oct 27/28): "Waiting for the Other Shoe to Drop?" Progress Continues on Key Issues, but Questions About G-77/China Intentions Remain**HIGHLIGHTS**

- Compliance Group Continues to Make Progress as "Friends of the Chair" Try to Speed Things Up;
- First Reading of Mechanisms Synthesis Paper Completed;
- Reaction to U.S.-India Joint Statement Thus Far Muted
- Tussle Over How to Approach the High Level Segment

DETAILS**Compliance and Mechanisms Work Continue to Advance**

The work on compliance and the mechanisms continues to make progress, as will be reported in greater detail below and in the supplement. On compliance, although most of the discussion in the October 28 plenary dealt with design issues, the more significant work was done in the small "Friends of the Chair" group formed by the co-chairs (in this instance, working with Espen Ronnenberg of the Marshall Islands). This group decided on procedures for drafting a new elements paper. In addition, consideration is being given to holding another intergovernmental meeting on compliance intersessionally as early as December. This matter has not been broached publicly, however.

The mechanisms discussions have proven to be equally progressive. Despite objections from China, Saudi Arabia and others, the joint working group chair of the contact group, Malaysia's Chow Kok Kee, managed to plow through the first reading of the synthesis report -- including all of the elements on CDM, JI, and International Emissions Trading. Two difficulties that have emerged are (a) how to entitle the end product that evolves from Chow's efforts and (b) what kind of further meetings and consultations are needed to bring forth decisions by COP-6.

Annex I wants the resulting product to be called a "negotiating text." Thus far, this designation has been refused by G-77/China representatives. Some developing countries suggests (with some legitimacy) that the group is moving too fast for the G-77's wide and varied membership to consider all of the salient features. Another (and more powerful) group which is led by Saudi Arabia but appears to include China) wants to slow down the process for less than admirable reasons.

Comment: "Whither the Other Shoe?"

In assessing the current situation, most of our umbrella partners agree with our assessment that, thus far, Parties have made good progress on both of these two key areas as well as in other technical areas. Capacity building appears to be belabored by the character of the participants (including Bernaditas De Muller coming from the Philippines Embassy in Paris). Even so, the U.S., Canada, New Zealand, and Australia have all privately expressed concern about what the future days portend. "When will the other shoe drop?" they ask.

It may be only a matter of time, but it would be quite extraordinary if there is not a major bout of mischief introduced into this process, minimally by Saudi Arabia. In this regard, one suspects that it will be during the end game of this meeting - next Monday, Nov 1, when decisions from SBSTA and SBI will theoretically be presented or perhaps on next Thursday or Friday (Nov 4-5) after the ministers and other senior officials have departed. End Comment.

Impact of Richardson/McGinty Success in India

Thus far, there has been no discernible, public impact of Secretary Richardson's joint statement on climate change with India's Foreign Minister Singh. We discussed the statement and expressed pleasure at the results of the recent meeting with the head of the Indian working level delegation, Permanent Secretary of Environment and Forests Anand and his deputy and long-time climate change negotiator, V.J. Sharma, on October 29. The former termed the visit and the document as "useful", while Sharma said that the significance of the document goes deeper than meets the eye. Both expressed their personal desire to work with us in the future. (No promises were made about this meeting, however.) An Indian representative from the Confederation of Indian Industries was much more ecstatic. He indicated that he will be circulating a copy of the statement later today or next week and termed the event as a "sea change" in India's climate change policy.

Tussle Over the High Level Segment

Delegations (especially those in Annex I) are starting to focus on how the high level segment will unfold. It begins on November 2 for two days. In particular, Japan and the Netherlands have been trying to work out a formula for interseasonal activity which takes in account the expressed need (by most Parties at least) for more official and informal time to work out the details for COP-6 decisions. They have together produced a plan which only has one hitch as far as we are concerned (aside from the all-important financial implications): How will the G-77/China be brought on board?

This matter was discussed during the evening meeting with COP President Jan Szyszko on October 28 and again with his staff on October 29 but without any resolution or solid recommendations. It was also raised at the umbrella heads of delegation meeting on October 29. Japan's Ambassador Koike told us confidentially that his new ideas have been transmitted to the chair of the joint mechanisms contact group, Chow Kok Kee. Chairman Chow will be discussing the way forward on the mechanisms during the October 29 meeting of the group.

One stumbling block is the extent to which ministers can or will involve themselves in this topic next week. Poland has privately floated an idea with us that would include an additional "informal" consultation by ministers following the second high level exchange of views on Wednesday (Nov 3) night. The umbrella heads of delegation will meet for dinner on Friday night (Oct 29) to explore this and other available options. A copy of the Dutch-Japanese proposal is attached as a reference.

Status of Key SBSTA/SBI Issues

The key SBI issues are all now also being treated in contact groups (with NGO participation as observers) or as informal consultations (where they are not normally permitted). This is also the situation for those issues being handled jointly by joint SBI/SBSTA working groups. The status of the most important issues is recorded below:

Compliance: Progress continues. The joint working group will meet for three more sessions. The first two meetings were fairly substantive, and the Parties moved apace through the agenda. The co-chairs hope to complete the first round of discussions on the elements of design and consequences by the October 29 meeting.

After the October 28 meeting, the Chair asked his "friends" (the U.S., China, Finland, and South Africa) to consult on the best way forward. It was decided that to intensify the process. Accordingly, the Chair will draft a list of compliance elements, based on discussions at the working group, and to seek individual contributions from interested Parties. In addition, the four Parties that have submitted charts of proposed compliance systems were tasked with trying to produce a combined chart that indicates any areas of possible convergence. It is hoped that both the co-chairmen's elements paper and the combined flow chart will move the process forward substantially.

Joint SBI/SBSTA Session on Capacity Building: The contact group met on Thursday evening (Oct 28) and will meet again on October 29. Initially there was much angst expressed over whether or not there was a text which could be used to negotiate recommended outcomes. Both the EU and the co-chairs produced draft documents, and while the co-chairs draft was acceptable to both the G-77/China and to the EU, it was not acceptable to us.

Our reasons were that the language appeared to compromise long-standing U.S. positions on capacity building dating from the Rio conference and from other international conferences and the meetings of the UN Commission on Sustainable Development. We are coordinating closely with our umbrella partners on this topic. The co-chairs (U.S. and Antigua/Barbuda) will apparently introduce a new text for consideration on October 29 (Friday).

Joint SBI/SBSTA Session on the Mechanisms: The mechanisms joint contact group under Chairman Chow Kok Kee made considerable (and surprising) progress on Thursday by completing a run-through of the synthesis text on the three Kyoto mechanisms at near record speed. Chow will now try to develop consensus on how to further develop this document and how to proceed between COP-5 and COP-6. This will be a daunting task. Saudi Arabia has indicated that this paper and the ideas presented all provide a sound basis for reaching conclusions in two or three years time.

Joint SBI/SBSTA Session: Article 4.8/4.9: This group met for four hours during October 28, giving it perhaps marginally greater prominence than either compliance or discussion of the mechanisms. Unfortunately, this time spent does not translate into productive outcomes. Four questions were laid out about what information is needed and who should provide it. Saudi Arabia indicated that there is already enough information, and that now is the time to develop a decision concerning compensation. The group is awaiting a text to be prepared by the two co-chairs, from Iran and Sweden. Umbrella coordination has been somewhat more hit and miss on this topic than is desired, but earlier nit picks which arose in this regard have now been laid to rest.

Joint SBI/SBSTA Session on Activities Implemented Jointly (AIJ): A contact group under the chairmanship of the Netherlands (Yvo de Boer) discussed various proposals for handling AIJ after COP-5 at its second meeting on Oct 28 (Thursday). Most Annex I Parties and some other non-Annex I Parties (such as Mexico) continued to argue that some way should be found to end the pilot phase but to provide credit for projects that eventually comply with either JI or CDM rules. Many in the G-77/China disagree. Saudi Arabia's Mohammed Al-Sabban entered the fray for the first time during this meeting to indicate his strong opposition and calling for a continuation of the pilot phase (without credit). The G-77 broadly wants the review to be continued. Yvo de Boer has prepared a draft text for a decision that will be debated on Friday (Oct 29).

SBI: Timing of COP-6: As indicated in earlier updates, there has been little interest expressed in the timing issue since the debate on this on Wednesday morning. At the same time, much more interest is focused on the kind of intersessional program which may be necessary or financially feasible before COP-6. The unwillingness of certain Parties (notably Saudi Arabia) to entertain such an intersessional process remains of concern.

SBI: Annex I and non-Annex I Communications: Contact groups on non-Annex I communications and on the provision of financial and technical support met under Mauritania's Mahmoud Al-Ghaouth, as did a joint contact group of SBSTA and SBI under Mark Mendoza of Tanzania and Jim Pennman of the UK which is handling guidelines for the technical reviews of GHG inventories for Annex I communications.

Participants in the non-Annex I communications group are considering a draft text compiling proposals from the EU, China and others submitted by Al-Ghaouth. Al-Ghaouth is now holding consultations on this issue. The contact group considering Annex I communications is also considering a co-chairs' draft text on guidelines for reporting other issues in Annex I communications, such as financial resources and technology transfer, general policy and funding of systematic observation, and national circumstances relevant to greenhouse gas removals. A smaller, informal group has been established to consider aspects related to the technical review of guidelines.

SBSTA National Systems (Article 5 – methodology; Article 7 –communications of information; & Article 8 – review of information: Draft conclusions are being considered, but the discussions are somewhat tedious. For example, the group could not agree on the wording for a paragraph on when adjustments related to the protocol (Art. 5.2) should be applied. The group next addressed the issue of an annex to the draft conclusions that sets out a preliminary list of basic elements for national systems under Protocol Article 5. Japan proposed a different formulation that it says provides greater clarity. A smaller group has been charged with considering this matter and reporting back at the next meeting of the contact group that is scheduled for Friday night (Oct 29).

SBSTA: Cooperation with Scientific Institutions: As was reported in Update No. 3, this issue was dealt with on Oct 26. The chair will draft conclusions for presentation at a future SBSTA plenary.

SBSTA: LULUCF: A contact group on this topic under the co-chairmanship of Halldor Thorgeirsson of Iceland and Philip Gwage of Uganda met again on October 28. Discussion was described by participants as "slow" but more substantive than at earlier meetings. Two issues need to be addressed: (a) the decision making framework and (b) the role of data in the decision-making process. The G-77/China is represented at present by Bolivia, China, Peru, Brazil and some Central American countries. In contrast to what they have suggested to us (and to others) bilaterally, the Brazilian position on sinks has not as yet softened – at least not in this forum. The absence of African countries (which have a huge stake in this issue) has been noted and will be addressed.

Status of Other Topics

In addition, reports on the other issues covered by SBSTA will be contained in the supplements to this and future updates and should be read in conjunction with the Earth Negotiations Bulletin which provide additional details.

Draft Jap/Norwegian proposal

Negotiation Schedule between COP5 and COP6

29 Oct 1999

	Workshops under UNFCCC	Negotiating Opportunities
1999		
<u>Oct.-- Nov.</u>		
<u>COP5</u>		
2000		
	<u>WS (Technology Transfer)</u>	
	<u>WS (Compliance)</u>	
	<u>WS (Best Practices)</u>	<u>Informal ministerial meeting?</u>
		<u>Contact Group (Kyoto Mechanism)</u> (prior to SBSTA/SBI)
<u>12th SB</u> (1 week)		
<u>Jun.</u>	<u>WS (Compliance)</u>	
	<u>WS (Technology Transfer)</u>	
	<u>WS (Sinks)</u>	<u>Contact Group (Kyoto Mechanism)</u> (prior to SBSTA/SBI)
<u>13th SB</u> (1 week)		
		<u>Informal ministerial meeting?</u>
		<u>Contact Group (Kyoto Mechanism)</u> (prior to COP6)
<u>COP6</u>		

CLIMATE NEGOTIATIONS BONN OCTOBER NOVEMBER '99 NGO NEWSLETTER

eeco



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 COP5 in Bonn, October-November 1999.

Policing the Process

While sinks, mechanisms, and other better-established groups fight over sometimes insignificant details, the Joint Working Group on Compliance (JWG) is moving toward its goal. Here are a few suggestions to keep the momentum going and draw attention to apparently "unmentionable" topics.

The Protocol must cover all specific commitments, i.e., those that can be attributed to individual Parties. These include targets (Arts. 2 and 4), reporting requirements (5 and 7), and mechanisms (6, 12 and 17).

The compliance procedure should be initiated by providing information of a possible implementation problem to the compliance body. It is then up to the compliance body to decide whether to put the wheels of the compliance mechanism in motion. (see the EU chart) The initiators should include: Parties who report themselves, Parties who report

other Parties, the expert review teams, and civil society. In addition, the compliance body will need to decide the nature of an implementation problem so that it can direct it to the appropriate procedure or body. These procedures include eligibility to participate in the mechanisms (refer to Samoa's proposal for further ideas here), facilitation to assist Parties with implementation, or stronger measures if needed (Saudi Arabia has this one right).

Should the compliance body decide to start the compliance process, a "yellow light" would automatically be turned on for the Party in question. The yellow light puts Parties that want to buy parts of assigned amounts on notice that they purchase them at their own risk.

Any meaningful compliance system must have consequences for non-compliance. At the outset, Parties should reject the notion of borrowing.

—continued back page, col 1

The Smell of Roses

Yesterday's joint SBI/SBSTA session on Mechanisms once more featured copious quantities of Chairman Chow's mobile metaphors. He would like Parties to again take a walk through his garden of the negotiating text. China, however, while agreeing there is something to be said for walking, feels that developing countries would need to do some working first before this promenade begins. The G77 and China have yet to come up with a position on all the mechanisms. Despite this, Chow appealed for Parties to allow him to go through his synthesis text and identify convergences and divergences. Saudi Arabia as usual urges extra caution in achieving progress on the negotiating text. A proposal put forward was to continue the brainstorming in the next 7 days.

CAN understands the consensus process within the G77 and China but we are worried that further delays will hurt the interests of the most vulnerable developing countries. At this session, the umbrella group and the European Union have already had their first meeting to discuss some of the technicalities of the mechanisms, including baselines. Though they are still avoiding hot topics such as complementarity, they may start working on the more controversial issues soon. Once this is done, the G77 and China could be faced with a

—continued back page, col 3



Annex 1 countries line up to throw a little technology southwards

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Warming Up for CDM?

The issue of the AII pilot phase has presented Parties and NGOs alike with more questions than answers on this often ignored project-based mechanism. With the more appealing, for-credit CDM looming on the ever-approaching horizon, the AII pilot phase is about to be swept under the rug with little notice. Unfortunately, after taking a closer look at the AII documents on the table, the first question that comes to mind is what exactly are Parties intended to consider at this session? While the AII documents provide useful information, they do not provide the basis upon which Parties can take informed conclusive decisions on the AII pilot phase review or on the future of the AII pilot phase.

As the contact group on AII pilot phase begins to initiate the drafting of a decision, CAN would like to point out the following concerns:

- **No automaticity** – Only under a clear project-by-project eligibility evaluation should AII Pilot Phase projects be considered for inclusion in the CDM. Moreover, projects making the transition from AII to CDM must meet the same eligibility criteria as a new CDM project. This is necessary to ensure that projects result in real, measur-

able, long-term environmental benefits.

- **Credible review of the AII pilot phase** – While the review should provide an interesting analysis of lessons learned regarding certain methodological, technical, institutional and capacity issues, the objectives of AII differ from those of CDM and JI, thus the future of the flexibility mechanisms should not be based primarily on the lessons learned during the AII pilot phase. Too strong a linkage is inappropriate and could leave certain countries under-represented during the AII pilot phase at a potential disadvantage for participation in the flexibility mechanisms.
- **No credits before 2000** – There seems to be some confusion on Parties' positions. If Parties decide that eligible AII projects could qualify for CER under the CDM, the question of when those credits start to accrue is critical. For some Parties "retro-active" means credits could be accumulated beginning in the year 2000. However, it now appears that some other Parties may want to keep the door open to pre-2000 crediting for projects begun under the AII pilot phase. This open door to pre-2000 credit for AII pilot phase projects must be slammed immediately.

Given the state of discussions and the lack of adequate information to analyse, let us leave you with a few questions to consider in the next couple of days:

- How could a comprehensive review be completed in time for a COP5 decision?
- How should the results of the AII pilot phase review impact future decisions?
- Should the AII pilot phase be concluded, what measures will be taken to accommodate the interest expressed by least developed countries in participating in some form of the AII regime?
- Do the Parties have sufficient AII information at their fingertips to take a conclusive decision regarding the review and the future of the pilot phase here at COP5?

As if Parties didn't already have enough on their plate for the present negotiations, the Saudis have now added the temporal question of what date marks the end of the present decade. Most of us will welcome in the new decade in two months, but it sounds like the Saudis will be ringing in the new decade at the end of the year 2000. Over the course of the climate negotiations we have witnessed their ability to slow the pace of progress, but we are now presented with the pleasure of watching them change time.

"Put your money where your treaty is!"

Are industrialised countries taking "all practicable steps" to promote and facilitate transfer of the best technology? Not if you look at the records of their export credit and investment insurance agencies (collectively ECAs). These public entities, which exist to promote trade and investment of their home industries, are involved in support for almost half the project and trade finance going to carbon-intensive sectors in developing countries and economies

in transition. For example US and Japanese ECAs support a US\$780 million project of oil extraction in Sakhalin, Russia. This project will lead to the annual extraction of 22 million barrels of oil, which in turn will lead to over 9 million tons of CO₂ emissions.

ECAs provide loans, guarantees, and insurance that make possible large, costly and risky investments in the power sector, oil and gas development, infrastructure, energy intensive manufacturing and purchase of aircraft. The total of the projects and trade facilitated by ECAs determines a large part of the technologies made available to developing countries, and thus the future climate footprint of those countries.

So what should be done about this? The industrialised world should redirect these funds and guarantees to more climate friendly projects. Their public funds should work toward and not against the long-term goals of the FCCC. In one hopeful sign, ECAs were pulled out of the shadows at the 1999 meeting of the G-8. The G-8 leaders called for a set of common environmental guidelines to bring ECA portfolios into line with sustainable development objectives, and tasked the OECD with

coming up with those guidelines by June 2001. Climate negotiators from the OECD need to pay attention to this process. So far, the discussion of new guidelines has been a relatively closed affair, and there is no indication yet that climate considerations are being taken seriously by the ECAs.

Sensible action to align words with actions would allow the north to reform their current 'carbon hypocrisy'. But reform of ECAs carries even higher stakes for developing countries. Much of the technology currently available to developing countries is through new private investment, much of it underwritten by ECAs. Currently, there is nothing to stop industry in the north from passing off old technology to the south, and getting a subsidy from an ECA to sweeten the deal. But if ECAs had to conform to higher standards in the technologies they underwrite, the private sector would have to offer those better technologies in order to get the guarantees and loans they need. ECAs and the billions of dollars they leverage should be made to work with, not against, the draft decision on capacity building that developing countries are calling for at COP 5.

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Hot Air – Controlling the Flow

The climate protection benefits anticipated in the Kyoto Protocol targets are threatened by a combination of weak targets for some Parties – notably Russia and the Ukraine – and their potential participation in the Article 17 emissions trading regime. The resulting hot air reduces the need for domestic action, and is likely to set up a cycle whereby Annex I Parties do not develop the technologies in the first commitment period that will be needed for deeper cuts in the second commitment period. To maintain the integrity of the Kyoto Protocol it is imperative to limit hot air trades under Article 17 so that business-as-usual emission reductions can't be freely traded.

New projections of the amount of hot air add urgency to finding a way to eliminate hot air. According to the US Energy Information Administration, roughly two-fifths of the emissions reductions required of industrialized countries could be provided by hot air. The projected hot air available from Russia, Ukraine, and CEE, according to this report is 370 million metric tonnes of carbon equivalent (MMTCE), dramatically larger than last year's projection. (The selection of alternative base years by some CEE countries accounts for 43 MMTCE of this amount.) Even calculations based on official UNFCCC documents project hot air of 140 MMTCE. Combined with the potential paper reductions obtained through non-additional activities under the CDM and Article 3.4, it is entirely possible that the first budget period could result in no net reductions in emissions.

The transfer of hot air to other Parties is not an idle speculation. For example, the European Bank of Reconstruction and Development (EBRD), a profit-making international financial institution whose client countries are the Economies In Transition, is planning to participate in the emissions trading regime. The EBRD's new Energy Operations Policy states that the bank plans to facilitate transfers of assigned amounts from countries in Central and Eastern Europe, including those that have hot air to sell. This is doubly alarming given the lack of transparency with which the EBRD operates.

