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5 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 1 from SB12 (Sunday/Monday, June 4/5)

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

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

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

Atmospherics

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

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

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

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

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

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

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

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

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

- (b) **Technology Transfer:** Ashe referred to the two workshops that have taken place since COP-5 in both Manila and El Salvador on this important topic. Dovland indicated that he will continue to head the Friends of the Chair group that has been active in both consultations. He invited other Parties to join the friends and indicated that he wants the group to develop the elements of a draft decision over the next two weeks. Dovland said that he intends to expand the group into a formal working group at an appropriate time in the future (he did not back down following the G-77's intervention on this point).
- (c) **Kyoto Mechanisms:** Malaysia's Chow Kok Kee will continue to chair this important joint working group that meets for the first time on Monday afternoon. A revised document is being made available, and a second workshop will be held this week to try to simplify or at least clarify it further.
- (d) **Compliance:** This joint working group will be headed by SBSTA Chair Dovland and by Samoa's Ambassador Slade. An additional consultation will be held on Monday afternoon, prior to two "formal informal" sessions on June 6.
(Comment: It is clear that this work has been complicated by the draconian proposals circulated by the EU. First reactions will probably not be given until Tuesday, however. **End Comment.)**
- (e) **Policies and Measures (PAMs):** No formal contact group has been established. While SBSTA chair Dovland indicates that he has adopted a 'wait and see' approach on this question, he has admitted privately that the establishment of one will probably be inevitable. EU attitudes on the PAMs discussion remain unclear. At the March Copenhagen conference, the EU appeared to downplay its earlier insistence on harmonization of various policies and measures. It is not clear if this

suggestion was for tactical purposes only or if this is an indication of a new mood among our European colleagues.

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- (f) **Articles 5/7/8 (on methodologies, reporting and review):** Once more, this working group will be co-chaired by New Zealand and Brazil. The first meeting on June 5 was devoted mostly to process related issues, with a decision being taken that Article 5.1 on national systems will be handled in a contact group, with other elements for the time-being being handled by the working group as a whole.
- (g) **Land Use and Land Use Change and Forestry (LULUCF):** Ashe noted that the IPCC has now completed its special report on LULUCF and will give a presentation of its results at a four hour session on June 7. Iceland and Uganda remain the co-chairs. The first meeting will be on the afternoon of June 5.
- (h) **Capacity Building:** Ashe noted that responsibility for this important issue will be held by himself in the absence of his co-chair, Daniel Reifsnyder of the U.S. He said that he will hold consultations on the draft elements for a decision. The group is first scheduled to meet on Wednesday evening (June 7).
- (i) **Cross-Cutting Issues:** Ashe noted that several issues related to compliance, the mechanisms and Articles 5/7/8 are cross-cutting in nature. Several sessions will be held during this week in an effort to ensure that these issues are treated in a coherent manner. The first session will be held on Tuesday evening (June 6).

The June 4 Umbrella Meeting

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

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

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

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

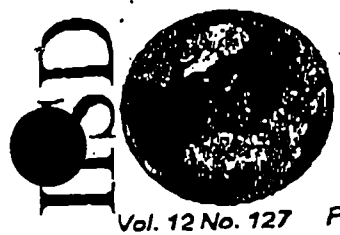
The Game of "Bureau" (or the bi-annual effort to select officers and members of the UNFCCC Bureau) will begin in earnest sometime over the next two week period. We will have to decide whether we (the U.S.) want to gain a formal foothold as the replacement for Norway whose term expires at COP-6 in November.

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Monday, 5 June 2000

TWELFTH SESSIONS OF THE SUBSIDIARY BODIES OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE

5-16 JUNE 2000

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

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

INTERSESSIONAL HIGHLIGHTS

WORKSHOP ON COMPLIANCE UNDER THE KYOTO PROTOCOL: The workshop on compliance under the Kyoto Protocol was held from 1-3 March 2000 in Bonn, Germany. The workshop was designed to assist in developing elements of procedures and mechanisms relating to a compliance system for in-depth consideration at forthcoming meetings of the JWG. It was

organized by the FCCC Secretariat and the Co-Chairs of the JWG. Participants heard presentations and discussed various issues, including: linkages between Articles 5, 7 and 8 and the compliance system; institutional design; outcomes or consequences of non-compliance or potential non-compliance; general provisions; and a framework. On the basis of discussions during the workshop, as well as their working paper resulting from consultations held in Montreux in February, the Co-Chairs developed a text that will help form the basis for negotiations at SB-12. For more information visit: http://www.iisd.ca/climate/cop6/tech_wg/compliance/index.html