Several proposals have been suggested to limit hot air. The EU has suggested a system of quantitative caps on the use of mechanisms which would provide significant control, e.g. the Former Soviet Union (FSU) would be allowed to sell approximately 50 MMT/year instead of approximately 320 MMT/year. This proposal limits the use of flexibility mechanisms, but does not discriminate between real

reductions and those resulting from economic collapse.

Hot air could be controlled by applying an additionality test to sales of credits, either at a national or sectoral level. Review teams would assess what level of emissions reduction had been achieved and then authorize those reductions to be placed on the market. An alternative approach would be to only use the Article 6 Joint Implementation mechanism to transfer assigned amount units rather than the Article 17 Emissions Trading mechanism. Provided that an effective additionality criteria for JI was applied, only real reductions would be transferred. The accuracy of the additionality test is crucial to the success of these approaches, and developing and applying the test will involve significant implementation costs.

We believe that a better approach to limiting hot air is to make the amount of credits available for sale dependent on changes in the carbon intensity of a country's economy. Carbon intensity in this case is measured as emissions divided by GDP. Only by reducing carbon intensity over time would credits be available for sale. This approach directly addresses hot air by ensuring that excess assigned amount units are only available for sale if the emissions reductions do not occur as a result of declines in economic output. Using carbon intensity as an indicator could provide an incentive for increased use of nuclear energy, an environmentally undesirable outcome which should be prevented.

How would this work in practice? Consider first the basic formula for trading under the Kyoto Protocol advocated by some Parties. The

assigned amount units that could be transferred to another Party is as follows:

Available Credits = Assigned Amount – GHG, where GHG is actual emissions in the commitment period.

In order to avoid making credits available for decreases in economic activity alone, the available credits would be set as the lower of the above formula or the following formula:

Available Credit = $5(\text{GHG}_{1990} \times \text{GDP} / \text{GDP}_{1990}) - \text{GHG}$

The revised formula will apply where GHG emissions are lower than 1990 emissions as a result of declines in GDP. Its effect is to ensure that credits are available for improvements in carbon intensity, but not for reductions in economic output.

Using this approach, hot air from Russia, Ukraine, and countries with economies in transition can be controlled significantly because these Parties would not be able to sell any of their assigned amount if carbon intensity does not improve. If a country does improve its carbon intensity, this approach rewards that improvement. For example, if these Parties were to improve carbon intensity by 15% by 2010, we estimate that they would be allowed to sell 150 to 200 tons of their assigned amounts. In contrast, the uncontrolled trading rule would allow 270 to 470 tons, because it allows the sale of hot air combined with the real emission reductions.

This proposed approach to hot air provides a powerful incentive for real improvements in carbon intensity, while at the same time eliminating the availability of hot air credits due to decreases in economic output.



When the sky falls in after COP6, Saudi delegates will have nothing to do but hang around

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

Giving Civil Society a Say

Parties meeting in the Joint Working Group on Compliance yesterday conveniently forgot about the existence of civil society. During the discussions of how a compliance procedure might be "triggered" and who might be able to submit information about suspected violations to the compliance body, the role of NGOs was never mentioned by any government. It was left for Jennifer Morgan of WWF to remind delegates that civil society – and not just governments – has an interest in the matter. The problem is that some Parties want the compliance review teams to be able to access only government-sanctioned information, placing the subjects of review in the enviable role of being able to control the entire process. Other

Parties, with a wink and a handshake, seem to be inclined to ignore the reality that whistleblowers in a country that is deliberately coding its performance records might be able to provide useful information to the compliance body.

Rather than view civil society and NGOs as their opponents, Parties with honest intentions should welcome the opportunity to harness civil society's power to ensure that all countries live up to their treaty obligations. It has been done before. The Endangered Species Convention (CITES) works because NGOs have a formal role in supplying compliance information. The International Labor Organization has been effective for decades in

part because non-state actors can address comments on government compliance directly to the ILO. And the International Covenants on Human Rights heavily rely on compliance information provided by civil society. These examples demonstrate that civil society can play a vital role in the Kyoto Protocol's implementation. Civil society – in addition to Parties – should be able to submit on their own initiative any information relevant to a Party's compliance directly to the compliance body. Requiring them to go through the filter of a national government is politically short-sighted, and gives the upper hand to those Parties who wish to pay mere lip service to doing something serious about climate change.

CDM: A Role for Avoidance?

By Albert Mumma, CNA

Current debate over implementation of the CDM assumes that the mechanism has only two objectives: sustainable development and GHG emission reductions. Because Africa has negligible GHG emissions at present, the continent is likely to receive few benefits from CDM if the focus is on emissions reductions. But if emissions avoidance is thrown into the equation, the situation would change dramatically.

Article 2 of the UNFCCC states that the ultimate objective of the Convention and any related instruments (e.g., the Kyoto Protocol) is to achieve "stabilization of greenhouse gas concentrations in the atmosphere...." Stabilization can be achieved not only through emissions reductions but also (and in many cases more cost

effectively) through emissions avoidance. Emissions avoidance in this context refers to the adoption of a development path that does not depend on heavy GHG emitters, but instead relies on clean technologies and energy efficiency. Africa, which is not yet tied to a fossil fuel development model, has the opportunity to pursue this alternative path of development without GHG emissions, which could be its contribution to achieving the ultimate objective of the Convention. In the process, Africa would be developing – sustainably. This would be especially important in bringing modern, clean energy services to the great number of rural poor people who presently lack them. Emissions avoidance presents a unique opportunity for Africa. It must not let it go!

—Policing, from front page

subtraction or whatever its proponents choose to call it. Borrowing, as its name implies, merely puts off meeting the first commitment period targets to a later date. Instead, Parties should pay into a Compliance Fund, which will be used to underwrite mitigation projects. The price must be high enough so that Parties are not tempted to use it instead of implementing their obligations during the commitment period. If Parties fail to pay into the Compliance Fund then other consequences will be needed. These consequences should be automatic. (Here, the U.S. has it right.)

The only role the COP/MOP need play in this process is to accept the decision of the compliance body. The acceptance should be automatic unless a supermajority of the COP/MOP elects to reject it.

Whatever the design of the compliance system, Parties should ensure that it operates efficiently and reaches its conclusions quickly.

Fossil of the Day

Yesterday's Fossil of the Day award, for each day's worst input into the negotiation, was a closely-run contest. After much hard deliberation among NGOs, and several shows of hands, it was finally declared a draw, and divided equally between Turkey and the US, who each received two bouquets of fine German coal. Turkey was honoured for its schizophrenia in trying both to join the European Union and leave Annex 1 at the same time. Uncle Sam meanwhile owes its citation to its resolute and tireless efforts in the National Communications debate, where it was attempting to replace "should" with "may" for any requirement that they found too onerous.

Totals so far leave the US and Saudi Arabia ahead of the pack with five bouquets each. Perhaps the World Bank should start taking bets on the final result...

Ludwig

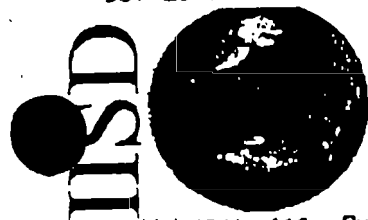
Yesterday's debate in SBSTA/SBI on the highly-relevant subject of acupuncture gives rise to speculation as to how the ancient Chinese art might be applied to the process as a whole. Ludwig has his own ideas as to where needles might be placed in order to ease the flow of energy: you can probably guess. Certain representatives of certain industries and Parties should perhaps watch out before they sit down over the next days, or they might find pain administered to the nether portion of their bodies...

—Smelling Roses, from front page
fact accompli. A work plan has been laid out to pave the way for a draft negotiating text by June of 2000. There is so much ground to cover. CAN asks our friends from G77 and China to go out there and start grooming the garden. After all, it is in their interest that the Protocol moves forward. The group's CDM position is out there already. If we want progress on this, go out and negotiate. Brainstorm time is over.

THANKS

The Climate Action Network would like to thank the World Wildlife Fund, Greenpeace International, the National Environmental Trust, Environmental Defense Fund, the Glastonbury Festival of Contemporary Performing Arts, the Swedish NGO Secretariat for Acid Rain and Union of Concerned Scientists for financial assistance.

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Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

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FCCC COP-5 HIGHLIGHTS
THURSDAY, 28 OCTOBER 1999

Delegates met in a morning session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) to continue consideration of research and systematic observation and the roster of experts following discussions on technology transfer and development on Wednesday evening. The Joint Working Group (JWG) on compliance discussed procedures and mechanisms relating to compliance under the Kyoto Protocol. Contact groups met to consider: adverse effects; Annex I communications; capacity building; land use, land-use change and forestry (LULUCF); national systems, adjustments and guidelines under the Protocol; non-Annex I communications; and the Protocol mechanisms.

SBSTA

TECHNOLOGY TRANSFER: Delegates considered the report on the meeting of the IPCC and the Montreal Protocol's Technical and Economic Assessment Panel on ways and means of limiting hydrofluorocarbons (HFCs) and perfluorocarbons. The meeting highlighted, *inter alia*: the complexity of links between ozone depletion and climate change mitigation activities; the multiplicity of solutions required to address these global change issues; and the desirability of solutions tailored to regional or national needs.

SWITZERLAND emphasized the need to standardize testing procedures for technologies in developing countries. **GREENPEACE** called for action to avoid dumping of potentially harmful technologies in developing countries. **ARGENTINA**, supported by **KENYA**, the **RUSSIAN FEDERATION** and **POLAND**, called for attention to the medical use of HFCs in metered dose inhalers. Discussions will continue in informal consultations.

On coastal adaptation technologies, AOSIS noted that financial and human resource limitations have stifled progress in adaptation and urged the development of long-term approaches under the FCCC. He highlighted the potential of the clean development mechanism (CDM) in this regard. On other matters, the Secretariat reported on its cooperative activities aimed at improving climate data from reporting systems.

RESEARCH AND SYSTEMATIC OBSERVATION: The Global Climate Observation System (GCOS) reported on progress in enhancing global observatory systems and noted that deficiencies are a result of inadequate equipment, poor infrastructure and insufficient funding. The Global Oceans Observation System (GOOS) outlined its work and stressed the need for better measurement, organization and partnerships to overcome observation deficiencies. The EU and others supported the GCOS call for more systematic reporting. JAPAN encouraged GCOS, in cooperation with the WMO, to monitor the status of implementation with a view to utilizing recent technologies to fill the gaps in climate observing systems. AUSTRALIA called for a more diversified

funding strategy. The GEF pledged additional funds to build observational capacity for certain developing countries. Susan Barrell (Australia) will conduct informal consultations on this issue.

ROSTER OF EXPERTS: The US said expansion of rosters should only be done in response to additional tasks. NEW ZEALAND supported the Secretariat's proposal to integrate the different rosters. While the EU objected, CANADA supported additional rosters for inventory reviews.

Following requests by some Parties, the Chair convened a contact group to consider national systems, adjustments and guidelines.

JOINT WORKING GROUP ON COMPLIANCE

The JWC on compliance heard four diagrammatic submissions illustrating a compliance system. The US said that its design for the compliance system is focused on Protocol Article 3 (GHG reduction and limitation commitments) and provides for both facilitative and enforcement functions to be dealt with "by two different sets of people." She said the goal of enforcement is to ensure compliance through binding consequences that are known in advance. In presenting its preliminary views, JAPAN proposed a single compliance body and outlined steps ranging from assistance to recommendations to be exhausted before the entry into force of consequences. The EU explained that its compliance committee would have a facilitative branch and an enforcement branch, with a possible referral from the former to the latter. Issues would be channeled automatically to the branches. SAMOA stressed two features of the AOSIS diagram: avoidance of polarization between the facilitative and enforcement functions, since they overlap, and an eligibility committee responsible for the determination of mechanism eligibility. He added that an *ad hoc* appeal body would hear quasi-judicial appeals on the imposition of binding penalties.

On eligibility to raise issues, the UK explained that the mere provision of information would not "trigger" the compliance procedure, but that it would be triggered by whatever causes the compliance procedure to start considering a claim. Many delegates agreed that a Party could raise an issue about its own compliance, and that a Party or group of Parties could raise an issue about another Party's compliance. CANADA said sufficient evidence should be provided to support cases. IRAN said only a group of Parties could trigger a case of another Party's compliance. The EU, CANADA, CHINA, JAPAN, IRAN, SOUTH AFRICA and the US opposed a triggering role for the Secretariat. Delegates emphasized its information gathering function and the need for it to preserve objectivity and neutrality.

Regarding the Expert Review Teams (ERTs), the EU said the ERTs' reports would be automatically submitted to the compliance committee through the Secretariat. CANADA said the reports were the factual basis that determined the need for further steps. CHINA, with IRAN, KUWAIT, BRAZIL and ARGENTINA said it was inappropriate to give ERTs, a simple fact finding body, a triggering

This issue of the *Earth Negotiations Bulletin* is written and edited by Paola Bonelli (pbonelli@iied.org), Lesanne Bursary (laanne@iied.org), Chad Carpenter (chadco@iied.org), Angela Churle (churle@lch.sc), Lavanya Rajamani (lavanya.rajamani@herford.ac.uk), Chris Sparrow (sparrowchris@hotmail.com) and Juliette (juliette@iied.org). The Editor is Pamela Chubb, Ph.D. (pamc@iied.org) and the Managing Editor is Langston James "Kimo" Goren (kimo@iied.org). The Voynoy (seadriokobler@comcast.com). The Editor is Pamela Chubb, Ph.D. (pamc@iied.org) and the Managing Editor is Langston James "Kimo" Goren (kimo@iied.org). The WWW Content Editor is Peter Deran (pderan@ecology.usnet.com). Digital engineering by Andrei Henry (ahenry@iied.ca), Kenneth M. Tong (keto@interlog.com) and Richard Stokes (rstokes@iied.ca). Photography by Leila Mead (leila@interport.net). French translation by Mongi Qadhour (mongi.qadhour@cnb.intl.fr). Logistics coordinated by P.J. Goldfinger (pgoldf@iied.com). The Sponsoring Donors of the Bulletin are the Netherlands Ministry of Foreign Affairs, the Government of Canada (through CIDA), the United States (through USAID), the Swiss Agency for Environment, Forests and Landscapes, the United Kingdom Department for International Development (DFID) and the European Commission (DG-XB). General support for the Bulletin during 1999 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 and Foreign Affairs of (BMU) and the German Federal Ministry of Development Cooperation (BMZ), the Danish Ministry of Foreign Affairs, the Ministry of Environment and Foreign Affairs of Austria, the Ministries of Foreign Affairs and Environment of Norway, the Ministry of Foreign Affairs and Ministry of Environment of Finland, the Government of Sweden, the United Nations Development Programme (UNDP), the Global Environment Facility (GEF) and the Ministry for the Environment in Iceland. Specific funding for this meeting has been provided by the UNFCCC Secretariat. The Bulletin can be contacted by e-mail at (enb@iied.org) and at tel: +1-212-666-0204; fax: +1-212-666-0206. NSB can be contacted by e-mail at (info@iied.org) 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 NSB 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 are sent to e-mail distribution lists and can be found on the Linkages WWW server at <http://www.iied.ca/linkages/>. The sealow image by The Living Earth, Inc. at <http://www.livingearth.com>. For information on the ENB, send e-mail to (enb@iied.org).

Friday, 29 October 1999

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role. SOUTH AFRICA explained that doing so could endanger the objectivity of the ERTs. The US and AUSTRALIA suggested guidelines for a possible referral to the compliance body.

On the role of the COP/MOP, many delegates said it should give policy guidance to the compliance body. SWITZERLAND, the RUSSIAN FEDERATION and CHINA proposed that the COP/MOP should have a triggering role as well as the competence to decide on the findings of the compliance body. SOUTH AFRICA expressed concern about due process if the COP/MOP was given both these functions. BRAZIL suggested that the COP/MOP only take note of the compliance body report. Several delegates said a triggering role would delay and politicize the process. SAUDI ARABIA said the COP/MOP should play a role "at the beginning, at the end and in the middle" of the compliance process.

On sources of information, AUSTRALIA and the US said that due process required the defending party to be able to present necessary information and rebut evidence against it. Parties suggested several sources of information, including: the expert review teams; outside experts; and intergovernmental organizations. SAMOA suggested any source the compliance body deemed appropriate, while IRAN said Parties should be the only source. BRAZIL said sources should bear responsibility for their information.

The EU, with BRAZIL, stressed the need to ensure confidentiality of information submitted in confidence by Parties. SOUTH AFRICA and SAUDI ARABIA called for clear rules for information gathering. CHINA sought criteria for the use of information. IRAN raised the issue of financing developing countries' efforts to provide information.

CONTACT GROUPS

ADVERSE EFFECTS: This contact group focused on four issues: information gaps; the merits of holding another workshop; the types of possible preliminary actions to be taken to mitigate the adverse effects of climate change and response measures; and the manner in which Protocol Article 3.14 should be dealt with by the contact group. Co-chairs Salamat (Iran) and Kjellén (Sweden) suggested that the discussion's purpose was to provide further information to enable them to propose a draft text to the contact group.

ANNEX I COMMUNICATIONS: This contact group continued consideration of the co-chairs' draft text on guidelines for reporting other issues in Annex I communications. Participants discussed guidelines for reporting of: financial resources and technology transfer; general policy and funding of research and systematic observation; and national circumstances relevant to GHG removals. Among the issues raised in the discussion on financial resources were: whether to provide details of measures or detailed information of the activities undertaken to implement Annex I commitments; and how to format the reports. A smaller group will continue consideration of the technical review guidelines.

CAPACITY BUILDING: Delegates considered the co-chair's draft proposal on a draft decision on capacity building based on the G-77/CHINA's written proposal and integrating submissions from the EU and the Umbrella Group. Issues raised included: the question of whether to use the draft as a basis for negotiation; the fact that EITs' capacity building needs were not being addressed; concern over the statement whereby capacity building is a prerequisite for meaningful developing country participation; provision for an additional workshop; lack of a country-driven and country-specific approach; and the question of whether the submission of information on capacity building at SB-12 would result in a recommendation for a decision by COP-6. The co-chairs will prepare a revised draft on the basis of this discussion and further submissions.

LULUCF: This contact group considered a draft schematic timetable on the process and timing for the analysis of information provided by the IPCC Special Report due in 2000 and the relationship of this report to a decision-making framework regarding Protocol Articles 3.3 (net changes in GHG emissions and

removals), 3.4 (additional human induced activities related to changes in GHG emissions and removals), 7.1 and 7.4 (guidelines for necessary supplementary information). The group also discussed the need for country-specific data and information, as well as their relationship to consideration of the IPCC Special Report and to a decision-making framework in the context of Protocol requirements. Questions were raised on, *inter alia*: the need for, purposes and uses of country-specific data and information; data requirements under specific Protocol provisions; and types of data according to these provisions. The group will continue consideration of data in relation to verifiability, transparency and consistency.

MECHANISMS: Chair Chow (Malaysia) took the participants through the Synthesis of Parties' Proposals on Mechanisms (FCCC/SB/1999/8). He highlighted certain sections, noted areas of convergence and divergence, and suggested issues for consideration. The EU, NORWAY and the US suggested ways of consolidating and tightening the text. On the CDM, the G-77/CHINA pointed to deficiencies in the text, including the absence of a section on "nature and scope" and the lack of a determination of what the driving force of the CDM should be. On a general note, SAUDI ARABIA reiterated its reservation on aiming for a draft negotiating text by SB-12, as this was premature. The G-77/CHINA said technical appendices complicate the issue and stressed the need to address the technical issues. He also noted the need for Parties to meet in their regional groups.

NATIONAL SYSTEMS: This contact group considered draft conclusions on national systems, adjustments and guidelines under Protocol Articles 5 (methodology), 7 (communication of information) and 8 (review of information). The group was unable to agree on wording for a paragraph on when adjustments related to Protocol Article 5.2 (methodology) should be applied. The group then considered an annex to the draft conclusions that sets out a preliminary list of basic elements for national systems under Protocol Article 5.1 (national systems for GHG emissions and removals). JAPAN presented an alternative draft of the annex, which he said aimed at greater clarity. A smaller group will consider this matter and report to the contact group at its next meeting.

NON-ANNEX I COMMUNICATIONS: Participants considered a draft text compiling proposals by the EU, the G-77/CHINA and others. Chair El Ghouth (Mauritania) noted that he had undertaken informal consultations and said the text did not intend to exclude country positions. He highlighted non-Annex I communications as one of the few agenda items that was a candidate for a COP-5 decision, and adjourned the meeting to hold informal consultations.

IN THE CORRIDORS

Concern over perceived shortcomings of the GEF in delivering on its role as an operating entity of the FCCC's financial mechanism once again reverberated in the Maritim corridors. A number of participants criticized the rigid eligibility criteria by which the GEF interprets and weights proposals submitted by countries as unrealistic, and said these criteria can delay the process of implementing national actions. While some felt that the problems arise from inadequate guidance given to the GEF by the COP, others attributed them to difficulties in co-ordinating the interests and mandates of two intergovernmental bodies. In response to these concerns, a number of participants called for a country-led review of the GEF's role so as to facilitate implementation of the FCCC, particularly by the least developed countries.

THINGS TO LOOK FOR TODAY

JWG: The JWG on compliance will meet in Plenary II at 3:00 pm.

JOINT SBSTA/SBI: SBSTA and SBI will meet in Plenary I at 6:00 pm.

CONTACT GROUPS: Contact groups will be held throughout the day. Consult the announcement board for details.



United States Delegation
Conference of Parties (5th)
United Nations Framework Convention
on Climate Change (UNFCCC)

Bonn, Germany

FAX COVER SHEET

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Date: Friday, 29 Oct 1999

Number of pages, including cover sheet:

Subject: _____

Message

Subject: COP-5 Update No 6
for Thur/Friday, Oct 28/29, 1999

Lilly - Please check with
Conchita to ensure she
received her copy.

Thanks.

29 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley *MA*

Subject: COP-5 Update No. 6 (Thurs/Friday, October 28/29, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This report covers activities and discussions from mid-day on Thursday, October 28, through mid-day on Friday, October 29.

Also included with this report is the latest copy of ECO, the somewhat acerbic periodical published by a group of NGOs with supplemental funding by certain prominent European and U.S. environmental organizations. We are also submitting a copy of the NGO-published Earth Negotiations Bulletin which provides a useful accounting of some of the events.

A supplement to this update will be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

29 October 1999

COP-5 Update No. 5 (Oct 27/28): "Waiting for the Other Shoe to Drop?" Progress Continues on Key Issues, but Questions About G-77/China Intentions Remain**HIGHLIGHTS**

- Compliance Group Continues to Make Progress as "Friends of the Chair" Try to Speed Things Up;
- First Reading of Mechanisms Synthesis Paper Completed;
- Reaction to U.S.-India Joint Statement Thus Far Muted
- Tussle Over How to Approach the High Level Segment

DETAILS**Compliance and Mechanisms Work Continue to Advance**

The work on compliance and the mechanisms continues to make progress, as will be reported in greater detail below and in the supplement. On compliance, although most of the discussion in the October 28 plenary dealt with design issues, the more significant work was done in the small "Friends of the Chair" group formed by the co-chairs (in this instance, working with Espen Ronnenberg of the Marshall Islands). This group decided on procedures for drafting a new elements paper. In addition, consideration is being given to holding another intergovernmental meeting on compliance intersessionally as early as December. This matter has not been broached publicly, however.

The mechanisms discussions have proven to be equally progressive. Despite objections from China, Saudi Arabia and others, the joint working group chair of the contact group, Malaysia's Chow Kok Kee, managed to plow through the first reading of the synthesis report – including all of the elements on CDM, II, and International Emissions Trading. Two difficulties that have emerged are (a) how to entitle the end product that evolves from Chow's efforts and (b) what kind of further meetings and consultations are needed to bring forth decisions by COP-6.

Annex I wants the resulting product to be called a "negotiating text." Thus far, this designation has been refused by G-77/China representatives. Some developing countries suggests (with some legitimacy) that the group is moving too fast for the G-77's wide and varied membership to consider all of the salient features. Another (and more powerful group which is led by Saudi Arabia but appears to include China) wants to slow down the process for less than admirable reasons.

Comment: "Whither the Other Shoe?"

In assessing the current situation, most of our umbrella partners agree with our assessment that, thus far, Parties have made good progress on both of these two key areas as well as in other technical areas. Capacity building appears to be belabored by the character of the participants (including Bernaditas De Muller coming from the Philippines Embassy in Paris). Even so, the U.S., Canada, New Zealand, and Australia have all privately expressed concern about what the future days portend. "When will the other shoe drop?" they ask.

It may be only a matter of time, but it would be quite extraordinary if there is not a major bout of mischief introduced into this process, minimally by Saudi Arabia. In this regard, one suspects that it will be during the end game of this meeting - next Monday, Nov 1, when decisions from SBSTA and SBI will theoretically be presented or perhaps on next Thursday or Friday (Nov 4-5) after the ministers and other senior officials have departed. End Comment.

Impact of Richardson/McGinty Success in India

Thus far, there has been no discernible, public impact of Secretary Richardson's joint statement on climate change with India's Foreign Minister Singh. We discussed the statement and expressed pleasure at the results of the recent meeting with the head of the Indian working level delegation, Permanent Secretary of Environment and Forests Anand and his deputy and long-time climate change negotiator, V.J. Sharma, on October 29. The former termed the visit and the document as "useful", while Sharma said that the significance of the document goes deeper than meets the eye. Both expressed their personal desire to work with us in the future. (No promises were made about this meeting, however.) An Indian representative from the Confederation of Indian Industries was much more ecstatic. He indicated that he will be circulating a copy of the statement later today or next week and termed the event as a "sea change" in India's climate change policy.

Tussle Over the High Level Segment

Delegations (especially those in Annex I) are starting to focus on how the high level segment will unfold. It begins on November 2 for two days. In particular, Japan and the Netherlands have been trying to work out a formula for intersessional activity which takes in account the expressed need (by most Parties at least) for more official and informal time to work out the details for COP-6 decisions. They have together produced a plan which only has one hitch as far as we are concerned (aside from the all-important financial implications): How will the G-77/China be brought on board?

This matter was discussed during the evening meeting with COP President Jan Szyszko on October 28 and again with his staff on October 29 but without any resolution or solid recommendations. It was also raised at the umbrella heads of delegation meeting on October 29. Japan's Ambassador Koike told us confidentially that his new ideas have been transmitted to the chair of the joint mechanisms contact group, Chow Kok Kee. Chairman Chow will be discussing the way forward on the mechanisms during the October 29 meeting of the group.

One stumbling block is the extent to which ministers can or will involve themselves in this topic next week. Poland has privately floated an idea with us that would include an additional "informal" consultation by ministers following the second high level exchange of views on Wednesday (Nov 3) night. The umbrella heads of delegation will meet for dinner on Friday night (Oct 29) to explore this and other available options. A copy of the Dutch-Japanese proposal is attached as a reference.

Status of Key SBSTA/SBI Issues

The key SBI issues are all now also being treated in contact groups (with NGO participation as observers) or as informal consultations (where they are not normally permitted). This is also the situation for those issues being handled jointly by joint SBI/SBSTA working groups. The status of the most important issues is recorded below:

Compliance: Progress continues. The joint working group will meet for three more sessions. The first two meetings were fairly substantive, and the Parties moved apace through the agenda. The co-chairs hope to complete the first round of discussions on the elements of design and consequences by the October 29 meeting.

After the October 28 meeting, the Chair asked his "friends" (the U.S., China, Finland, and South Africa) to consult on the best way forward. It was decided that to intensify the process. Accordingly, the Chair will draft a list of compliance elements, based on discussions at the working group, and to seek individual contributions from interested Parties. In addition, the four Parties that have submitted charts of proposed compliance systems were tasked with trying to produce a combined chart that indicates any areas of possible convergence. It is hoped that both the co-chairmen's elements paper and the combined flow chart will move the process forward substantially.

Joint SBI/SBSTA Session on Capacity Building: The contact group met on Thursday evening (Oct 28) and will meet again on October 29. Initially there was much angst expressed over whether or not there was a text which could be used to negotiate recommended outcomes. Both the EU and the co-chairs produced draft documents, and while the co-chairs draft was acceptable to both the G-77/China and to the EU, it was not acceptable to us.

Our reasons were that the language appeared to compromise long-standing U.S. positions on capacity building dating from the Rio conference and from other international conferences and the meetings of the UN Commission on Sustainable Development. We are coordinating closely with our umbrella partners on this topic. The co-chairs (U.S. and Antigua/Barbuda) will apparently introduce a new text for consideration on October 29 (Friday).

Joint SBI/SBSTA Session on the Mechanisms: The mechanisms joint contact group under Chairman Chow Kok Kee made considerable (and surprising) progress on Thursday by completing a run-through of the synthesis text on the three Kyoto mechanisms at near record speed. Chow will now try to develop consensus on how to further develop this document and how to proceed between COP-5 and COP-6. This will be a daunting task. Saudi Arabia has indicated that this paper and the ideas presented all provide a sound basis for reaching conclusions in two or three years time.

Joint SBI/SBSTA Session: Article 4.8/4.9: This group met for four hours during October 28, giving it perhaps marginally greater prominence than either compliance or discussion of the mechanisms. Unfortunately, this time spent does not translate into productive outcomes. Four questions were laid out about what information is needed and who should provide it. Saudi Arabia indicated that there is already enough information, and that now is the time to develop a decision concerning compensation. The group is awaiting a text to be prepared by the two co-chairs, from Iran and Sweden. Umbrella coordination has been somewhat more hit and miss on this topic than is desired, but earlier nit picks which arose in this regard have now been laid to rest.

Joint SBI/SBSTA Session on Activities Implemented Jointly (AIJ): A contact group under the chairmanship of the Netherlands (Yvo de Boer) discussed various proposals for handling AIJ after COP-5 at its second meeting on Oct 28 (Thursday). Most Annex I Parties and some other non-Annex I Parties (such as Mexico) continued to argue that some way should be found to end the pilot phase but to provide credit for projects that eventually comply with either JI or CDM rules. Many in the G-77/China disagree. Saudi Arabia's Mohammed Al-Sabban entered the fray for the first time during this meeting to indicate his strong opposition and calling for a continuation of the pilot phase (without credit). The G-77 broadly wants the review to be continued. Yvo de Boer has prepared a draft text for a decision that will be debated on Friday (Oct 29).

SBI: Timing of COP-6: As indicated in earlier updates, there has been little interest expressed in the timing issue since the debate on this on Wednesday morning. At the same time, much more interest is focused on the kind of intersessional program which may be necessary or financially feasible before COP-6. The unwillingness of certain Parties (notably Saudi Arabia) to entertain such an intersessional process remains of concern.

SBI: Annex I and non-Annex I Communications: Contact groups on non-Annex I communications and on the provision of financial and technical support met under Mauritania's Mahmoud Al-Ghaouth, as did a joint contact group of SBSTA and SBI under Mark Mendoza of Tanzania and Jim Pennman of the UK which is handling guidelines for the technical reviews of GHG inventories for Annex I communications.

Participants in the non-Annex I communications group are considering a draft text compiling proposals from the EU, China and others submitted by Al-Ghaouth. Al-Ghaouth is now holding consultations on this issue. The contact group considering Annex I communications is also considering a co-chairs' draft text on guidelines for reporting other issues in Annex I communications, such as financial resources and technology transfer, general policy and funding of systematic observation, and national circumstances relevant to greenhouse gas removals. A smaller, informal group has been established to consider aspects related to the technical review of guidelines.

SBSTA National Systems (Article 5 – methodology; Article 7 –communications of Information; & Article 8 – review of information: Draft conclusions are being considered, but the discussions are somewhat tedious. For example, the group could not agree on the wording for a paragraph on when adjustments related to the protocol (Art. 5.2) should be applied. The group next addressed the issue of an annex to the draft conclusions that sets out a preliminary list of basic elements for national systems under Protocol Article 5. Japan proposed a different formulation that it says provides greater clarity. A smaller group has been charged with considering this matter and reporting back at the next meeting of the contact group that is scheduled for Friday night (Oct 29).

SBSTA: Cooperation with Scientific Institutions: As was reported in Update No. 3, this issue was dealt with on Oct 26. The chair will draft conclusions for presentation at a future SBSTA plenary.

SBSTA: LULUCF: A contact group on this topic under the co-chairmanship of Halldor Thorgeirsson of Iceland and Philip Gwage of Uganda met again on October 28. Discussion was described by participants as "slow" but more substantive than at earlier meetings. Two issues need to be addressed: (a) the decision making framework and (b) the role of data in the decision-making process. The G-77/China is represented at present by Bolivia, China, Peru, Brazil and some Central American countries. In contrast to what they have suggested to us (and to others) bilaterally, the Brazilian position on sinks has not as yet softened -- at least not in this forum. The absence of African countries (which have a huge stake in this issue) has been noted and will be addressed.

Status of Other Topics

In addition, reports on the other issues covered by SBSTA will be contained in the supplements to this and future updates and should be read in conjunction with the Earth Negotiations Bulletin which provide additional details.

Draft Jap/Mex/Canada *11/10/1999*

Negotiation Schedule between COPS and COP6

29 Oct 1999

	Workshops under UNFCCC	Negotiating Opportunities
1999		
<u>Oct - Nov</u>		
<u>COPS</u>		
2000		
	<u>WS (Technology Transfer)</u>	
	<u>WS (Compliance)</u>	
	<u>WS (Best Practices)</u>	<u>Informal ministerial meeting?</u>
		<u>Contact Group (Kyoto Mechanism)</u> (prior to SBSTA/SBI)
<u>12th SB</u>		
(1 week)		
<u>Jun.</u>	<u>WS (Compliance)</u>	
	<u>WS (Technology Transfer)</u>	
	<u>WS (Sinks)</u>	<u>Contact Group (Kyoto Mechanism)</u> (prior to SBSTA/SBI)
<u>13th SB</u>		
(1 week)		<u>Informal ministerial meeting?</u>
		<u>Contact Group (Kyoto Mechanism)</u> (prior to COP6)
<u>COP6</u>		

IMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

ECCO



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 COP5 in Bonn, October-November 1999.

Policing the Process

While sinks, mechanisms, and other better-established groups fight over sometimes insignificant details, the Joint Working Group on Compliance (JWG) is moving toward its goal. Here are a few suggestions to keep the momentum going and draw attention to apparently "unmentionable" topics.

The Protocol must cover all specific commitments, i.e., those that can be attributed to individual Parties. These include targets (Annex 3 and 4), reporting requirements (5 and 7), and mechanisms (6, 12 and 17).

The compliance procedure should be initiated by providing information of a possible implementation problem to the compliance body. It is then up to the compliance body to decide whether to put the wheels of the compliance mechanism in motion. (see the EU chart) The indicators should include: Parties who report themselves, Parties who report

other Parties, the expert review teams, and civil society. In addition, the compliance body will need to decide the nature of an implementation problem so that it can direct it to the appropriate procedure or body. These procedures include eligibility to participate in the mechanisms (refer to Samson's proposal for further ideas here), facilitation to assist Parties with implementation, or stronger measures if needed (Saudi Arabia has this one right).

Should the compliance body decide to start the compliance process, a "yellow light" would automatically be turned on for the Party in question. The yellow light puts Parties that want to buy parts of assigned amounts on notice that they purchase them at their own risk.

Any meaningful compliance system must have consequences for non-compliance. At the outset, Parties should reject the notion of borrowing.

—continued back page, col 2

The Smell of Roses

Yesterday's joint SBV/SBSTA session on Mechanisms once more featured copious quantities of Chairman Chow's mobile metaphors. He would like Parties to again take a walk through his garden of the negotiating text: China, however, while agreeing there is something to be said for walking, feels that developing countries would need to do some working first before this promenade begins. The G77 and China have yet to come up with a position on all the mechanisms. Despite this, Chow appealed for Parties to allow him to go through his synthesis text and identify convergences and divergences. Saudi Arabia as usual urges extra caution in achieving progress on the negotiating text. A proposal put forward was to continue the brainstorming in the next 7 days.

CAN understands the consensus process within the G77 and China but we are worried that further delays will hurt the interests of the most vulnerable developing countries. At this session, the umbrella group and the European Union have already had their first meeting to discuss some of the technicalities of the mechanisms, including baselines. Though they are still avoiding hot topics such as complementarity, they may start working on the more controversial issues soon. Once this is done, the G77 and China could be faced with a

—continued back page, col 3



Annex 1 countries line up to throw a life technology southwards

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Warming Up for CDM?

The issue of the AJJ pilot phase has presented Parties and NGOs alike with more questions than answers on this often ignored project-based mechanism. With the more appealing, for-credit CDM looming on the ever-approaching horizon, the AJJ pilot phase is about to be swept under the rug with little notice. Unfortunately, after taking a closer look at the AJJ documents on the table, the first question that comes to mind is what exactly are Parties intended to consider at this session? While the AJJ documents provide useful information, they do not provide the basis upon which Parties can take informed conclusive decisions on the AJJ pilot phase review or on the future of the CDM pilot phase.

As the contact group on AJJ pilot phase begins to initiate the drafting of a decision, CAN would like to point out the following concerns:

- **No automaticity** – Only under a clear project-by-project eligibility evaluation should AJJ Pilot Phase projects be considered for inclusion in the CDM. Moreover, projects making the transition from AJJ to CDM must meet the same eligibility criteria as a new CDM project. This is necessary to ensure that projects result in real, measur-

able, long-term environmental benefits.

- **Credible review of the AJJ pilot phase** – While the review should provide an interesting analysis of lessons learned regarding certain methodological, technical, institutional and capacity issues, the objectives of AJJ differ from those of CDM and JT, thus the future of the flexibility mechanisms should not be based primarily on the lessons learned during the AJJ pilot phase. Too strong a linkage is inappropriate and could leave certain countries under-represented during the AJJ pilot phase at a potential disadvantage for participation in the flexibility mechanisms.
- **No credits before 2000** – There seems to be some confusion on Parties' positions. If Parties decide that eligible AJJ projects could qualify for CER under the CDM, the question of when those credits start to accrue is critical. For some Parties "retro-active" means credits could be accumulated beginning in the year 2000. However, it now appears that some other Parties may want to keep the door open to pre-2000 crediting for projects begun under the AJJ pilot phase. This open door to pre-2000 credit for AJJ pilot phase projects must be slammed immediately.

Given the state of discussions and the lack of adequate information to analyse, let us leave you with a few questions to consider in the next couple of days:

- How could a comprehensive review be completed in time for a COP5 decision?
- How should the results of the AJJ pilot phase review impact future decisions?
- Should the AJJ pilot phase be concluded, what measures will be taken to accommodate the interest expressed by least developed countries in participating in some form of the AJJ regime?
- Do the Parties have sufficient AJJ information at their fingertips to take a conclusive decision regarding the review and the future of the pilot phase here at COP5?

As if Parties didn't already have enough on their plate for the present negotiations, the Saudis have now added the temporal question of what date marks the end of the present decade. Most of us will welcome the new decade in two months, but it sounds like the Saudis will be singing in the new decade at the end of the year 2000. Over the course of the climate negotiations we have witnessed their ability to slow the pace of progress, but we are now presented with the pleasure of watching them change time.

"Put your money where your treaty is!"

Are industrialised countries taking "all practicable steps" to promote and facilitate transfer of the best technology? Not if you look at the records of their export credit and investment insurance agencies (collectively ECAs). These public entities, which exist to promote trade and investment of their home industries, are involved in support for almost half the project and trade finance going to carbon-intensive sectors in developing countries and economies

in transition. For example US and Japanese ECAs support a US\$780 million project of oil extraction in Sakhalin, Russia. This project will lead to the annual extraction of 22 million barrels of oil, which in turn will lead to over 9 million tons of CO₂ emissions.

ECAs provide loans, guarantees, and insurance that make possible large, costly and risky investments in the power sector, oil and gas development, infrastructure, energy intensive manufacturing and purchase of aircraft. The total of the projects and trade facilitated by ECAs determines a large part of the technologies made available to developing countries, and thus the future climate footprints of those countries.

So what should be done about this? The industrialised world should redirect these funds and guarantees to more climate friendly projects. Their public funds should work toward and not against the long-term goals of the FCCC. In one hopeful sign, ECAs were pulled out of the shadows at the 1999 meeting of the G-8. The G-8 leaders called for a set of common environmental guidelines to bring ECA portfolios into line with sustainable development objectives, and tasked the OECD with

coming up with those guidelines by June 2001. Climate negotiators from the OECD need to pay attention to this process. So far, the discussion of new guidelines has been a relatively closed affair, and there is no indication yet that climate considerations are being taken seriously by the ECAs.

Sensible action to align words with actions would allow the north to reform their current "carbon hypocrisy". But reform of ECAs carries even higher stakes for developing countries. Much of the technology currently available to developing countries is through new private investment, much of it underwritten by ECAs. Currently, there is nothing to stop industry in the north from passing off old technology to the south, and getting a subsidy from an ECA to sweeten the deal. But if ECAs had to conform to higher standards in the technologies they underwrite, the private sector would have to offer those better technologies in order to get the guarantees and loans they need. ECAs and the billions of dollars they leverage should be made to work with, not against the draft decision on capacity building that developing countries are calling for at COP 5.