WORKSHOPS ON FCCC ARTICLE 4.8 AND 4.9: ADVERSE EFFECTS OF CLIMATE CHANGE AND THE IMPACT OF IMPLEMENTATION OF RESPONSE MEASURES

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

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

This issue of the Earth Negotiations Bulletin © enb@iisd.org is written and edited by Angela Churio angela@iisd.org, Jon Hanks jonhanks@iisdc.lu.se, Lavanya Rajamani lavanya@iisd.org, Malena Sell malena@iisd.org, Chris Spence chris@iisd.org and Juliette Voinov coedricholter@gmail.com. The Digital Editors are Andrei Henry andrei@iisd.org and Ken Tong ken@iisd.org. The Editor is Pamela S. Chasek, Ph.D. pam@iisd.org and the Managing Director is Langston James "Kimo" Goree VI kimo@iisd.org. The Sustaining Donors of the Bulletin are the Netherlands Ministry of Foreign Affairs, the Government of Canada (through CIDA and DFAIT), the United States (through USAID), the Swiss Agency for Environment, Forests and Landscapes (SAEFL), the United Kingdom Department for International Development (DFID) and the European Commission (DG-ENV). General support for the Bulletin during 2000 is provided by the German Federal Ministry of Environment (BMU) and the German Federal Ministry of Development Cooperation (BMZ), the Danish Ministry of Foreign Affairs, the Ministry of Environment of Austria, the Ministries of Foreign Affairs and Environment of Norway, the Ministries of Foreign Affairs and Environment of Finland, the Government of Australia, the Global Environment Facility (GEF) and BP Amoco. Logistical support has been provided at this meeting by the UNFCCC Secretariat. The Bulletin can be contacted by e-mail at enb@iisd.org and at tel: +1-212-644-0204; fax: +1-212-644-0206. IISD can be contacted by e-mail at info@iisd.ca and at 161 Portage Avenue at 6th Floor, Winnipeg, Manitoba R3B 0Y4, Canada. The opinions expressed in the Earth Negotiations Bulletin are those of the authors and do not necessarily reflect the views of IISD and other funders. Excerpts from the Earth Negotiations Bulletin may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this material in commercial publications, contact the Managing Editor. Electronic versions of the Bulletin are sent to e-mail distribution lists and can be found on the Linkages WWW server at <http://www.iisd.ca/linkages/>. The satellite image was taken above Bonn ©2000 The Living Earth, Inc. <http://livingearth.com>. For information on the Earth Negotiations Bulletin, send e-mail to the Managing Director at kimo@iisd.org.

Monday, 5 June 2000

The Chairs of the FCCC subsidiary bodies produced a report that will provide input for discussions on these issues at SB-12 and SB-13, to be held in June and September 2000 respectively. For more information visit: http://www.iisd.ca/climate/cop6/tech_ws/4.8&4.9/index.html

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

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

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

EFIEA CLIMATE POLICY WORKSHOP "FROM KYOTO TO THE HAGUE - EUROPEAN PERSPECTIVES ON MAKING THE KYOTO PROTOCOL WORK": The second European Forum for International Environmental Assessment (EFIEA) Climate Workshop, "From Kyoto to the Hague - European Perspectives on Making the Kyoto Protocol Work," took place from 18-19 April 2000, at the Royal Netherlands Academy of

Sciences in Amsterdam. It was sponsored by the Dutch National Research Programme on Global Air Pollution and Climate Change. The workshop aimed to bring together state-of-the-art scientific information from European research that is relevant to the European Union (EU) and its member States in preparing for COP-6, and to enhance the policy relevance of climate-related research in Europe. The workshop was divided into four thematic sessions: Kyoto mechanisms, sinks, implementation issues and European international climate strategies/leadership. Regarding the mechanisms, participants highlighted the potential benefits of the use of the mechanisms, while noting that there are sound reasons for domestic action. On EU leadership, it was noted that the EU has a long-term vision and can integrate climate change policy with other issues. A number of participants urged the EU to work to maintain the environmental credibility of the Protocol. On implementation, it was noted that EU enlargement is not relevant to implementing existing obligations under the Protocol. For more information visit: <http://www.iisd.ca/sd/EFIEA/index.html>

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

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

THINGS TO LOOK FOR TODAY

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

P7 1 7 11

From Hambley, Zimmer No. 104

cc - JA
HL**TELEFAX**

Date: Tuesday, 6 June 2000

UNCLASSIFIED**TO:** Ms. Linda Catlett**FROM:** USDEL/BONN - SB-12 (Climate Change) - Mark G. Hambley
Mark G. Hambley, FAX No. 49 228 269-8222, Room 104**SUBJECT:** Climate Change (SB12); Periodic Update No. 2 for
Monday/Tuesday, June 5-6, 2000

Attached is a copy of Update No. 2 from the climate change talks in Bonn. Please distribute it to the attached list of addressees which I have updated (Thank you!). I have also added two additional names.

I hope all is continuing well with you in Washington. I will not now be returning to the office until June 22, as I am going to represent David S. at Chatham House conference on June 19-20. Can you draft a country clearance cable to London to othat effect? Many thanks. MGH

6/6/00

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

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Treasury	Robert Crumby	202 622-2633
Commerce	Robert Festa	202 482-4636
Commerce	Dana Palmer	202 408-9674
WH/CEQ	George Frampton	202 456-2710
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WH/CCTF	John Gibson	202 395-2342
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WH/OVP	Michael Orfini	202 456-9500
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Energy	Dan Reicher	202 586-9260
EPA	Bill White	202 260-4852
EPA	Brian McLean	202 565-2141
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6 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 2 from SB12 (Mon/Tues, June 5/6)

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

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

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

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

6 June 2000

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

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

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

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

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

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

- (b) **Technology Transfer:** Our representative, State's Duncan Marsh, met with Canada and the UK on Monday night (June 5) and will continue informal consultations on June 6. The first meeting of the (expanded) Friends of the Chair will meet on this issue on June 7. As reported earlier, Chair Dovland feels under increasing pressure to convene a formal contact group on this issue. He is resisting and would prefer to make progress through the proven mechanism of 'the friends' at least until September. The odds would appear to be against him, however, in view of the G-77/China's rather strident position on this issue.
- (c) **Kyoto Mechanisms:** Malaysia's Chow Kok Kee, the chair of this group, turned in an impressive performance on June 5. Although the Saudis attempted to stall progress by trying to open a discussion on the principles, nature, and scope of the mechanisms, he was only supported by India in this move. Chow beat him back and instead marched the large gathering "through his garden" of project cycle and structure of the CDM. Chow's presentation was well-received. The new Chinese delegate, Gao Feng, called it "a fair lady." In studiously flawless English, Mr. Feng nevertheless also made the point that Annex I Parties must take full responsibility for all CDM projects (a point that we question).

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

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

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

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

out, its economics minister being quite conservative in such matters. Once he changed his view, the position was adopted by the EU as a whole. End Comment.)

- (c) **Policies and Measures (PAMs):** This group met for the first time as an informal group under SBSTA Chair Dovland on June 6. The EU has been raising the issue of PAMs in several different settings (including the Article 5/7/8 discussions. The current emphasis appears to be focused on using PAMs to demonstrate substantial progress by the 2005 review period stated in the Protocol.
- (f) **Articles 5/7/8 (on methodologies, reporting and review):** A complete report on developments in this important group is included with this submission. Several differences in view with the EU were noted, but we are working to find way around these. The G-77/China was well represented in this group. Among the more active delegates was from Saudi Arabia. While he did not comment substantively, he insisted on retaining text when various deletions were proposed.
- (g) **Land Use and Land Use Change and Forestry (LULUCF):** Two issues were addressed during the first meeting, (1) data table formats and (2) criteria and guiding principles. Three proposed formats for defining afforestation, deforestation, and reforestation and Article 3.4's extra categories have been proposed by the U.S., Australia, and the EU. At the June 5 JUSCANZ, the Norwegian representative suggested that he does not see many difficulties in accommodating all three systems (although the EU's version is much more complicated than either of the other two). At the evening LULUCF meeting scheduled for June 6, it is expected that criteria and guidelines for Article 3.4 will be addressed. The G-77/China (headed by Brazil) is well represented at this meeting. Once more, Saudi Arabia is present and attempting to draw linkages between this issue and those of Articles 4.8/4.9 and Article 3.14.
- (h) **Capacity Building:** This topic has not as yet been addressed.
- (i) **Cross-Cutting Issues:** This will not be first addressed until this afternoon (June