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Hot Air – Controlling the Flow

The climate protection benefits anticipated in the Kyoto Protocol targets are threatened by a combination of weak targets for some Parties – notably Russia and the Ukraine – and their potential participation in the Article 17 emissions trading regime. The resulting hot air reduces the need for domestic action, and is likely to set up a cycle whereby Annex I Parties do not develop the technologies in the first commitment period that will be needed for deeper cuts in the second commitment period. To maintain the integrity of the Kyoto Protocol it is imperative to limit hot air trades under Article 17 so that business-as-usual emission reductions can't be freely traded.

New projections of the amount of hot air add urgency to finding a way to eliminate hot air. According to the US Energy Information Administration, roughly two-fifths of the emissions reductions required of industrialized countries could be provided by hot air. The projected hot air available from Russia, Ukraine, and CEE, according to this report is 370 million metric tonnes of carbon equivalent (MMTCE), dramatically larger than last year's estimate. (The selection of alternative base year by some CEE countries accounts for 43 MMTCE of this amount.) Even calculations based on official UNFCCC documents project hot air of 140 MMTCE. Combined with the potential paper reductions obtained through non-additional activities under the CDM and Article 3.4, it is entirely possible that the first budget period could result in no net reductions in emissions.

The transfer of hot air to other Parties is not an idle speculation. For example, the European Bank of Reconstruction and Development (EBRD), a profit-making international financial institution whose client countries are the Economies in Transition, is planning to participate in the emissions trading regime. The EBRD's new Energy Operations Policy states that the bank plans to facilitate transfers of assigned amounts from countries in Central and Eastern Europe, including those that have hot air to sell. This is doubly alarming given the lack of transparency with which the EBRD operates.

Several proposals have been suggested to limit hot air. The EU has suggested a system of quantitative caps on the use of mechanisms that would provide significant control, e.g., the former Soviet Union (FSU) would be allowed to sell approximately 50 MMT/year instead of approximately 320 MMT/year. This proposal limits the use of flexibility mechanisms, but does not discriminate between real

reductions and those resulting from economic collapse.

Hot air could be controlled by applying an additionally test to sales of credits, either at a national or sectoral level. Review teams would assess what level of emissions reduction had been achieved and then authorize those reductions to be placed on the market. An alternative approach would be to only use the Article 6 Joint Implementation mechanism to transfer assigned amount units rather than the Article 17 Emissions Trading mechanism. Provided that an effective additionality criteria for JI was applied, only real reductions would be transferred. The accuracy of the additionality test is crucial to the success of these approaches, and developing and applying the test will involve significant implementation costs.

We believe that a better approach to limiting hot air is to make the amount of credits available for sale dependent on changes in the carbon intensity of a country's economy. Carbon intensity in this case is measured as emissions divided by GDP. Only by reducing carbon intensity over time would credits be available for sale. This approach directly addresses hot air by ensuring that excess assigned amount units are only available for sale if the emissions reductions do not occur as a result of declines in economic output. Using carbon intensity as an indicator could provide an incentive for increased use of nuclear energy, an environmentally undesirable outcome which should be prevented.

How would this work in practice? Consider first the basic formula for trading under the Kyoto Protocol advocated by some Parties. The

assigned amount units that could be transferred to another Party is as follows:

Available Credits = Assigned Amount – GHG, where GHG is actual emissions in the commitment period.

In order to avoid making credits available for decreases in economic activity alone, the available credits would be set as the lower of the above formula or the following formula:

Available Credit = $S(GHG_{1990} \times GDP / GDP_{1990}) - GHG$

The revised formula will apply where GHG emissions are lower than 1990 emissions as a result of declines in GDP. Its effect is to ensure that credits are available for improvements in carbon intensity, but not for reductions in economic output.

Using this approach, hot air from Russia, Ukraine, and countries with economies in transition can be controlled significantly because these Parties would not be able to sell any of their assigned amount if carbon intensity does not improve. If a country does improve its carbon intensity, this approach rewards that improvement. For example, if these Parties were to improve carbon intensity by 15% by 2010, we estimate that they would be allowed to sell 150 to 200 tons of their assigned amounts. In contrast, the uncontrolled trading rule would allow 270 to 470 tons, because it allows the sale of hot air combined with the real emission reductions.

This proposed approach to hot air provides a powerful incentive for real improvements in carbon intensity, while at the same time eliminating the availability of hot air credits due to decreases in economic output.



When the sky falls in after COP4, Saudi delegates will have nothing to do but hang around

Friday, 29 October 1999

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role. SOUTH AFRICA explained that doing so could endanger the objectivity of the ERTs. The US and AUSTRALIA suggested guidelines for a possible referral to the compliance body.

On the role of the COP/MOP, many delegates said it should give policy guidance to the compliance body. SWITZERLAND, the RUSSIAN FEDERATION and CHINA proposed that the COP/MOP should have a triggering role as well as the competence to decide on the findings of the compliance body. SOUTH AFRICA expressed concern about due process if the COP/MOP was given both these functions. BRAZIL suggested that the COP/MOP only take note of the compliance body report. Several delegates said a triggering role would delay and politicize the process. SAUDI ARABIA said the COP/MOP should play a role "at the beginning, at the end and in the middle" of the compliance process.

On sources of information, AUSTRALIA and the US said that due process required the defending party to be able to present necessary information and rebut evidence against it. Parties suggested several sources of information, including: the expert review teams; outside experts; and intergovernmental organizations. SAMOA suggested any source the compliance body deemed appropriate, while IRAN said Parties should be the only source. BRAZIL said sources should bear responsibility for their information.

The EU, with BRAZIL, stressed the need to ensure confidentiality of information submitted in confidence by Parties. SOUTH AFRICA and SAUDI ARABIA called for clear rules for information gathering. CHINA sought criteria for the use of information. IRAN raised the issue of financing developing countries' efforts to provide information.

CONTACT GROUPS

ADVERSE EFFECTS: This contact group focused on four issues: information gaps; the merits of holding another workshop; the types of possible preliminary actions to be taken to mitigate the adverse effects of climate change and response measures; and the manner in which Protocol Article 3.14 should be dealt with by the contact group. Co-chairs Salamat (Iran) and Kjellén (Sweden) suggested that the discussion's purpose was to provide further information to enable them to propose a draft text to the contact group.

ANNEX I COMMUNICATIONS: This contact group continued consideration of the co-chairs' draft text on guidelines for reporting other issues in Annex I communications. Participants discussed guidelines for reporting of financial resources and technology transfer; general policy and funding of research and systematic observation; and national circumstances relevant to GHG removals. Among the issues raised in the discussion on financial resources were: whether to provide details of measures or detailed information of the activities undertaken to implement Annex I commitments; and how to format the reports. A smaller group will continue consideration of the technical review guidelines.

CAPACITY BUILDING: Delegates considered the co-chairs' draft proposal on a draft decision on capacity building based on the G-77/CHINA's written proposal and integrating submissions from the EU and the Umbrella Group. Issues raised included the question of whether to use the draft as a basis for negotiation; the fact that ERTs' capacity building needs were not being addressed; concern over the statement whereby capacity building is a prerequisite for meaningful developing country participation; provision for an additional workshop; lack of a country-driven and country-specific approach; and the question of whether the submission of information on capacity building at SB-12 would result in a recommendation for a decision by COP-6. The co-chairs will prepare a revised draft on the basis of this discussion and further submissions.

LULUCF: This contact group considered a draft schematic timetable on the process and timing for the analysis of information provided by the IPCC Special Report due in 2000 and the relationship of this report to a decision-making framework regarding Protocol Articles 3.3 (net changes in GHG emissions and

removals), 3.4 (additional human induced activities related to changes in GHG emissions and removals), 7.1 and 7.4 (guidelines for necessary supplementary information). The group also discussed the need for country-specific data and information, as well as their relationship to consideration of the IPCC Special Report and to a decision-making framework in the context of Protocol requirements. Questions were raised on, *inter alia*, the need for, purposes and uses of country-specific data and information; data requirements under specific Protocol provisions; and types of data according to these provisions. The group will continue consideration of data in relation to verifiability, transparency and consistency.

MECHANISMS: Chair Chow (Malaysia) took the participants through the Synthesis of Parties' Proposals on Mechanisms (FCCC/SB/1999/8). He highlighted certain sections, noted areas of convergence and divergence, and suggested issues for consideration. The EU, NORWAY and the US suggested ways of consolidating and tightening the text. On the CDM, the G-77/CHINA pointed to deficiencies in the text, including the absence of a section on "nature and scope" and the lack of a determination of what the driving force of the CDM should be. On a general note, SAUDI ARABIA reiterated its reservation on aiming for a draft negotiating text by SB-12, as this was premature. The G-77/CHINA said technical appendices complicate the issue and stressed the need to address the technical issues. He also noted the need for Parties to meet in their regional groups.

NATIONAL SYSTEMS: This contact group considered draft conclusions on national systems, adjustments and guidelines under Protocol Articles 5 (methodology), 7 (communication of information) and 8 (review of information). The group was unable to agree on wording for a paragraph on when adjustments related to Protocol Article 5.2 (methodology) should be applied. The group then considered an annex to the draft conclusions that sets out a preliminary list of basic elements for national systems under Protocol Article 5.1 (national systems for GHG emissions and removals). JAPAN presented an alternative draft of the annex, which he said aimed at greater clarity. A smaller group will consider this matter and report to the contact group at its next meeting.

NON-ANNEX I COMMUNICATIONS: Participants considered a draft text compiling proposals by the EU, the G-77/CHINA and others. Chair El Ghazouli (Mauritania) noted that he had undertaken informal consultations and said the text did not intend to exclude country positions. He highlighted non-Annex I communications as one of the few agenda items that was a candidate for a COP-5 decision, and adjourned the meeting to hold informal consultations.

IN THE CORRIDORS

Concern over perceived shortcomings of the GEF in delivering on its role as an operating entity of the FCCC's financial mechanism once again reverberated in the Maritim corridors. A number of participants criticized the rigid eligibility criteria by which the GEF interprets and weighs proposals submitted by countries as unrealistic, and said these criteria can delay the process of implementing national actions. While some felt that the problems arise from inadequate guidance given to the GEF by the COP, others attributed them to difficulties in co-ordinating the interests and mandates of two intergovernmental bodies. In response to these concerns, a number of participants called for a country-led review of the GEF's role so as to facilitate implementation of the FCCC, particularly by the least developed countries.

THINGS TO LOOK FOR TODAY

JWG: The JWG on compliance will meet in Plenary II at 3:00 pm.

JOINT SBSTA/SBI: SBSTA and SBI will meet in Plenary I at 6:00 pm.

CONTACT GROUPS: Contact groups will be held throughout the day. Consult the announcement board for details.

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

Giving Civil Society a Say

Parties meeting in the Joint Working Group on Compliance yesterday conveniently forgot about the existence of civil society. During the discussions of how a compliance procedure might be "triggered" and who might be able to submit information about suspected violations to the compliance body, the role of NGOs was never mentioned by any government. It was left for Jennifer Morgan of WWF to remind delegates that civil society – and not just governments – has an interest in the matter. The problem is that some Parties want the compliance review teams to be able to access only government-sponsored information, placing the subjects of review in the enviable role of being able to control the entire process. Other

Parties, with a wink and a handshake, seem to be inclined to ignore the reality that whistleblowers in a country that is deliberately cooking its performance records might be able to provide useful information to the compliance body.

Rather than view civil society and NGOs as their opponents, Parties with honest intentions should welcome the opportunity to harness civil society's power to ensure that all countries live up to their treaty obligations. It has been done before. The Endangered Species Convention (CITES) works because NGOs have a formal role in supplying compliance information. The International Labor Organization has been effective for decades in

part because non-state actors can address comments on government compliance directly to the ILO. And the International Covenants on Human Rights heavily rely on compliance information provided by civil society. These examples demonstrate that civil society can play a vital role in the Kyoto Protocol's implementation. Civil society – in addition to Parties – should be able to submit on their own initiative any information relevant to a Party's compliance directly to the compliance body. Requiring them to go through the filter of a national government is politically shortsighted, and gives the upper hand to those Parties who wish to pay more lip service to doing something serious about climate change.

CDM: A Role for Avoidance?

By Albert Mumma, CNA

Current debate over implementation of the CDM assumes that the mechanism has only two objectives: sustainable development and GHG emission reductions. Because Africa has negligible emissions at present, the continent is likely to derive few benefits from CDM if the focus is held to emissions reductions. But if emissions avoidance is thrown into the equation, the situation would change dramatically.

Article 2 of the UNFCCC states that the ultimate objective of the Convention and any related instruments (e.g., the Kyoto Protocol) is to achieve "stabilization of greenhouse gas concentrations in the atmosphere...." Stabilization can be achieved not only through emissions reductions but also (and in many cases more cost

effectively) through emissions avoidance. Emissions avoidance in this context refers to the adoption of a development path that does not depend on heavy GHG emitters, but instead relies on clean technologies and energy efficiency. Africa, which is not yet tied to a fossil fuel development model, has the opportunity to pursue this alternative path of development without GHG emissions, which could be its contribution to achieving the ultimate objective of the Convention. In the process, Africa would be developing – sustainably. This would be especially important in bringing modern, clean energy services to the great number of rural poor people who presently lack them. Emissions avoidance presents a unique opportunity for Africa. It must not let it go!

Fossil of the Day

Yesterday's Fossil of the Day award, for each day's worst lapse into the negotiation, was a closely-run contest. After much hard deliberation among NGOs, and several shows of hands, it was finally declared a draw, and divided equally between Turkey and the US, who each received two briquettes of fine German coal. Turkey was honoured for its schizophrenia in trying both to join the European Union and leave Annex 1 at the same time. Uncle Sam meanwhile owes its citation to its resolute and tireless efforts in the National Communications debate, where it was attempting to replace "should" with "may" for any requirement that they found too onerous.

Totals so far leave the US and Saudi Arabia ahead of the pack with five briquettes each. Perhaps the World Bank should start taking bets on the final result...

Ludwig

Yesterday's debate in SBSTA/SBI on the highly-relevant subject of acupuncture gives rise to speculation as to how the ancient Chinese art might be applied to the process as a whole. Ludwig has his own ideas as to where needles might be placed in order to ease the flow of energy: you can probably guess. Certain representatives of certain industries and Parties should perhaps watch out before they sit down over the next days, or they might find pain administered to the nether portion of their bodies...

Smelling Rascals, from front page
fait accompli. A work plan has been laid out to pave the way for a draft negotiating text by June of 2000. There is so much ground to cover. CAN asks our friends from G77 and China to go out there and start grooming the garden. After all, it is in their interest that the Protocol moves forward. The group's CDM position is out there already. If we want progress on this, go out and negotiate. Brainstorm time is over.

THANKS

The Climate Action Network would like to thank the World Wildlife Fund, Greenpeace International, the National Environmental Trust, Environmental Defense Fund, the Glastonbury Festival of Contemporary Performing Arts, the Swedish NGO Secretariat for Acid Rain and Union of Concerned Scientists for financial assistance.

With resources contributed by German Forum for Environment and Development, APC Networks and Apple Computer.

«Policing, from front page
subtraction or whatever its proponents choose to call it. Borrowing, as its name implies, merely puts off meeting the first commitment period targets to a later date. Instead, Parties should pay into a Compliance Fund, which will be used to underwrite mitigation projects. The price must be high enough so that Parties are not tempted to use it instead of implementing their obligations during the commitment period. If Parties fail to pay into the Compliance Fund then other consequences will be needed. These consequences should be automatic. (Here, the U.S. has it right.)

This only role the COP/MOP need play in this process is to accept the decision of the compliance body. The acceptance should be automatic unless a supermajority of the COP/MOP elects to reject it.

Whatever the design of the compliance system, Parties should ensure that it operates efficiently and reaches its conclusions quickly.



Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

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Friday, 29 October 1998

FCCC COP-5 HIGHLIGHTS
THURSDAY, 28 OCTOBER 1999

Delegates met in a morning session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) to continue consideration of research and systematic observation and the roster of experts following discussions on technology transfer and development on Wednesday evening. The Joint Working Group (JWG) on compliance discussed procedures and mechanisms relating to compliance under the Kyoto Protocol. Contact groups met to consider: adverse effects; Annex I communications; capacity building; land use, land-use change and forestry (LULUCF); national systems, adjustments and guidelines under the Protocol; non-Annex I communications; and the Protocol mechanisms.

SSTA

TECHNOLOGY TRANSFER: Delegates considered the report on the meeting of the IPCC and the Montreal Protocol's Technical and Economic Assessment Panel on ways and means of limiting hydrofluorocarbons (HFCs) and perfluorocarbons. The meeting highlighted, *inter alia*: the complexity of links between ozone depletion and climate change mitigation activities; the multiplicity of solutions required to address these global change issues; and the desirability of solutions tailored to regional or national needs.

SWITZERLAND emphasized the need to standardize testing procedures for technologies in developing countries. **GREENPEACE** called for action to avoid dumping of potentially harmful technologies in developing countries. **ARGENTINA**, supported by **KENYA**, the **RUSSIAN FEDERATION** and **POLAND**, called for attention to the medical use of HFCs in metered dose inhalers. Discussions will continue in informal consultations.

On coastal adaptation technologies, AOSIS noted that financial and human resource limitations have stifled progress in adaptation and urged the development of long-term approaches under the PCCC. He highlighted the potential of the clean development mechanism (CDM) in this regard. On other matters, the Secretariat reported on its cooperative activities aimed at improving climate data from recording systems.

RESEARCH AND SYSTEMATIC OBSERVATION: The Global Climate Observation System (GCOS) reported on progress in enhancing global observational systems and noted that deficiencies are a result of inadequate equipment, poor infrastructure and insufficient funding. The Global Oceans Observation System (GOOS) outlined its work and stressed the need for better measurement, organization and partnerships to overcome observation deficiencies. The EU and others supported the GCOS call for more systematic reporting. JAPAN encouraged GCOS, in cooperation with the WMO, to monitor the status of implementation with a view to utilizing recent technologies to fill the gaps in climate observing systems. AUSTRALIA called for a more diversified

funding strategy. The GEF pledged additional funds to build observational capacity for certain developing countries. Susan Bartell (Australia) will conduct informal consultations on this issue.

ROSTER OF EXPERTS: The US said expansion of rosters should only be done in response to additional tasks. NEW ZEALAND supported the Secretariat's proposal to integrate the different rosters. While the EU objected, CANADA supported additional rosters for inventory reviews.

Following requests by some Parties, the Chair convened a contact group to consider national systems, adjustments and guidelines.

JOINT WORKING GROUP ON COMPLIANCE

The JWC on compliance heard four diagrammatic submissions illustrating a compliance system. The US said that its design for the compliance system is focused on Protocol Article 3 (GHO reduction and limitation commitments) and provides for both facilitative and enforcement functions to be dealt with "by two different sets of people." She said the goal of enforcement is to ensure compliance through binding consequences that are known in advance. In presenting its preliminary views, JAPAN proposed a single compliance body and outlined steps ranging from assistance to recommendations to be exhausted before the entry into force of consequences. The EU explained that its compliance committee would have a facilitative branch and an enforcement branch, with a possible referral from the former to the latter. Issues would be channeled automatically to the branches. SAMOA stressed two features of the AOSIS diagram: avoidance of polarization between the facilitative and enforcement functions, since they overlap, and an eligibility committee responsible for the determination of mechanism eligibility. He added that an *ad hoc* appeal body would hear quasi-judicial appeals on the imposition of binding penalties.

On eligibility to raise issues, the UK explained that the mere provision of information would not "trigger" the compliance procedure, but that it would be triggered by whatever causes the compliance procedure to start considering a claim. Many delegates agreed that a Party could raise an issue about its own compliance, and that a Party or group of Parties could raise an issue about another Party's compliance. CANADA said sufficient evidence should be provided to support cases. IRAN said only a group of Parties could trigger a case of another Party's compliance. The EU, CANADA, CHINA, JAPAN, IRAN, SOUTH AFRICA and the US opposed a triggering role for the Secretariat. Delegates emphasized its information gathering function and the need for it to preserve objectivity and neutrality.

Regarding the Expert Review Teams (ERTs), the EU said the ERTs' reports would be automatically submitted to the compliance committee through the Secretariat. CANADA said the reports were the factual basis that determined the need for further steps. CHINA, with IRAN, KUWAIT, BRAZIL and ARGENTINA said it was inappropriate to give ERTs, a simple fact finding body, a triggering

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31.OKT.1999 23:43

US DEL TO COP5

NR.212 S.3

30-31 October 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley ~~MA~~

Subject: COP-5 Update No. 7 (Fri-Sun, October 30-31, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25 to November 5, 1999. This report covers activities and discussions from mid-day on Friday, October 29, through mid-day on Sunday, October 31.

Also included with this report is the latest copy of the NGO-published **Earth Negotiations Bulletin** which provides a useful accounting of some of the events. There was no copy on ECO issued during the time-frame of this report.