A

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

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

The Co-Chairs (Bo Kjellen, Sweden; and Mohammed Reza Salamat, Iran) asked for Parties to provide written comments (e.g. interventions) by Thursday, June 8 on Articles 4.8/4.9 and 3.14. These submissions will be compiled and bracketed for possible negotiation text. Co-Chair Salamat also asked Parties (Australia, UK, US) to come up with an alternative proposal to compensation. The next meeting of the informal group will convene Wednesday, June 7 at 10am.

G B

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Article 5, 7, 8 Contact Group for Monday, May 6: Morning Session

The co-chairs (Helen Plume of New Zealand) started our first session by identifying the objective of the contact group: to develop and recommend decision text for COP6 on appropriate guidelines for Articles 5, 7, and 8. A presentation was given on the Good Practice Guidance recently accepted by the IPCC, with a promise that each Party would receive a hard copy of the 450-page document to carry home (Wiley Barbour graciously accepted this task for our delegation). The electronic copy can be found at <http://www.ipcc-nggip.iges.or.jp/gp/report.htm>

Based on the useful discussions held at the workshop in Bonn in March, the co-chairs proposed splitting the contact group into two subgroups to meet simultaneously throughout the week. The full contact group will reconvene on Friday, and report on its progress to the SBSTA on Monday, June 13.

The first subgroup is discussing text for the guidelines for national systems under Article 5.1 (with a view toward completing the recommended decision text by the end of this SBSTA session). The second subgroup is discussing text for guidelines for Article 5.2, 7, and 8 (with a view toward completing the recommended decision text at the September SBSTA meeting).

National Guidelines (Article 5.1 Subgroup) Evening Meeting

Some progress has been made, and many US proposals were accepted, but several key points have been set aside for further discussion later this week. The EU representative objected to proposed US text that National System guidelines are mandatory for all Annex I Parties. EU asserts that National Systems are not mandatory until a decision by Parties. A meeting between US and EU representatives will be scheduled for Wednesday. Substantive disagreement over EU proposal to link project level monitoring to the national system guidelines. This has also been deferred until later.

Review, Reporting, and Adjustments (Articles 8, 7, and 5.2 Subgroup) Meeting

This subgroup is being co-chaired by Jim Penman of the UK. We agreed to focus first on the review and then on the adjustments. At the insistence of the EU, we also agreed to spend one session exchanging views on reporting requirements, even though several Parties indicated that it would be premature to discuss reporting guidelines before other contact groups (e.g. mechanisms) had completed more of the substantive work. Discussions began on the Article 8 review text prepared by the Secretariat in UNFCCC/SBSTA/2000/inf5/Add2. In our first 2-hour session of the subgroup, we agreed [with several bracketed paragraphs] on the first 7 paragraphs of the Article 8 review text. Although the conversation being conducted by the co-chairs with the EU and the US is going slowly (with occasional interventions from Australia and Canada), we hope that the following 5-6 sessions bump along a bit more quickly.

C

NOTES: 6/5 Mechanisms Informal Workshop

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The 4 hour session was spent "walking through the garden" on CDM. India and Saudi Arabia each made early interventions pushing for principles. Chow was successful in resisting their call to discuss principles first, with the help of a clever intervention by Australia touting the virtues of an inductive approach moving from the specific to the general.