A supplement to this update may be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

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US DEL TO COPS

29-31 October 1999

COP-5 Update No. 7 (Oct 29-31): Contact Groups Meet over the Weekend in an Effort to Resolve More Issues**HIGHLIGHTS**

- Senior Officials Start to Arrive, as Delegates Grapple with Ways to Ensure their Positive Involvement
- Mechanisms and Compliance Work Remain on Track
- The Saudis Stir up the Policies and Measures Contract Group
- HFC/PFC Issue Grudgingly Moving in a Preferred Direction
- Bunkers Making Headway – due to Saudi Arabia's Absence

DETAILS**Senior Officials Start to Arrive, as Delegates Grapple with Ways to Ensure their Positive Involvement**

Starting on Sunday, senior officials from several delegations began arriving in Bonn for the high level portion of the Fifth Conference of the Parties to the UN Framework Convention on Climate Change. For the U.S., these include OES Assistant Secretary Sandalow and Roger Ballentine from the White House. The head of the U.S. Delegation, Under Secretary of State for Global Affairs, Frank Loy, arrives from Berlin on Monday (Nov 1).

Meanwhile, delegations from several countries are trying to determine the best way to optimize the impact of the Ministers and High Level Officials. For example, members of the Umbrella group (U.S., Australia, Japan, and Canada) have discussed with the COP President, Jan Szyszko, the possibility of some kind of minister-driven decision which might broadly endorse the "progress" noted at this conference and lend their collective support to the intersessional activities needed to promote the desired results at COP-6.

It is still too early to see if this idea has any legs. The Aussies are taking the lead in polishing our short draft decision to incorporate (hopefully) more issues of concern to them. Bilaterals with other governments (both Annex I and key non-Annex I countries) will have to be used to promote this idea further.

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Status of Key SBSTA/SBI Issues

The key SBI and SBSTA issues are all now also being treated in contact groups (with NGO participation as observers) or as informal consultations (which they are not allowed to attend). This is also the situation for those issues being handled jointly by joint SBI/SBSTA working groups. The status of the most important issues is recorded below:

Joint SBI/SBSTA Working Group on Compliance: The compliance talks have continued to go well. A number of issues will have to be addressed, including the key ones such as whether there will be binding consequences for exceeding targets. The co-chairs are expected to produce their own paper on compliance elements. This will not be approved by delegates at this meeting but will perhaps focus on elements that Parties appear to have in common. Consideration for a small meeting later this year among a small group of countries is being quietly considered, but this idea has not been publicly discussed. There will be another compliance workshop in March.

Joint SBI/SBSTA Session on Capacity Building: The tussle over closure on this issue continues. The G-77/China wants a decision at COP-5. The U.S. and the EU want a process to lead to a decision by COP-6. The G-77 also opposes efforts by the economies in transition to have their (legitimate) concerns about capacity building included in this decision. (Later, a senior UNFCCC Secretariat staff member approached us with a suggestion that the Annex I Experts Group might be able to assist the EITs with their capacity building needs.) John Ashe, the SBI Chairman and co-chair of this contact group, has emphasized that capacity building will be treated as an omnibus issue, encompassing all of the capacity building aspects which may rise in other areas of discussion.

Joint SBI/SBSTA Session on the Mechanisms: The mechanisms joint contact group under Chairman Chow Kok Kee met again on Saturday, Oct 30. Chairman Chow (in close consultation with SBI Chairman Ashe, has produced a draft decision which authorizes a January 31 drop date for the last submissions for the mechanism draft text; a series of unspecified workshops to develop options on technical details; and authorization to split the work of the subsidiary bodies into two sessions, one in June and the second in early September.

We understand that the G-77/China is being blocked from supporting this decision by the Saudis and their allies. Ashe would like this recommendation adopted at the Nov 1 meeting of the SBI, in conjunction with a decision on the timing of COP-6 (see below). We will not know what the outcome of these deliberations will be until an informal meeting on mechanisms is concluded early on the morning of November 1.

Joint SBI/SBSTA Session: Article 4.8/4.9: This group again met on October 29. The co-chairs distributed a draft text (not discussed in advance) which outlines a way forward. The group then heard from IPCC representatives who commented that the Third

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Assessment Report will provide more details on regional impacts of climate change consistent with the requirements of Articles 4.8/4.9. The co-chair of IPCC Working Group III also said that little is known about the impacts of response measures, a position strongly disputed by Saudi Arabia. Discussion of the draft text will continue.

Joint SBI/SBSTA Session on Activities Implemented Jointly (AIJ): A contact group under the chairmanship of the Netherlands (Yvo de Boer) discussed the draft decision which he prepared on this topic. He said that his proposal takes into account the variety of views expressed on this topic, as well as the form that AIJ should take if AIJ is continued. He noted the proposal for incentives introduced by several Parties and argued that his draft tries to find a middle ground among various points of view. The EU persisted in requesting that its draft which calls for an end to the AIJ pilot phase with a start of a new AIJ phase under which crediting will be considered should also be used as the basis for a COP-5 decision. Discussion continues.

SBI: Timing of COP-6: This issue has once more become a hot button item. John Ashe has approached us with a strongly worded suggestion that we concede the inevitable about a COP-6 date in November 2000 in view of his (Ashe's) work on creating a decision which will authorize significant intersessional work, including split timing for the next series of subsidiary body meetings into two sessions, one week in June and a second week in September. We are awaiting the results of the Monday mechanisms discussion before we decide on how to react to this proposal.

SBI: Annex I and non-Annex I Communications: The guidelines for Annex I portion of the decision have been wrapped up. A technical review of aspects of the Global Climate Observing Systems work will be discussed further. On non-Annex I communications, progress was reported on the question of inventories. However, there remains a considerable impasse over whether the G-77/China should be obliged to prepare new guidelines for their second communications as a prerequisite for obtaining funding assistance from the Global Environment Facility (the GEF).

SBSTA National Systems (Article 5 - methodology; Article 7 - communications of information; & Article 8 - review of information: Draft conclusions have been adopted by the contact group on two areas. The first was on national systems and guidelines under Protocol articles 5, 7, and 8. The second dealt with a draft annex setting out basic elements of national systems under Protocol Article 5.1 (national systems for greenhouse gas emissions and removals) that had been presented by Japan and amended through consultations. One key point of contention was the decision to use the word "considered" rather than "agreed" in a paragraph dealing with Article 5.2 of the Protocol which deals with methodology.

SBSTA: Cooperation with Scientific Institutions: As was reported in Update No. 3, this issue was dealt with on Oct 26. The chair will draft conclusions for presentation at a future SBSTA plenary.

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SBSTA: Policies and Measures: The French have been shopping around a draft conclusion that will reference the April 2000 workshop on PAMs to be held in Copenhagen. Their focus is on "best practices." Saudi Arabia has stirred matters up by its insistence that the workshop focus on Convention Articles 4.8/4.9 and Protocol Articles 2.1(a) and 3.14 on adverse impacts.

SBSTA: Bunker Fuels: Much of Saturday was spent in the informal consultations on this issue. The process is led by Switzerland's Jose Romero. Most of the main issues have been resolved, aided by a second draft issued by the chair that contains most of our key points. Allocation is not referenced. A remaining issue regards the status of the future work. Our relations with the EU have been assisted by our insistence that we will press ICAO and the IMO to take the action required on this issue and to take the findings of the IPCC Special Report fully into account. Unfortunately, Saudi Arabia has not as yet given us the pleasure of their company in these consultations. They are expected to do so on November 1, at which time a number of issues are likely to be reopened. Stay tuned.

SBSTA: HFCs and PFCs: Switzerland and the EU put forward a lengthy draft decisions that would lead to a focus within the convention on assessing best practices for HFCs and PFCs. We, along with key umbrella allies, have opposed this move (to the general applause of our industry NGOs). We have argued that to do so would be contrary to our decision at Kyoto to focus on a basket of six greenhouse gases - and not to single out one or two. The matter will be considered further at a meeting on November 1.

SBSTA: LULUCF: This is turning out to be a pivotal issue. In order for us to obtain the decision needed by COP-6, the G-77/China has warned us that they will require time to address the IPCC Special Report that is due out in May 2000. A workshop assessing this report's results will have to be scheduled soon after its release, a move which may be complicated by the June dates for the subsidiary body meetings. At the Oct 29/30 meetings of this contact group, discussion focused *inter alia* on the decision-making framework. Considerable controversy about the need for country specific data related to LULUCF activities, including additional human-induced activities related to changes in greenhouse gas emissions and removals, continues.

SBSTA: Iceland's Single Project Issue: This issue was finally resolved on October 30 when Canada agreed that Iceland has provided a "comprehensive response" to the request for information as opposed to the draft decision's assertion that the response was "adequate." The matter has now been carried over to COP-6 where a final decision is expected. Amen.

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Earth Negotiations Bulletin

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FCCC COP-5 HIGHLIGHTS FRIDAY, 29 OCTOBER 1999

Delegates met in a joint session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI) to take stock of progress in the Joint Working Group (JWG) on compliance and in the joint contact groups. The JWG on compliance discussed procedures and mechanisms relating to compliance under the Protocol. Contact groups met to consider: adverse effects; activities implemented jointly (AIJ); Annex I communications; capacity building; land use, land-use change and forestry (LULUCF); national systems, adjustments and guidelines under the Protocol; non-Annex I communications; and the Protocol mechanisms.

JOINT SBI/SBSTA SESSION

Chairs of the joint contact groups and the JWG on compliance gave brief presentations to update delegates on progress made on items on the joint SBI/SBSTA agenda. Their presentations related to progress made on: adverse effects; compliance; AIJ; mechanisms; and capacity building. SBSTA Chair Davland (Norway) urged the Parties to intensify their efforts to reach agreement on these issues.

JOINT WORKING GROUP ON COMPLIANCE

AUSTRALIA presented its diagrammatic submission on a compliance procedure focused on Protocol Article 3.1 (greenhouse gas reduction and limitation commitments). She highlighted that facilitation would be available on any issue relating to the target and that the outcome of the compliance procedure would be a COP/MOP decision applying the negative consensus rule.

Delegates then addressed the structure of a compliance body. On the nature of a compliance body, a number of delegates said it should be a standing body in order to allow consistency and continuity in its practice, as well as build confidence in its work. On the frequency of the compliance body's meetings, AOSIS and SOUTH AFRICA said it would depend on the amount of work it had before it and that meetings should be held together with other meetings under the FCCC. The EU said meetings should be held regularly, and SWITZERLAND suggested it meet at least once a year, given the continuous work of the compliance body. On the body's size and composition, a number of delegates suggested a small body composed of scientific, technical and legal experts appointed by governments yet acting in their personal capacity. They said the composition of the body should ensure equitable geographic distribution. POLAND said there should be an equal number of Protocol Annex B and non-Annex B Parties, and AUSTRALIA, supported by the US, added that the composition would depend upon the article under review. SWITZERLAND, with SOUTH AFRICA, said it should be possible to call on outside experts. He added that

additional Annex I Parties' experts should be called on when considering Protocol Article 3. A number of delegates, opposed by SAUDI ARABIA, stressed the need for the body to have its own rules of procedure. The EU said these rules should be adopted by the body itself, while KUWAIT, BRAZIL and CHINA said the COP/MOP should adopt these rules.

On the relationship of the compliance system with Protocol Article 19 (dispute settlement), several Parties said these two procedures should be kept separate. The US said it envisioned the compliance system being structured in such a way that a Party would present information on non-compliance to the compliance committee, which would follow-up on the matter. Within such a framework, the Party would decide whether it would raise a bilateral dispute under Article 19 or initiate the multilateral process under the compliance system. The UAE said the suggestion by the US would cause confusion, as similar cases taken through Article 19 and the compliance system would have differing results. NEW ZEALAND said the Article 19 process could be the basis for a final appeal procedure. The UK responded that a bilateral appeal could not flow from a multilateral process. He highlighted the need to determine whether the compliance system or the dispute settlement process would take precedence where the two are in action simultaneously.

On the consequences of non-compliance, JAPAN, AUSTRALIA and the US said the term "consequence" could be replaced by "outcome," in order to better reflect the possible use of facilitative measures. CHINA, with SOUTH AFRICA, specified that Protocol Article 18 (compliance) refers to "binding consequences" and opposed the proposed terminology change. On the types of consequences, a number of delegates emphasized that knowing them in advance would ensure predictability and deter non-compliance. Several delegates suggested an indicative list of consequences that would be applied gradually, taking into account the cause, type, degree and frequency of non-compliance. They opposed the US suggestion for automatic sanctions. JAPAN said the cost of sanctions should be lower than the cost of withdrawal from the Protocol. The US, NEW ZEALAND, AUSTRALIA and CANADA said a possible sanction could be the subtraction of excess emissions from the levels permitted during the subsequent period, with a penalty rate applied. SWITZERLAND, BRAZIL and IRAN supported financial penalties as a last resort. AUSTRALIA said the Party concerned should have the option to choose from a menu of consequences.

CONTACT GROUPS

AIJ: Chair de Boer (Netherlands) presented an overview of the Chair's proposal for a draft decision on AIJ. He said the proposal takes into account the differences of opinion expressed on whether to stop the AIJ pilot phase, as well as on the form AIJ should take if

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Saturday, 30 October 1999

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continued. He noted the proposal by some Parties to introduce incentives, possibly in the form of crediting AII activities, in order to sustain the momentum. He said the draft proposal tries to find middle ground to accommodate the various views expressed. The EU introduced its draft proposal that seeks to stop the non-credited pilot phase now and start an AII phase with possible crediting, subject to decision-making in the mechanisms negotiation. The contact group will reconvene to consider the two proposals.

ADVERSE EFFECTS: A Co-Chairs' draft decision was distributed to the contact group for consideration at its next session. Delegates then heard presentations from the IPCC, followed by a question-and-answer session. The IPCC said, *inter alia*, that its Third Assessment Report (TAR) would provide more details on regional impacts and other issues relating to implementation of FCCC Articles 4.8 and 4.9. Concerning the impact of implementing response measures, he said that modeling is purely speculative and that it was very difficult to predict changes in the price of oil because of the many variables involved. He added that countries take actions that may counter an adverse effect, but that these are seldom identified as "climate interventions" and are motivated by factors other than FCCC implementation.

ANNEX I COMMUNICATIONS: This contact group continued consideration of the draft text on guidelines for reporting other issues in Annex I communications. Participants negotiated wording on a number of outstanding paragraphs, focusing primarily on the section relating to research and systematic observation. Proposed text prepared by the Global Climate Observing Systems (GCOS) Secretariat on draft guidance for reporting on GCOS was presented to the group for consideration at its next meeting.

CAPACITY BUILDING: This contact group considered the Co-Chairs' draft proposal for a draft decision on capacity building for developing countries that was prepared on the basis of Parties' comments on the G-77/CHINA's proposal. Some delegates noted that the revised document did not fully take account of their submission. There was disagreement on whether the draft decision should address countries with economies in transition. The group discussed preambular paragraphs that recognize the importance of taking stock of existing capacity-building activities, acknowledge that, though work has begun, substantial work remains to be done; recognize the main constraints to implementing the FCCC in developing countries; underline that capacity-building must be country driven in accordance with the FCCC provisions; and emphasize the continuous nature of the capacity-building process.

LULUCF: This contact group continued discussing the need for data and information in relation to consideration of the IPCC Special Report and a decision-making framework in the context of Protocol requirements. On reporting formats, some delegates noted that guidelines for the provision of data relating to Article 3.3 (net changes in GHG emissions and removals) were already provided for by the IPCC 1996 guidelines and said Parties should abide by them. Others considered that additional and more specific data and information were needed. Timing, application and criteria for data under Articles 3.3 and 3.4 (additional human-induced activities relating to changes in emissions and removals) and 3.7 (assigned amounts and LULUCF as a net source of emissions) were discussed. The group identified transparency, verifiability, accounting for uncertainties and attribution as criteria under Articles 3.4 and attempted to identify additional criteria including: measurability; permanence; prevention of perverse incentives; avoidance of double accounting; symmetry; conformity with the FCCC, the Protocol and other conventions; and the "leakage effect."

MECHANISMS: This contact group deliberated on a possible workplan up to COP-6. The EU and the US sought intensification of the process, in particular through technical workshops. CHINA, INDONESIA and IRAN highlighted the need to convene inter-

sessional meetings to strengthen intergovernmental work. JAPAN and CANADA said both technical workshops and intersessional meetings should be held prior to COP-6. CANADA added that it would like to see a refined negotiating text at COP-6. The G-77/CHINA and others highlighted the need for transparency in the process and adequate developing country expert participation in the technical workshops. SUDAN said Parties needed time to review the information and findings of technical workshops.

The G-77/CHINA said it was premature to work toward a draft negotiating text, as Parties were still at the stage of making submissions, noting convergence/divergence and synthesizing views. In response to a query by Chair Chow, the G-77/CHINA defined a draft negotiating text as "the penultimate stage in the text that the COP will finally adopt." JAPAN, the US and AUSTRALIA defined it as a living document that would go through several drafts. Chair Chow noted that the text would be a living document synthesizing the views of all Parties to facilitate the negotiating process. He said he will prepare conclusions on the timetable of work leading to COP-6.

NATIONAL SYSTEMS: This contact group considered draft conclusions on national systems, adjustments and guidelines under Protocol Articles 5 (methodology), 7 (communication of information) and 8 (review of information). It also considered a draft annex setting out basic elements of national systems under Protocol Article 5.1 (national systems for GHG omissions and removals) that had been presented by JAPAN and amended after informal consultations by a smaller group of Parties. Discussion focused on a paragraph relating to adjustments under Protocol Article 5.2 (methodology). After considerable discussion, the group agreed to wording noting that the SBSTA "considered" rather than "agreed" that adjustments referred to in this Article should only be applied when inventory data submitted by Parties are incomplete and/or are calculated in a way that is not consistent with the IPCC 1996 Revised Guidelines as set out by any good practice agreed on by the COP. The group concluded its work on both documents, which will be submitted to SBSTA for its consideration.

NON-ANNEX I COMMUNICATIONS: Chair El Ghouth (Mauritania) informed delegates that a drafting group had been working on a draft text compiling proposals by the EU, the G-77/CHINA and others, and suggested that the contact group adjourn to allow the drafting group to continue its work.

IN THE CORRIDORS

The need for country-specific data related to LULUCF activities, including additional human-induced activities related to changes in GHG emissions and removals, continues to be a contentious issue. Some participants feel that hesitation on the part of some Annex I Parties to provide country-specific data stems from a reluctance to reveal the implications of Article 3.4 activities (such as agriculture and land-use change) on the amount of their overall emissions and their ability to meet their Protocol targets. Others are of the view that the more data available, the greater the prospects for informed decision-making about sinks. The concern is that this controversy could have an impact on the timing of a conclusive decision on LULUCF, and therefore the entry into force of the Protocol.

THINGS TO LOOK FOR TODAY

JWG: The JWG on compliance will meet at 3:00 pm.

CONTACT GROUPS: Contact groups will be held throughout the day. Consult the announcement board for details.

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1 November 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley 

Subject: COP-5 Update No. 8 (Monday, November 1, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25 to November 5, 1999. This report covers activities and discussions from November 1, 1999.

Also included with this report is a copy of ECO for October 30 which was located. This is a somewhat acerbic periodical published by a group of NGOs with supplemental funding by certain prominent European and U.S. environmental organizations. We are also submitting a copy of the NGO-published **Earth Negotiations Bulletin** which provides a useful accounting of some of the events.

A supplement to this update will be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

1 November 1999

COP-5 Update No. 8 (Nov 1): Bumps Along the Road as Subsidiary Bodies Strive to Bring Forth Recommendations for the COP: Momentum Slows**HIGHLIGHTS**

- Problems in Capacity Building, Sinks, and AIJ
- Bunkers Awaiting Saudi "input"
- Key Issue to the Timing of COP-6 Rests with Decision on Intersessional Work
- "Best Practices" and HFCs/PFCs Both Need Finalization, Too

DETAILS**The First Five Days were Productive. . . .**

The first five days of this conference proved remarkably "successful" from a process point of view: On issues of greatest importance to the U.S., the more than 160 delegations meeting at the Fifth Conference of the Parties to the UN Framework Convention on Climate Change managed to complete a reading of the complicated synthesis document on the mechanisms and produce a draft decision which authorizes a detailed way forward, including technical workshops and a split session for the next subsidiary body meetings to enable Parties to have additional negotiating time. Compliance has enjoyed a similarly good period of grace, despite Saudi efforts to thwart matters. Good discussions took place on sinks, bunkers, and AIJ, with an additional prospect that EU-advanced issues on HFCs and PFCs might be thwarted in ways positive for our interests.

. . . but Now the Other Shoe is Dropping

Unfortunately, some of good atmosphere clouded up over the weekend. We will not know until the late evening sessions on Nov 1 whether the compliance and mechanism work plans pass muster. If the mechanisms plan does, along with the anticipated schedule of accelerated work (including a split in the timing of the subsidiary body meetings), the U.S. will consider conceding, grudgingly, to the will of the majority of delegations with regard to the timing of COP-6 in November 2000. However, we have heard rumblings about G-77 dissatisfaction with these timing-related decisions, perhaps related to their unhappiness over the manner in which they are being stonewalled in capacity building. In this case, the issue of the way forward will have to taken up later in the week.

Capacity Building in a Quandary

Capacity building remains a difficult topic. Here the schism that was exacerbated over the weekend involves the question of whether there will be an actual decision on this topic taken at this meeting (as desired by the G-77/China) or only a decision on a framework which will lead to a decision at COP-6 (the Annex I viewpoint). The co-chairs are appointing a group of friends to try to sort out some kind of middle ground consisting of three individuals each from the G-77, the EU, JUSCANZ (U.S., Canada, and Japan), and one from the economies in transition.

Adverse Impacts Grinding On As Well: Saudi Complaints will Intensify

The discussion of adverse impacts (Convention articles 4.8 and 4.9) has also run into significant roadblocks. Today consideration was given to the idea of having two workshops – with two very different terms of reference – to address the adverse impacts of climate change on the one hand and the impacts of response measures. The Saudis are clearly not pleased with this development. Doubtlessly, they will try to forestall agreements on other key elements under discussion until they feel “satisfied” about what they define as progress in this group. This is unlikely to occur. Japan has introduced language into the co-chair's draft which acknowledges that Annex I Parties have taken some actions to address adverse impacts.

Outcomes on both Sinks and AIJ Also Problematic

Sinks and AIJ are also two issues where the relatively positive good will of the first five days dissipated over the weekend. On sinks, the G-77 has made it clear that it wants language that will not compel a decision at COP-6. We think otherwise. Two meetings were held on Nov 1, but one is on-going as this is written, so one will have to await additional word in Update No. 9. However, in our view, a SBSTA decision that merely suggests that this matter was discussed is clearly not acceptable.

Similarly, on AIJ, the G-77 wants to drop explicit references to crediting projects in some kind of conversion mechanism. We will have to ensure that we work with other concerned Parties to avoid a decision that forecloses this possibility from consideration. Tactics will be important. Clearly both of these decisions of great interest to NGOs and industry.

The Ministers are Coming, so the Fun Will Begin

In short, as we prepare to receive more ministers and high level personalities throughout the day, it appears that there will be much unfinished work during the high level session. Presumably contact groups will continue during the formal plenary sessions. At one point, however, ministers may become more directly involved. This issue was discussed as a possibility at an umbrella meeting with the COP President, Jan Szyszko, on November 1. The problem is finding the best and most constructive format for this intervention to take place. Stay tuned.

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

eco



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 COP5 in Bonn, October-November 1999.

Constructing the CDM

The CDM was envisaged as a mechanism to encourage sustainable development in developing countries while assisting to the global task of addressing climate change. This vision is now under threat. The CDM is at risk of becoming a further subsidy for unsustainable technologies – most notably nuclear, large hydro and clean coal. These technologies already receive the lion's share of investment and political support. They do not need the CDM, nor are they consistent with its goals. The CDM must be an instrument primarily for the promotion of renewable energy technologies such as solar, wind, sustainable biomass fuels and small hydro – technologies.

We NGOs call on the fifth conference of parties to agree that the following criteria are essential to a CDM that meets the objectives of Article 12.

The CDM must:

- prioritise renewable energy technologies: that means it must exclude nuclear power, large hydro, and clean coal technologies;

- defer decision on links until after full consideration of the IPCC special report expected in 2000;
- ensure that all projects are fully additional;
- set benchmark that represent the high end of the performance spectrum, not encourage business as usual;
- contribute to an adaptation fund;
- support development of host country capacity needed to implement, manage and maintain projects;
- give no automatic credit for AII projects;
- require projects to have local economic benefit;
- include stakeholder participation and life-cycle assessment;
- provide the Executive Board with a clear mandate and appropriate powers to govern the CDM;
- be consistent with the Biodiversity and Desertification conventions as well as other relevant UN Conventions covering the environment, development, human rights and International Labor Organisation agreements.



Winner of yesterday's Fossil of the Day award was Australia

Full Capacity

Once upon a time, in a small town called Buzau in the middle of Romania, somebody decided there should be an AII project with Switzerland for a CHP scheme. A long time after it had started, it was decided to hold a meeting of all the stakeholders in the project. Once they found themselves all sitting around a table, some strange things came to light. Firstly, the beneficiaries, who lived in the apartments being heated, had never heard of AII – but were glad to get warmer homes. Secondly, the utility companies involved had also never heard of AII, though they'd been implementing the project for two years. The municipal authority (who, believe it or not, hadn't heard of AII either) saw it as a straightforward grant from a richer country, and didn't realise there were environmental or other advantages involved. Finally, the Romanian Ministry of Environment became extremely angry with their Swiss counterpart, when they discovered that the contract – already signed – provided that both parties should contribute 50% of the funding, but Switzerland would receive 100% of the credit.

If only someone outside of the COP had been told what AII was! It's clear that we can't live without capacity building, and it's evident that if we are to build local capacity in time for the first CDM or JI projects, then this must begin now. By contrast, recent work conducted by local NGOs in the Philippines demonstrates how effective project implementation can be when initiated locally to convey relevant public messages. Consultation with academia, civil administration, students and local communities by local NGOs on the issue of climate change has led to understanding followed by informed response. Just as importantly, this kind of experience at the local level should inform decision-makers at the

—continued back page, col 1

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

—Full Capacity, from front page
national and international level. As we know, current emission reduction targets of 5% are inadequate, and reductions of around 70% are required to keep GHG concentrations at safe levels: we feel the first step towards adaptation is to make the public aware of what climate change is all about. Only this may empower local populations to participate in a meaningful way as to what to do to avert climate change. Right now the COP has its opportunity to move forward with the long overdue mobilisation of available funding for building the capacity of local NGOs in host countries. Public awareness raising is essential to the success of any projects that take place under any of the flexible mechanisms. CAN recommends that a capacity decision is taken at this COP so that action can start early. The decision should explicitly refer to:

- Public awareness raising on climate change prior to the initiation of project proposals;
- NGO involvement in all phases of projects, starting with the selection of the projects;
- Public debates with all local project stakeholders at all phases of project development;
- NGO involvement in monitoring and verification of projects;
- Dissemination of all relevant information to all relevant institutions;
- Environment assessment;
- Evaluation of baselines and additionality of the project.

Fossil of the Day

Nominations yesterday for worst input to the negotiations, went to current front-runners, US which has continued in its resistance to the submission of country-specific data for the LULUCF process and Saudi Arabia, for its ongoing attack on the process, this time attempting to undermine the already weak process of informal consultation group on aviation emissions by simply not turning up at meetings...

The winner however is a new contender: Australia, which receives the award today for seeking to stifle international scrutiny of its reported emissions from land clearing, which inflates its target under Article 3.7.

Erratum

by *Ching D Schip*

We would like to apologise for the fact that, owing to global economic forces beyond our control, yesterday's article on Hot Air failed to contain the byline indicating that it was written by Lashof and Jeff Fiedler of NRDC, and therefore it represented their views rather than an agreed CAN position.

You Sink So?

The discussion on Article 3.4, the mysterious "additional activities" clause of the Protocol, has stimulated a series of lively discussions in the extremely warm Hayden room, which continue this morning. (Maybe it's all the light bulbs overhead.) Despite the heat, few delegates fell asleep as they exchanged jabs into the late evening hours Thursday and again Friday morning. Brazil made the most astute observation of the session, that "Kyoto lands are only in Japan."

The contact group is charged with questions of the shape and timing of data submission and criteria for considering such data. They must also try to detail an aggressive schedule for the next year, in order to allow a decision by COP6. The group has also discussed the delivery, review and use of the IPCC LULUCF Special Report.

The discussion quickly fell upon the key issue of the submission of country-specific data. The US and Canada made it clear that it is against the submission of such data until criteria for the use of such data are established. The US knows full well that putting all the cards on the table will lay bare their motivations for pushing for the full spectrum of LUCF activities in Art. 3.4. At home, US CAN members have pressed the Administration on this point in recent months by showing that inclusion of incidental forest growth under 3.4 activities will deliver approxi-

mately 200 million tonnes of carbon credits and effectively erase the US Kyoto Target, turning a -7% into +5% emissions. The Administration hasn't denied such an outcome, instead saying that they know full well in Kyoto that 3.4 would result in some offsets.

G-77/China argued against submission of data above and beyond that which is specified in the 1996 reporting guidelines as already required under the Protocol. The US and Australia appeared to support this view, while the EU and AOSIS delivered the thoughtful suggestion that at least some additional country specific data is crucial to the decision making process, as the 1996 guidelines were not designed to implement the Protocol. (Additional details on Australia's behavior in the contact group can be found in Fossil of the Day.)

Furthering the case for country specific data was the plea by the IPCC earlier in the week for additional data in order to produce an effective and useful Special Report. The long awaited LUCF Special Report is the main object of desire for this group of delegates. And they had much to say about it. Now they wait and worry....

We worry too. Detailed country-specific data is clearly needed in time to inform a decision by COP6. Without such data, delegates may simply compound the mistakes made in Kyoto.

Atmospheric turbulence

Decisions over international aviation emissions within the informal consultation group on emissions from international transportation underwent turbulent developments over the last 48 hours. The start was a good one, given the constructive chairmanship of the Swiss Jose Romero and a motivated group of delegates. We all know it takes effort, perhaps courage, to work on this issue. Shame NGOs could not be there to witness this.

While the first draft could be qualified as "pointing into the right direction", the next one could almost have been produced by Saudi Arabia (who in fact "supported" the group through absenteeism). One of the most significant issues, allocation, was watered down to extinction between the two versions. Policies and measures were not even mentioned. The only positive detail was the provision for SBSTA representatives to participate in ICAO.

Afternoon coffee provided a little stimulus, as the EU pushed through a promising development: the latest edition of the draft COP-5 decision to be taken by contains both wording on:

1) SBSTA "continuing its work on [methodological] issues related to [reporting on/handling] emissions based on fuel sold to ships and aircraft"; and 2) ICAO "considering the findings of the IPCC Special Report as part of the work of ICAO on developing policy options to limit or reduce emissions from international aviation".

A good start! We would, however, recommend to the delegates to mention the good old-fashioned word "allocation" under 1) and the magic number "2001" under 2). Then we might even consider ourselves happy!

NGO PARTY
9.30pm, tonight
Insel Hotel
Bad Godesberg



Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

Vol. 12 No. 118 Published by the International Institute for Sustainable Development (IISD) Monday, 1 November 1999

FCCC COP-5 HIGHLIGHTS SATURDAY, 30 OCTOBER 1999

Delegates met in an afternoon session of the Joint Working Group (JWG) on compliance to continue consideration of procedures and mechanisms relating to compliance under the Kyoto Protocol. Contact groups met to consider: adverse effects; activities implemented jointly (AIJ); Annex I communications; capacity building; land use, land-use change and forestry (LULUCF); non-Annex I communications; and the Protocol mechanisms.

JOINT WORKING GROUP ON COMPLIANCE

Co-Chair Espen Rønneberg (Marshall Islands) said the JWG had to report on its progress to COP-5 and request the COP to take further steps including, if necessary, the establishment of an *ad hoc* working group on compliance. He said consultations had revealed that the JWG should continue its work until COP-6. He presented the Co-Chairs' draft conclusions, as well as a draft decision on the future work of the JWG.

The draft conclusions state that, *inter alia*: much work needs to be done and the JWG must move progressively toward negotiation; the Co-Chairs should further develop the elements of a compliance procedure, incorporating Parties' proposals; and this paper will receive Parties' full consideration at SB-12 and serve as a basis for negotiation. Several delegates said the draft conclusions provided a useful text to work on. SAUDI ARABIA, CHINA, the US, NIGERIA and BRAZIL said the paper developed by the Co-Chairs should be based on more sources of information. Delegates suggested that additional sources of information could be drawn from existing and further submissions by Parties, as well as discussions held during the session of the JWG and during a possible forthcoming workshop. CHINA, IRAN and SAUDI ARABIA, opposed by the EU and AUSTRALIA, suggested that the paper serve as a basis for "consideration" of compliance. NIGERIA added that nothing in the Buenos Aires Plan of Action (BAPA) required the JWG to finish its work by COP-6. The UK, opposed by the US, proposed that the paper serve as "the" basis for negotiations on compliance at the next session of the JWG.

The operative paragraphs of the draft decision on the future work of the JWG on compliance requires the JWG to "continue its work" beyond COP-5 and "complete its work" before COP-6. NEW ZEALAND, with AUSTRALIA, ARGENTINA, the US, the EU, BAHAMAS, CHILE and the FEDERATED STATES OF MICRONESIA, sought to retain the phrase "complete its work," as Parties had a responsibility to achieve the objectives of the BAPA and it would be difficult to justify a less ambitious goal. CHINA, NIGERIA and SAUDI ARABIA sought alternative language

supporting substantial progress by COP-6. A revised Co-Chairs' draft conclusions and decision based on Parties' suggestions will be available on Monday.

CONTACT GROUPS

AIJ: Chair de Boer (Netherlands) introduced draft conclusions on "learning by doing" and capacity building, geographic distribution, and additional project incentives. He reported contact with regional co-ordinators and invited Parties to commence a paragraph-by-paragraph reading of his draft decision. A preambular paragraph was amended to specify that AIJ under the pilot phase are undertaken within the FCCC framework. Two preambular paragraphs were merged after discussion on geographic distribution. The new paragraph acknowledges the importance of "learning by doing" under the pilot phase and of providing new AIJ opportunities to Parties that have not experienced them. On the paragraph on continuation of AIJ, the Chair noted Parties' interest in what will happen under the mechanisms. His draft compromise text, placed in brackets, records a decision by the Parties to conclude the review process and, without prejudice to future decisions regarding project eligibility, continue the AIJ pilot phase.

ADVERSE EFFECTS: Co-Chair Salamati (Iran) presented the Co-Chairs' draft decision on the implementation of FCCC Articles 4.8 and 4.9. He outlined the text's operative paragraphs, including: a process to address information gathering; the convening of two distinct workshops on the effects of climate change and response measures; examination of actions relating to funding, insurance and the transfer of technology; and a request to the subsidiary bodies to continue consideration of these Articles. Delegates discussed the preambular paragraphs and agreed to introduce a new paragraph "acknowledging the efforts already made by country Parties towards meeting the specific needs and concerns of developing country Parties, in particular least developing countries, with regard to adaptation." The Co-Chairs will present a clean preambular text on Monday.

ANNEX I COMMUNICATIONS: This joint contact group concluded its work and agreed to forward the following documents, as amended, to the relevant subsidiary bodies: SBI draft conclusions and a draft decision and annex on guidelines for the technical review of greenhouse gas (GHG) inventories from Annex I Parties; SBSTA draft conclusions and a draft decision; Part II of the guidelines on national communications; and FCCC reporting guidelines on global climate observing systems.

CAPACITY BUILDING: This contact group continued consideration of the Co-Chairs' proposal for a draft decision on capacity building. The group worked through the operative paragraphs and discussed, *inter alia*: how financial and technical capacity building should be provided; whether to have a comprehensive assessment of capacity building activities to determine

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Monday, 1 November 1999

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their effectiveness, gaps and weaknesses; and whether to elaborate on activities to support national capacity-building activities for FCCC implementation or on the particulars for a comprehensive assessment. They bracketed a number of paragraphs and agreed to reconvene in a Friends of the Chairs' meeting on Monday to draft the proposal for a decision.

LULUCF: Co-Chairs Thorgerisson (Iceland) and Owage (Uganda) informed the group of a draft decision they had prepared on LULUCF-related methodological issues, including aspects relating to submissions by Parties on: definitions and activities on Protocol Article 3.3 (not changes in emissions and removals); a list of activities that each individual Party is seeking to include under Article 3.4 (additional human-induced activities relating to changes in emissions and removals); views on possible modalities, rules and guidelines on additional activities under Protocol Article 3.4; and a request for the Secretariat to compile a list of guiding principles and criteria for the identification and selection of additional activities under Article 3.4. The G-77/CHINA said it had prepared a draft decision covering similar aspects and including others such as guidance on the scope of the workshop on the IPCC Special Report. Many delegations noted similarities between the two texts, and agreed to follow the sequencing of paragraphs in the G-77/CHINA proposal as a basis for discussions. The group read through the text and established a drafting group to work on it. Differing views focused on, *inter alia*: the sequence of activities in the lead-up to SBSTA-12 and how they interrelate; presentation and transmission of the IPCC Special Report to SBSTA-12; timing for submissions and consideration of criteria and guiding principles for data on additional activities; timing for submissions and proposals for definitions on activities under Article 3.3; and timing for and types of country-specific data. The contact group reconvened to consider progress made by the drafting group, working late into the night.

MECHANISMS: Delegates considered the project cycle of the CDM. The G-77/CHINA stressed the need to address the CDM's driving force, nature and scope. AUSTRALIA said the CDM should be largely private sector driven. He added that investors needed to know that credits will be forthcoming.

Several Parties agreed that the host country is the best judge of its sustainable development needs. NORWAY inquired about the role of operational entities in the validation and pre-registration of project proposals, noting that the Executive Board may not be able to carry out this task.

SOUTH AFRICA, the SUDAN, BOLIVIA, MEXICO and MAURITANIA suggested that the CDM include the concept of emissions avoidance. BOLIVIA proposed including forest protection initiatives under emissions avoidance. MEXICO said he looked forward to using the CDM to supplement national efforts to shift from slash-and-burn techniques, which are responsible for loss of forest cover, to sustainable technologies that would have a positive impact on climate change. MAURITANIA objected to the inclusion of forest protection within the CDM, as Parties would seek to protect their forests regardless of its inclusion. IRAN said the CDM should include projects related to both sinks and sources. On the issue of baselines for emissions avoidance projects, NEW ZEALAND suggested that, to minimize transaction costs, the commercial contract-bidding process should be used to identify the baseline. The EU said the baselines should be determined on a project-by-project basis.

SWITZERLAND said that in considering the types of projects that are eligible, possible negative spillover effects into other multi-lateral domains should be taken into consideration. MOROCCO stressed the need to certify that reduced or avoided emissions are real, measurable and contribute to sustainable development in the

host country. With SWITZERLAND, she said CDM projects should be subjected to rigorous impact assessment studies that take into account the socio-economic aspects of the host country.

On the financing of CDM projects, Chair Chow (Malaysia) queried whether the funding will be bilateral, multilateral or unilateral; if ODA and the FCCC's financial mechanisms could fund CDM activities; or if CDM funds will be managed by the Executive Board, so as to ensure equitable distribution. MAURITANIA asked how transparency of and accountability for the investment will be ensured.

On unilateral funding of CDM projects, JAPAN asked whether unilaterally-funded projects were consistent with the concept of CDM. The REPUBLIC OF KOREA said unilateral funding for CDM would provide incentives for non-Annex I Parties to implement measures to reduce GHGs. COLOMBIA highlighted the potential of indigenous private sector projects. He said that as long as CDM projects demonstrate additionality and lead to real and measurable long-term reductions, there should be flexibility in financing the projects. On unilateral CDM, NEW ZEALAND noted that additionality would require careful judgment.

Regarding the use of ODA and GBF funds, the EU said CDM funding should not compete with these sources but that we would be open to discussion of all options as long as conditions for validation and certification are met. The G-77/CHINA emphasized that CDM funding should be over and above ODA, GBF and other financial commitments. JAPAN said there were no provisions requiring financial additionality and none that preclude the use of ODA as a source of funding. He said the CDM should be mainly funded by the private sector. The G-77/CHINA said funding additionality flows from the fact that the purpose of the CDM is to assist Annex I Parties in attaining their commitments.

NON-ANNEX I COMMUNICATIONS: Chair El Ghaouth (Mauritania) suggested that work on a draft decision on matters related to the consideration of non-Annex I communications continue in the drafting group. The G-77/CHINA said it was clear from the agreement at COP-4 that second national communications would be funded without further guidelines. El Ghaouth said the costs related to this draft decision would be met by extra budgetary sources. He added that SBI would consider on Monday the decision currently being discussed in the drafting group, the issue of the contingency budget for non-Annex I communications, and a decision on the compilation and synthesis of initial communications.

IN THE CORRIDORS

A draft decision being prepared by developing countries has stirred some concern in the corridors. The draft proposal would limit the decision on capacity building to climate change considerations. Supporters of an all-encompassing approach to capacity building argue that their approach would be cost effective and more consistent with the associated benefits of sustainable development. However, those in support of focusing capacity building on climate change stress that it must follow the mandate of the FCCC if the limited pot of funding is to be used effectively and produce tangible results. They say decisions on comprehensive capacity building must await a maturing of linkages across Convention institutions.

THINGS TO LOOK FOR TODAY

SBSTA: SBSTA is scheduled to meet at 10:00 am.

SBI: SBI is scheduled to meet at 4:00 pm.

JWG: The JWG on compliance is expected to meet at 8:00 pm. Consult the announcement board for further details.



United States Delegation
Conference of Parties (5th)
United Nations Framework
Convention on Climate Change

Bonn, Germany

FAX COVER SHEET

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Number of pages, including cover sheet:

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2 Nov 1999

Subject: _____

Message

COR 5 Supplement to
Update No. 8 (for Nov 1)

2 November 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley *W*

Subject: Supplement to COP-5 Update No. 8 (Nov 1, 1999)

This message conveys summaries of various meetings and side-events prepared by USDEL participants at the the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This message should be read in conjunction with our regular COP-5 Update No. 8 for Monday, November 1, 1999.

The following reports are included:

- (a) A summary of the status of the discussions on compliance as of Friday, October 29 prepared by EPA's Jennifer Macedonia;
- (b) Notes from the SBSTA's Nov 1 Session prepared by DOE's Kate English;
- (c) Notes on the Nov 1 meeting on capacity building prepared by USAID's Ko Barrett;
- (d) Additional notes on the Nov 1 SBSTA plenary prepared by DOD's Holly Kaufman
- (e) Notes on U.S. Country Studies Activities at Bonn prepared by USCSP's Director Jack Fitzgerald; and
- (f) The November 1st issue of the NGO rag, ECO,

A-1

11/1/99 NOTES ON COMPLIANCE

Notetaker: Jennifer Macedonia

6-7 Joint Working Group on Compliance

- Distributed Co-chair's (Co-chairs: Espen/Dovland) draft decision which calls for:
 - Intensified effort;
 - 1/31/99 submissions by Parties;
 - Co-Chair's workshop in March 2000;
 - Mandate for Co-Chairs to produce negotiating text for negotiating at forthcoming mtgs;
 - ...to enable COP to adopt a decision at COP6.
- All Parties except OPEC supported use of Co-Chair's draft for discussion.
 - Spoke up from G77: Samoa, S.Africa, Argentina, Micronesia.
- Next meeting bumped compliance out of Plenary 1, so Chair (Espen) called for Informal Consultations. Saudi objected (small delegation, many meetings) but Espen pushed forward.

7-9:40 Chair's Informal Consultations on Compliance

OPEC vs. the World

- OPEC objected to text throughout Co-Chair's draft decision.

On Conclusions:

- Para (a) - Replace "negotiation" with "implementation of Decision 8/CP4".
- Para © - Bracket entire para on March 2000 workshop (even though already agreed in earlier decision).
- Para (d) - Replacement proposed by United Arab Emirates (UAE) to weaken call for negotiating text ("...will contribute to further elaboration...with a view to adopting decision at COP6").

On Draft Decision:

- Para 2 - Three separate alternatives proposed by Saudi, Kuwait, & UAE to weaken text on "the purpose of completing its work and fulfilling its mandate" and "to enable" COP to adopt COP6 decision.
- In addition to Annex I, the following G77 members spoke up in support of Chair's draft and questioned Saudi's statements as going backwards, not reflecting work that has been done as well as previous agreements, and not making sense: Samoa, Chile, Gambia, China, S. Africa, Argentina, Peru, Micronesia.

A-2

- In response to OPEC's objection to the final para 2 of the chair's draft decision, US (with widespread support) requested bracketing the existing text in its entirety and placing the 3 bracketed alternatives (Saudi, Kuwait, UAE) in separate paragraphs – both for readability and to reflect the substantial convergence of the group.
 - Saudi objected to this approach, insisting that his alternative must be reflected as bracketing within the existing text "since my text is essentially your text". The group pushed back and supported the Chair's authority to present the text in the way he felt most appropriate and reflective of the sense of the meeting.

Other Parties' Issues

- Key US issue: UK and US pushed to change "could serve as basis for negotiation" to "will serve as basis for negotiation" in para (d) of conclusions.
 - Supportive: Samoa, Gambia (helpful in suggesting sentence could stand with out either "could" or "will"; which would imply our emphasis).
 - China wants "could".
- Australia requested a bracketed addition throughout the document "[procedures [, processes] and mechanisms]" to indicate that the envisioned compliance system is comprehensive and includes more than just procedures and mechanisms (e.g., Art 8 and 16 - multilateral consultative process).
 - Supported by UK, New Zealand, US.
 - China & Chile agreed with comprehensive compliance system including MCP, but preferred "procedures and mechanisms" text from previous decisions.
 - UK went a step further and requested same change in the title of the document or an alternative title: "Compliance"; invoked Chair to point out that the title is based upon the agreed agenda item and previous decisions (Chair will consult on ability to change).
- UK pushed for addition of a new paragraph (formerly para (e) in previous draft) in order to give message to COP for priority on compliance -- requesting a sufficient number of meetings prior to COP6 to complete its work on schedule.
 - China, S. Africa, Saudi opposed.
 - Argentina, Chile, Japan, Switz supported.
- Kuwait suggested addition to workshop paragraph "open to all Parties and observers".
 - Many supported; US requested Chair find standard language previously used which allows the valuable input from observers but is more narrow than ALL.
- Espen concluded meeting and requested that Parties meet with others informally to try to find a way forward and to watch the board for further meetings with Chair.

B-1

Notes from SBSTA
November 1, 1999 – 7:30 p.m. Session
Kate English

SBSTA Chair Harold Dovlin (Norway) called the session to order at 7:30 p.m. to discuss three documents:

- a) CRP.7 – Development and Transfer of Technologies
- b) CRP.5 – The relationship between efforts to protect the stratospheric ozone layer and efforts to safeguard the global climate system; and
- c) CRP.8 – Methodological Issues: Land-Use, Land-Use Change and Forestry (LULUCF).

The Chair announced two remaining issues for SBSTA to be taken up at the next session:

- a) emissions from fuel-used for international transportation; and
- b) "best practices" in policies and measures.

HIGHLIGHTS:

- CRP.7 was adopted without objections.
- CRP.5 was adopted without objections.
- CRP.8 has one outstanding issue – brackets remain around paragraph 3 – decision to recommend a draft decisions for adoption at COP5. All other paragraphs were adopted without objection.

The following points were raised by specific groups/Parties:

- Technical corrections were made to the draft text.
- Brazil for G77/C offered to remove the brackets in the preamble recalling decisions of past COPs.
- Switzerland requested the inclusion of the word "national" in the phrase "formats for the submissions of historical national data" in paragraph 10.
- Australia then offered its substitute language for paragraph 3, incorporating concerns raised at the contact group meeting following last week's SBSTA session. This morning Australia circulated a draft which called for the conference of the Parties to decide to "endorse a work program and elements of a decisions making framework to address the conclusions" on LULUCF made by SBSTA-11; and a recommendation for "initial draft decisions relating to 9/CP.4 paragraphs 3 and 4, recognising that further relevant decisions may be required by subsequent" COPs.
- The U.S., Finland and Canada spoke in support of the Australia language.

B-6

- Japan spoke in opposition, expressing their concern that the decision was quite an important one to Japan and that, while they understood the time constraint to finish this issue this evening, they needed time to consider the new language.
- The U.S. and others offered to work with Japan.
- While the Chair preferred to finish this issue this evening, the decision was to defer until the next SBSTA meeting on Wednesday or Thursday, requesting consultations to begin immediately and encouraging parties to stick to the proposal which is so close to consensus.

C

Capacity Building

A draft decision on capacity building was agreed upon in the first Friends of the Chair meeting, held on Monday, November 1, and attended by the US, Canada, Japan, Finland, UK, Germany and Poland. The contentious issue of whether to reach a substantive decision on capacity building here at COP-5, or to agree here to undertake an assessment so as to take a comprehensive decision at COP-6, was resolved in favor of the latter. This outcome supported US goals to review needs of developing countries and countries with economies in transition, assess the effectiveness of existing efforts, and develop elements of a draft framework for capacity building activities for the consideration of the subsidiary bodies at their twelfth session.

The issue of capacity building for countries with economies in transition was handled creatively through a proposal by the Canadians to separate a decision on their activities out from those on developing countries.

The draft decision will be taken up in the joint meeting of SBSTA/SBI.

Note: the decision to take up the assessment at the twelfth session was made under the assumption of a regular schedule of inter-sessional meetings. The US may want to reconsider this wording in the draft decision if more than one subsidiary body session is agreed to between COP-5 and COP-6.

Notes from SBSTA Plenary
November 4, 1999
Prepared by Holly Kaufman, DoD

Summary: Purpose of meeting was to adopt draft SBSTA conclusions and COP-5 decisions prepared last week. Went smoothly except for Bunker Fuels (FCCC/SBSTA/1999/CRP.5). As expected the Saudi's, speaking for the G-77 and China, said that they had not been able to attend the 3 informal consultations on bunkers, and therefore needed more time to review the draft texts. The Chair masterfully cut the SBSTA meeting short to give the "77" some time today, prior to the informal he scheduled for this afternoon. Peru supported the Chair's suggestion. The draft report on SBSTA 11 will be available this afternoon.

Annex 1 National Communications (FCCC/SBSTA/1999/CRP.4)

China raised 2 issues on the UNFCCC reporting guidelines. They wanted the section on technology transfer (section VIII, paragraphs 54 and 55) to say that Parties should not only collect information on private sector activities to meet Convention Articles 4.3, 4.4 and 4.5, but that Parties should also describe how they encourage such activities. China also wanted language that would call for Parties to report on technology transfer failures instead of successes. The US and Canada objected, with support from Finland on the US's proposed fix. The Chair suggested other language that all agreed to. It requires Parties to report to the extent feasible on both successes and failures in tech transfer, and on how Parties encourage private sector tech transfer and how such activities help meet commitments.

The Russian Federation had a problem with the guidelines on projections (para 35), suggesting that F-gas projections only be required "where possible." The US disagreed, and Russia accepted Poland's note that the document already contained a provision for technical assistance.

SBSTA adopted the draft conclusions and decision, which will go next to SBI and the COP. (The COP President will have a minor technical amendment to the inventory guidelines.)

Other Agenda Items

SBSTA adopted conclusions and decisions on **Technology Transfer Consultative Process** (FCCC/SBSTA/1999/CRP.2), and conclusions on **Coastal Adaptation Technologies** (FCCC/SBSTA/1999/L.21) and **Other Matters** (OECD "Climate Indicators for Development Assistance" (L.18). SBSTA also adopted both conclusions and the decision on **GCOS** (CRP.3 -- with Kiribati's reminder that wherever the text says "regional" that the word "subregional" will also be inserted.)

SBSTA adopted draft conclusions on **Single Projects** (CRP.5), **Assessment Methods** (L.12), **Articles 5, 7, & 8** (L.14), **Cooperation with Relevant Scientific Organizations** (L.15), **other UN Bodies** (L.19), and **other Conventions** (L.20), and **Roster of Experts** (L.16).

On the **Brazil proposal** (L.13), China said the FCCC had no provision for global burden sharing and that the issue should go to SBI. India concurred. Australia and the Chair presented edits which resulted in text that notes the need for further scientific analysis without mentioning work on burden sharing. With that, SBSTA adopted the conclusions.

U.S. Country Studies
Activities

E

Jack Fitzgerald, Director of both the U.S. Country Studies Program (USCSP) and the U.S. Initiative on Joint Implementation (USIJI), attended COP-5 from October 25 through October 30. During this time he attended eight side events on behalf of the USDEL and made a presentation on behalf of the USG at the "UNFCCC reporting guidelines on annual inventories by Annex 1 Parties." Fitzgerald consulted broadly with developing and transition country participants in the USCSP and USIJI regarding their needs for capacity building without making any promises of assistance. Fitzgerald also distributed extensive materials on the results of the programs to date including two major new reports.

CLIMATE NEGOTIATIONS BONN OCTOBER-NOVEMBER '99 NGO NEWSLETTER

eco



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 COPS in Bonn, October-November 1999.

Yes, Minister!

This week ministers arrive in Bonn: they can, if they choose, add momentum to the negotiation process. NGOs of the Climate Action Network, attending the talks believe that there are key steps that Ministers need to take if they are to do this. The Climate Action Network represents nearly 300 citizens groups from all continents, with more than 10 million members. Ministers would do well to listen to the voice of citizens they represent.

Their overarching duty must be, firstly to set the Rio-10 Summit in 2002 as the deadline for the entry into force of the Kyoto Protocol. This is essential so that countries have enough time to meet their reduction commit-

ments. Secondly, they must make COP6 in the year 2000 the final date for the adoption of the implementation rules for the Kyoto Protocol. This deadline was set in Buenos Aires and must not be delayed if the ratification process is to stay on track. Mere speeches will not be enough to achieve these objectives: ministers need to adopt a resolution embodying these two dates.

If the protocol is to be effective enough to be worth ratification, however, its rules must close loopholes, produce real greenhouse gas reductions and advance sustainable development. Ministers must give clear instructions to their negotiators, and publicly commit their

governments. The achievement of this goal requires the following elements:

- The substantial majority of Annex B greenhouse gas targets must be met by action at home.
- The domestic processes for ratifying and implementing the Kyoto Protocol must be initiated as a matter of urgency.
- The Clean Development Mechanism must be established from the start as environmentally effective and socially equitable. To start with, this means renewable energy must be prioritized. In turn, nuclear power, coal and large hydro do not meet these criteria and cannot be included.
- There must be rules to ensure that Joint Implementation projects, equally, are environmentally effective: JI, likewise, must exclude nuclear power, coal, and large hydro and prioritize renewable energy and energy efficiency.
- "Additional" sink activities under Article 3.4 must be excluded from the first commitment period, as these have the potential to allow countries to massively increase their emissions.
- "Borrowing" of assigned amounts from any future commitment periods would undermine the credibility of the Compliance regime, and must be excluded.
- New and additional funds must be allocated, so that particularly vulnerable developing countries are able to adapt to the potentially devastating impacts of climate change.

Science was the original impetus behind the Convention and Protocol process. Ministers must make sure that politics does justice to the scientific imperative, and ensure that COP5 de-

—continued over, col. 1



Gentlemen, do you think we ought to begin to consider the problem of global warming?

ISSUE NO 6

VOLUME CII

FREE OF CHARGE

CLIMATE NEGOTIATIONS BONN OCTOBER NOVEMBER '99 NGO NEWSLETTER

Stop All This Silliness

As discussions for the Protocol's compliance system roll merrily along, some Parties seem more concerned about postponing the day of reckoning than engaging in serious debate. Some of this delay could be deadly serious, and some is simply silly. First, the silly. In Saturday's final "substantive" session of the joint working group on compliance (JWG), the Saudis – aided and abetted by Nigeria – conveniently discovered that they no longer possessed the skill of reading English, though in previous sessions they had seemed to be proficient enough.

When the Co-Chair asked if delegates would proceed with a first reading of the texts, the Saudis complained that it was unreasonable to expect them to do so due to the fact they were written in English. Despite repeated assurances that the reading would merely serve as a discussion of first impressions and not as a final agreement, the Saudis were adamant. And so it went on and on, back and forth. It is obvious that the Saudis and friends are trying their hardest to, in effect, turn back the COP4 decision.

CAN respectfully submits to the Saudis that they reread the COP4 decision which was unambiguous: The Conference of the Parties will take a final decision on adopting the rules for imple-

mending the Kyoto Protocol at COP6. The Action Plan was based on the understanding that the rules are essential to completing the Kyoto Protocol. The COP5 decision must decisively instruct the JWG to start negotiating at SBSTA/SBI 11 and deliver a decision at COP6.

Now onto the deadly serious...

On another troubling front in the compliance group, the US continues to claim that the dinosaur idea of "borrowing" is the best compliance tool available for dealing with excess emissions they might have at the close of the commitment period. Doesn't it cross their minds that "fixing" excesses from one period by borrowing from the next (and presumably the next and the next) just might be the biggest loophole that anyone has been able to dream up yet for the Protocol? Though we hate to admit it, CAN suspects that the answer is... yes. However, with a view towards demonstrating our well-known graciousness, we call on the US to clear up this confusion and declare unambiguously that they support creation of a compliance system that will effectively enhance implementation, deter non-compliance, and never create an incentive for delay. Because borrowing cannot possibly play any constructive role in such a system, all honest

Parties should state immediately and without qualification that they reject it and will not lend it any further consideration.

CAN provides a template for the JWG decision:

Acknowledging that the JWG has made significant progress towards developing a compliance system, fatigued by the continual attempts of many Parties to evade their responsibilities, and concerned that all of this silliness could have deadly implications, CAN has the following simple requests:

1. *Please, Saudi Arabia, Nigeria and friends, stop trying to hijack the agenda of the JWG with your repeated delaying tactics. Climate change is not going away, no matter how clever your parliamentary games are;*

2. *Please, US, drop the borrowing idea once and for all. A paper commitment that pays for itself by borrowing from our children's and grandchildren's well-being is not a serious response to non-compliance or to climate change;*

3. *Please, JWG, commit now to finishing your job in time for COP6. The sooner you complete your mandate, the sooner we may have a credible Protocol. Which will make us all breathe easier.*

Minister from front page
cides to carry out the Third Review of the Adequacy of Commitments at COP7, based upon the IPCC's Third Assessment Report.

Let us not forget that, as it stands, the gap between current commitments and the requirements implicit in the IPCC scenarios is enormous. To avoid the consequent impacts, this gap must be narrowed. This requires a greater sense of urgency than has been shown so far. The pace needs to be quickened. Action must begin now.

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Ludwig

Lost in translation dept. Following last night's delightful concert by the United World Youth Orchestra (surely an prime example of intra-UN capacity-building), Ludwig naturally headed straight for the trough. He found a long line, as quite a few, obviously well versed in reception tactics, had left before the final encore in order to get to the food first. In any case, what intrigued Ludwig was the menu. He decided not to partake of any "Winemakers balls", as, in deference to his hosts, he had no desire at all to contribute to the emasculation of German viticulture.

Later on he encountered a mole from the Maritim who informed him that the COP's paper tonnes are being photocopied on chlorine-bleached, non-recycled paper, on the somewhat dubious ground that recycled paper "leaves dust in the copiers". Ludwig would like to inform the powers-that-be that not only is recycled paper these days good enough to print magazines, but if it happens, by some chance, that the paper used for draft 486 of Document 341b appears on a paper that is slightly less than white, the numbers, even of ministers, who'll refuse to read it as a result, are not statistically significant.



Holy See delegate discovers FCCO website's 'hidden' section

THANKS

The Climate Action Network would like to thank the World Wildlife Fund, Greenpeace International, the National Environmental Trust, Environmental Defense Fund, the Glastonbury Festival, the Swedish NGO Secretariat for Acid Rain and Union of Concerned Scientists for financial assistance. With resources contributed by German Forum for Environment and Development, APC Networks and Apple Computer.

URGENT



United States Delegation
Conference of Parties (5th)
United Nations Framework
Convention on Climate Change

Bonn, Germany

FAX COVER SHEET

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Number of pages, including cover sheet

Date: Tues, 2 Nov 1995

Subject: _____

Message

Subject: COP-5: Update No 8 for
November 2 (Tuesday)

- ① Please pass to the attached
- ② Check with Lilly to determine if
the got the copy for Ben Brink

Thanks

Updated on
10/27/99

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from COP-3
Bonn, Germany
October 25 thru November 7, 1999

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2 November 1999

To: Please See Attached List of Addressees

From: USDEL-COP-5/Bonn: Mark G. Hambley

Subject: COP-5 Update No. 9 (Mon/Tues, Nov 1-2, 1999)

The following transmits one of a series of informal and unofficial periodic reports on developments at the Fifth Conference of the Parties (COP-5) to the UN Framework Convention on Climate Change (UNFCCC) which is being held in Bonn, Germany, from October 25-to November 5, 1999. This report covers activities and discussions from the evening of Nov 1 to mid-day on Nov 2, 1999.

Also included with this report is the latest available copy of the NGO-published **Earth Negotiations Bulletin** which provides a useful accounting of some of the events. A supplement to this update will be issued which includes more detailed reports on various meetings, side-events, and contact group gatherings which are being prepared by various USDEL members.

Although unclassified, this report is not intended for use or distribution outside the U.S. government.

2 November 1999

COP-5 Update No. 9 (Nov 1-2, 1999): Saudi Attempts to Block Expanded Intersessional Calendar Thwarted, but Their Efforts to Stall Progress Persist**HIGHLIGHTS**

- Ministerial Set to Begin Amid Growing Saudi Isolation
- Saudi Arabia Thwarted as SBI Approves Dates for COP-6 and Expanded Calendar
- Mechanisms, Compliance, Policies and Measures, and Bunkers Among Issues Facing Saudi Obstruction
- Sinks Kaffuffle with Japan resolved; Now waiting on Brazil (No Saudi involvement)
- Problematic Decision Pending on AUJ

DETAILS**Ministerial Set to Begin Amid Growing Saudi Isolation**

With the High Level Portion of the Fifth Conference of the Parties (COP-5) set to begin on Tuesday afternoon (Nov 2), Saudi Arabia -- as anticipated -- has tried to use the rules of procedure to block progress on a wide range of core convention and protocol issues. On occasion, the Saudis are aided in their efforts by their key OPEC allies (principally, Iran, Nigeria, Venezuela, and Kuwait and by other largely Arab allies). However, it is quite clear that this obstructionism is organized and led by the Saudi chief delegate, Muhammad Al-Sabban, operating under strict instructions from Riyadh.

Saudi Arabia Thwarted as SBI Approves Dates for COP-6 and Expanded Calendar

In a particularly raucous night session of the Subsidiary Body on Implementation (SBI) on Nov 1, Saudi Arabia attempted to block approval of a decision recommended by a contact group which establishes a split meeting for the next sessions of the SBSTA and SBI. This move is designed to increase the amount of time available for negotiators to discuss text. The subsidiary bodies will now be held for one week in June, with a second week in September.

The debate on this issue was fast and furious, with China and India at one point also joining the Saudis in calling for retention of the current two week schedule. The U.S. (Miorke) warned the plenary that we considered this intersessional work as part of a package related to the timing of COP-6 that had earlier been approved for November 13-24, 2000 in The Hague.

The SBI Chair (John Ashe of Antigua/Barbuda) exercised "Estrada-like" force of personality by declaring that the consensus of the room was in favor of the revised date and expanded intersessional activity. He said he would so report this to the plenary, with the specific mention that one country (Saudi Arabia) objected. He gaveled this decision through with no country joining Saudi Arabia in opposition.

Comment: Ashe's handling of this episode was impressive. It is likely that when the COP-5 plenary is asked to endorse this decision that the Saudis will be joined by other countries (mostly OPEC and small Arab states) in noting, for the record, their disagreement with the decision. This would follow the pattern taken at COP-2 in July 1996 when the Saudis expressed similar reservations over the Geneva Declaration. **End Comment.**

Mechanisms, Compliance, Policies and Measures, and Bunkers Among Issues Facing Saudi Obstruction

Saudi Arabia and its allies have managed to slow down progress in other areas, however. Some of those we believe we can resolve (such as the work on mechanisms). Others may possibly have to be brought to plenary (compliance), although it is quite clearly the preference of the co-chairs of the subsidiary bodies to resolve all matters at the remaining sessions of the SBSTA and the SBI (plus the joint SBI/SBSTA meeting on Wednesday). They clearly want to minimize ministerial involvement.

Status of Key SBSTA/SBI Issues

The key SBI and SBSTA issues are all now in the final stages of negotiation. Details will be found in the supplemental reporting, with additional details provided in the (almost) daily **Earth Negotiations Bulletin**, a copy of the latest edition of which is attached to this report. Here are few snippets of note:

Joint SBI/SBSTA Working Group on Compliance: As noted in earlier reporting, this group has done very well until the Saudis finally put the kabbosh on moving forward with the proposed decision outlining preparation of a negotiating text and a work plan. China has now joined Saudi Arabia in supporting wording which would have the group begin negotiating after the next set of SBSTA/SBI subsidiary body meetings (presumably in June and not in September). The U.S., the EU, most of the Umbrella group, South Africa and AOSIS are among those opposing this formulation. Japan apparently favors the plan because they possibly see an advantage to a shorter period of negotiating time which might favor their support for less binding consequences than either the U.S. or the EU are promoting.

6

Joint SBI/SBSTA Session on Capacity Building: A draft decision on this topic was approved on Nov 1, largely because of the absence of the Philippines delegate, Bernaditas de Muller, who reported had to return to her new (but still unconfirmed) posting in Paris. One small paragraph needs to be completed regarding the role of the Global Environment Facility (the GEF). However, co-chair Daniel Reifsnyder does not believe this will be a problem.

Joint SBI/SBSTA Session on the Mechanisms: It has been 'touch and go' with the proposed decision on mechanisms which provides for a January 31 drop date for final technical submissions and for technical workshops. We had liked this draft, but the Saudis had posed strong objections. During one of Chairman Chow Kok Kee's exploratory discussions on Monday night, the Saudis objected to his exercise as a "waste of time." Other delegates did not find this to be the case, so Chow completed the session.

The G-77/China introduced a new proposed text on Nov 1 that would have walked us back several miles from the current text. However, because of an internal wrangle within the persistently fractious G-77/China group, they walked this proposal back. On Nov 2 consensus (without the Saudis) on the draft text was again approved and sent forward to the joint SBI/SBSTA plenary that will meet on Wednesday night (November 3). The Saudis are again anticipated to object, but their protest will not carry much weight unless they garner public support from one or more G-77/China heavyweights (China, India, or Brazil, for example).

Joint SBI/SBSTA Session: Article 4.8/4.9: The co-chairs are trying to hammer out a text on a work plan for one or maybe two workshops reflecting the two areas covered by this topic: impacts of climate change on developing countries and the impacts of response measures (compensation).

Joint SBI/SBSTA Session on Activities Implemented Jointly (AIJ): The chair of the contact group (The Dutchman, Yvo de Beur) gaveled through a proposed decision with one paragraph authorizing consideration of a crediting mechanism in brackets. We protested this decision, with Yvo claiming he did not see our flag. Yvo told the coordinating group of chairs and co-chairs that he wants this text approved either without brackets or with the paragraph to be deleted. We are looking at our options.

SBI: Timing of COP-6: As indicated, a decision was taken on Nov 1 at the SBI meeting to recommend the November 13-24, 2000 dates for COP-6 in The Hague. The SBSTA/SBI-12 sessions will be split into two, one week segments in June and September.

SBI: Annex I and non-Annex I Communications: We are pleased with the text on both of these topics. China attempted to reopen part of the proposed decision on non-Annex I communications, but the chair of the contact group, Mauretania's Mahmud Al-Ghaouth, noted that consensus had already been achieved. China withdrew its objection.

SBSTA National Systems (Article 5 – methodology; Article 7 – communications of information; & Article 8 – review of information: As reported, satisfactory conclusions on these topics have been approved by the SBSTA.

SBSTA: Cooperation with Scientific Institutions: As was reported in Update No. 3, this issue was dealt with on Oct 26. The chair will draft conclusions for presentation at a future SBSTA plenary.

SBSTA: Policies and Measures: The Saudis are continuing to press the French to include discussion of Protocol Article 2.3 and Convention Articles 4.8/4.9 into the agenda for the workshop on policies and measures which will be held in Copenhagen next April (but only if an agenda is approved at this meeting). Both the EU and the umbrella group members present objected. However, we believe that the French are sufficiently eager to hold this workshop that they may try to arrange a compromise. For obvious reasons, we are not eager to concede this point.

SBSTA: Bunker Fuels: An agreed text between the EU and the umbrella group was blocked by Saudi Arabia on November 1. The Saudis indicated that they are representing the G-77/China in this contact group (although they only showed up on this one occasion) which is chaired by the Swiss (Jose Romero). The G-77/China is preparing an alternative text. The chair will see if he can put together a reasonable composite draft acceptable to all sides..

SBSTA: HFCs and PFCs: This item was resolved to the great satisfaction of U.S. industry on Nov 1. Industry reps told us that, despite their pleasure at this result, they will not vocalize it publicly, for fear it will further encourage Finland, Switzerland, and other EU proponents to introduce new measures at the next Montreal Process conference which will be held in Beijing.

SBSTA: LULUCF: With agreement on a good sinks decision almost in hand late on Nov 1 (the EU, Brazil and most of the umbrella were on board), a final decision was aborted when Japan asked for additional consultations. They suggested privately that they had not been consulted on a new Australian draft and insisted that the decision had to reflect more of a final decision on this issue at COP-6 than is contained in the proposed language. After considerable hand-holding and persuasive discussion (orchestrated by Climate Coordinator Dan Bodansky and USDA's Margot Anderson among others on the sinks team), the umbrella group finally came up with a compromise formulation which is apparently acceptable to the EU. Now, the question remains whether Brazil can be brought on board.

SBSTA: Iceland's Single Project Issue: As reported, this issue was finally resolved on October 30 when Canada agreed that Iceland has provided a "comprehensive response" to the request for information as opposed to the draft decision's assertion that the response was "adequate." The matter has now been carried over to COP-6 where a final decision is expected.

SBSTA: Technology Transfer: A very good decision has emerged from the contact group on this topic. It spells out agreement on a schedule of activity, and authorizes the chair to prepare a text for decision at COP-6.

SBSTA: Import/Export of Wood Products: Quite a bone of contention between Japan and New Zealand, I have not the foggiest notion about what the issues are, other than to note that a decision was agreed which was apparently satisfactory to all of the Parties involved in the dispute. Please see the **Earth Negotiations Bulletin** for any details which might be available.

FCCC COP-5 HIGHLIGHTS MONDAY, 1 NOVEMBER 1999

The Subsidiary Body for Scientific and Technological Advice (SBSTA) adopted 15 draft conclusions relating to: Annex I communications; research and systematic observation; technology transfer; methodological issues; cooperation with relevant international organizations; and the roster of experts. The Subsidiary Body for Implementation (SBI) adopted 15 draft conclusions on Annex I communications, non-Annex I communications, the financial mechanism, arrangements for intergovernmental meetings, and administrative and financial matters. The Joint Working Group (JWG) on compliance considered the Chair's draft conclusions relating to compliance under the Kyoto Protocol. Contact groups met to continue discussions on: adverse effects; activities implemented jointly (AIJ); mechanisms; and land use, land-use change and forestry (LULUCF).

SBSTA

ANNEX I COMMUNICATIONS: Delegates considered the Chair's draft conclusions on guidelines for the preparation of Annex I communications (FCCC/SBSTA/1999/CRP.4). SBSTA amended a paragraph calling on Parties to report on significant technology transfer success stories to also include reference to failures. The document was adopted and forwarded to SBI for its recommendation for adoption by COP-5.

On "best practices" in policies and measures relating to Annex I communications, Chair Dovland (Norway) said further informal consultations would continue, as agreement on draft conclusions had not been reached.

RESEARCH AND SYSTEMATIC OBSERVATION: SBSTA adopted the Chair's draft conclusions on research and systematic observation (FCCC/SBSTA/1999/CRP.3) and recommended a decision to the COP that it, *inter alia*, urge Parties to identify capacity building needs and funding requirements in developing countries to enable them to collect, exchange and utilize data continuously in pursuance of the FCCC.

TECHNOLOGY TRANSFER: On the status of the consultative process relating to the development and transfer of technologies (FCCC/SBSTA/1999/CRP.2), delegates recommended a decision to the COP to, *inter alia*, extend the consultative process until COP-6 and invite non-Annex I Parties to report on their technology needs in their national communications.

Delegates adopted the Chair's draft conclusions on: coastal adaptation technologies (FCCC/SBSTA/1999/L.21); other matters relating to the Secretariat's cooperation activities with the OECD's Development Assistance Committee to provide comprehensive data (FCCC/SBSTA/1999/L.18); and ways and means of limiting emissions of hydrofluorocarbons and perfluorocarbons (FCCC/SBSTA/1999/CRP.7).

METHODOLOGICAL ISSUES: The Chair's draft conclusions on national systems, adjustments and guidelines under Protocol Articles 5 (methodology), 7 (communication of information) and 8 (review of information) were adopted after agreement was reached on several minor amendments proposed by the EU.

On the draft conclusions on emissions resulting from fuel used for international transportation (FCCC/SBSTA/1999/CRP.5), further informal consultations were scheduled after the G-77/CHINA said it had been unable to participate in the drafting group working on this issue due to the heavy workload at COP-5. He noted many areas of concern and said the G-77/CHINA needed time to develop its position.

Delegates adopted unamended the Chair's draft conclusions on: the impact of single projects on emissions in the commitment period (FCCC/SBSTA/1999/L.17); information on impacts and adaptation assessment methods (FCCC/SBSTA/1999/L.12); and the estimation of emissions of carbon dioxide from forest harvesting and wood products (FCCC/SBSTA/1999/CRP.6). Delegates also adopted draft conclusions on scientific and methodological aspects of the proposal by Brazil (FCCC/SBSTA/1999/L.13).

COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS: SBSTA adopted draft conclusions on cooperation with relevant international organizations relating to: scientific organizations (FCCC/SBSTA/1999/L.15); United Nations bodies (FCCC/SBSTA/1999/L.19); and other conventions (FCCC/SBSTA/1999/L.20).

SBSTA also adopted the Chair's draft conclusions relating to the roster of experts nominated by Parties (FCCC/SBSTA/1999/L.16). Delegates then heard brief presentations from the FAO and the National Association of Regulatory Utility Commissioners (NARUC) on issues relevant to SBSTA's activities.

SBI

ANNEX I COMMUNICATIONS: Delegates adopted the draft conclusions on greenhouse gas (GHG) inventory data (FCCC/SBI/1999/L.9), on the reporting guidelines referred to it by SBSTA (FCCC/SBI/1999/CRP.8) and on guidelines for the technical review of GHG inventories (FCCC/SBI/1999/CRP.9).

FINANCIAL MECHANISM: On the financial mechanism, SBI accepted the Chair's conclusions on the report of the Global Environmental Facility (GEF) and the input from Parties to the GEF's review of enabling activities (FCCC/SBI/1999/L.10).

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS: On arrangements for intergovernmental meetings, delegates adopted the draft conclusion on improving the intergovernmental process. On the date and venue of COP-6 and the calendar of meetings of Convention bodies (FCCC/SBI/1999/CRP.14), SAUDI ARABIA objected to having two international meetings instead of one, noting the difficulties with financing developing countries' participation. He proposed delaying the decision until the financial issues had been addressed. AUSTRALIA,

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the US and the EU supported the calendar of events. SBI noted the objection by SAUDI ARABIA and adopted the draft conclusions and annexed draft decision.

ADMINISTRATIVE AND FINANCIAL MATTERS: SBI adopted the draft conclusions and recommended draft decisions to the COP on the programme budget for the biennium 2000-2001 (FCCC/SBI/1999/CRP.12), and on the income and budget performance in the biennium 1998-1999 (FCCC/SBI/1999/CRP.13). Delegates also adopted the Chair's draft conclusions on arrangements for administrative support to the FCCC, institutional linkage of the FCCC Secretariat to the UN and the implementation of the Headquarters Agreement.

NON-ANNEX I COMMUNICATIONS: Delegates considered SBI's recommendation on matters related to non-Annex I communications (FCCC/SBI/1999/CRP.10 and Add.1), which includes the terms of reference of the consultative group (CG) of experts on non-Annex I national communications. INDIA and CHINA proposed deletion of a paragraph that calls on the CG to consider steps taken or envisaged by the Party to implement the FCCC. The recommendations were adopted unamended. Delegates also adopted the Chair's draft conclusions on the provision of financial and technical support for non-Annex I national communications (FCCC/SBI/1999/CRP.11).

JOINT WORKING GROUP ON COMPLIANCE

Co-Chair Rønneberg (Marshall Islands), reported on "informal informal" consultations on the Co-Chairs' draft conclusions of the JWG report on its work during SB-11, as well as the draft COP-5 decision on the JWG's future work. A number of delegates agreed to work on the basis of the Co-Chairs' proposals, while SAUDI ARABIA, KUWAIT and the UAE said these drafts did not reflect their concerns and sought to proceed on the basis of an earlier version. Rønneberg said the JWG would proceed on a paragraph-by-paragraph basis to consider the latest version of the Co-Chairs' draft.

On a paragraph in the draft conclusions outlining progress at SB-10 and SB-11, AUSTRALIA and the US suggested replacing "procedures and mechanisms" relating to a compliance system with "procedures and processes," in order to include consideration of Protocol Articles 8 (expert review teams) and 16 (dispute settlement). SAUDI ARABIA, opposed by SAMOA, the EU, the US and NEW ZEALAND, proposed moving towards "implementation of decision 8/CP.4" (procedures and mechanisms on compliance) rather than towards "negotiations."

Rønneberg then proceeded to hold informal consultations. Delegates agreed to two preambular paragraphs, but bracketed the paragraphs relating to convening a workshop and using the Co-Chairs' paper as a basis for the negotiation of a compliance system. A new bracketed paragraph was introduced on convening a sufficient number of sessions of the group prior to COP-6 to enable timely completion of work. In considering the draft decision, delegates agreed to the preambular paragraphs and debated, *inter alia*, whether the JWG should "complete its work" or "make substantial progress" at COP-6. The JWG will continue consultations.

CONTACT GROUPS

AJF: Delegates continued deliberations on a revised text of the recommended draft decision on AJF under the pilot phase. Delegates debated whether to, *inter alia*: conclude or continue the review process; continue the review process and the AJF pilot phase till COP-6; or conclude the review process and continue the AJF pilot phase beyond the end of the decade. Delegates also bracketed a paragraph requiring COP/MOP-1, in taking a final decision on the modalities and procedures governing Article 6 (joint implementation) and 12 (CDM), to determine the eligibility of AJF pilot phase projects to be incorporated under these mechanisms. The draft decision, *inter alia*, concludes the review process and continues the AJF pilot phase beyond the end of the decade, and requires Parties to provide proposals to improve the draft revised form reporting format, and the Secretariat to prepare a draft decision for SB-12. Parties also considered the Chair's draft

conclusions and entered references on the need for additional incentives, such as the possibility of recognizing AJF pilot phase projects under Protocol Articles 6 and 12.

ADVERSE EFFECTS: Co-Chairs Kjellén (Sweden) and Salamat (Iran) introduced a revised draft decision on FCCC Articles 4.8 and 4.9 (adverse effects). The group considered half of the draft text. Divergence of views focused on: whether to "establish" or "continue" a process for the further implementation of FCCC Articles 4.8 and 4.9; what the process was about; whether it should be assessed by the Parties "annually," "periodically," "on a regular basis" or "by COP-6 and subsequent COPs as appropriate"; whether there should be one or two workshops in 2000; and what topics the workshop/s should address. A proposal requesting Annex I Parties to report on initial actions undertaken to implement FCCC Articles 4.8 and 4.9 was discussed. Some delegates considered that non-Annex I Parties should also be requested to report on these actions.

LULUCF: The contact group concluded its work on LULUCF-related methodological issues. Issues resolved included, *inter alia*: consideration of the IPCC Special Report by SBSTA-12; a presentation of an "in-depth report" by the IPCC at SBSTA-12; a workshop on the Special Report between SBSTA-12 and COP-6; consideration by SBSTA-12 of initial criteria and guiding principles for the identification and selection of activities under Protocol Article 3.4 (additional human-induced activities relating to changes in emissions and removals); and a request for the Parties to provide a list of additional activities that each Party seeks to include under Protocol Article 3.4.

MECHANISMS: On CDM project monitoring, MAURITANIA said monitoring and reporting should not burden the host country. BOLIVIA suggested that Parties monitor their own projects and "learn by doing." NORWAY and AUSTRALIA said that project participants, the host Party or a designated legal entity should monitor. The EU said operational entities should perform certification and verification, which is dependent on monitoring. Parties also discussed conflicts of interest, random audits of projects, project oversight by NGOs, and share of proceeds. On Article 6 project validation, JAPAN cautioned against creating unnecessary bureaucracies. NEW ZEALAND noted that the host Party would have to cancel some of its assigned amount. CANADA and the US noted that Protocol Article 8 (review of information) provides a built-in review. The EU questioned how additionality could be ensured if Parties did not comply with Protocol Articles 5 and 7.

IN THE CORRIDORS

In spite of successes by SBSTA and SBI in adopting a raft of Chair's draft conclusions, many participants expressed a sense of frustration at the lack of progress on critical issues. Exasperated delegates remarked that as long as some countries are invested in the status quo and "deliberately stall" the process, as happened on Monday in the JWG on compliance and in SBSTA on emissions from bunker fuels, the emerging pattern of mounting delays would make the vision of a ratified Protocol by Rio+10 unachievable.

THINGS TO LOOK FOR TODAY

PLENARY: COP-5 will convene for its High Level Segment at 10:00 am in Plenary I.

CONTACT GROUPS: The contact group on mechanisms is scheduled to meet at 11:00 am in the Schumann Room. Further informal consultations are planned. Consult the announcement board for further details.