The Chair (Chow) began with a presentation of the project cycle and of the process for developing and approving baselines, including how the reference manual would fit in. There was not much opposition to his presentation and China even called it "a fair lady". China finished their intervention by indicating that it was critical for the Annex I Party involved to take responsibility for CDM projects (something we find problematic).

In the Friends of the Chair meeting that followed, Canada and Norway represented the Umbrella Group (UG). Chow expressed his intention to release a new negotiating text on all three mechanisms at the end of next week. The UG and EU pushed back and Chow agreed to release the text this Friday as long as the representatives could ensure that it wouldn't lead to game playing (e.g., Saudi Arabia calling a procedural foul because the current text hadn't been given enough time and using delay tactics). In the Friends of the Chair meeting, the G77 representatives, India and Nigeria, seemed amenable to Chow's suggestion to release the new text Friday but Chow will reconvene his Friends of the Chair group Wednesday to get confirmation.



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Tuesday, 6 June 2000

HIGHLIGHTS FROM FCCC SB-12 INFORMAL MEETINGS MONDAY, 5 JUNE 2000

The week of informal meetings preceding the twelfth sessions of the subsidiary bodies (SB-12) of the UN Framework Convention on Climate Change (FCCC) began with an initial briefing by the Chairs of the subsidiary bodies. Following this, a workshop was convened to consider the Protocol mechanisms, and informal meetings were held to address: guidelines on Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); FCCC Article 4.8 and 4.9 and Protocol Article 3.14 (adverse effects); and land use, land-use change and forestry.

INITIAL BRIEFING

John Ashe (Antigua & Barbuda), Chair of the Subsidiary Body for Implementation (SBI), said the goal of the informal meetings was to make substantial progress and provide textual proposals for the formal SB-12 sessions, taking place from 12-16 June. He noted that the week's informal discussions would address: guidelines under Protocol Articles 5, 7 and 8; the Protocol mechanisms; compliance; FCCC Article 4.8 and 4.9 and Protocol Article 3.14; policies and measures; land use, land-use change and forestry; and development and transfer of technology.

On the issue of technology transfer, Harald Dovland (Norway), Chair of the Subsidiary Body for Scientific and Technological Advice (SBSTA), noted that the Friends of the Chair group, established at a previous SBSTA session, could accept more members, and would at some stage become a contact group, possibly at SB-13. NIGERIA, on behalf of the G-77/CHINA, noted the technology concerns of developing countries and called for the immediate formation of a contact group.

INFORMAL MEETINGS AND WORKSHOPS

ADVERSE EFFECTS: Co-Chair Mohammed Reza Salamat (Iran) proposed discussing FCCC Article 4.8 and 4.9 on Monday, and Protocol Article 3.14 and procedural issues on Wednesday. He urged delegates to build on the conclusions of the technical workshops held in March. The EU suggested that all three Articles be discussed together so as to reach a single decision. SAUDI ARABIA, highlighting the fact that FCCC Article 4.8 and 4.9 and Protocol Article 3.14 were addressed separately under the Buenos Aires Plan of Action (BAPA), called for two draft decisions. Stating that the procedural discussion was premature, AUSTRALIA, supported by several Parties, proposed discussing the substantive issues before addressing the structure of the decision.

On initial actions, participants suggested, *inter alia*: building capacities to cope with climate-related disasters; integrating climate change issues into national and donor assistance strategies; and setting priorities at the national level.

SAUDI ARABIA, with ZIMBABWE, suggested developing a programme of action building on the workshops held in March. ZIMBABWE, SAMOA and JAMAICA supported a specific recommendation on insurance. EGYPT called for the development of a well-defined vulnerability index. The NETHERLANDS stated that such a suggestion was premature. He supported action on adaptation, starting with training for vulnerability assessment and development of adaptation options. The EU, with JAMAICA and CANADA, identified non-Annex I national communications as a source of information on those countries' needs. BRAZIL disagreed, as it was not mandatory to include vulnerability assessments in national communications.

On the assessment of the impacts of response measures, ZIMBABWE said this would depend on the availability of information on policies and measures. SAUDI ARABIA highlighted the need, *inter alia*, to: ensure a comprehensive approach to policies and measures; enhance the research, development and use of fossil fuel sequestration technologies; remove market distortions in the energy sector; encourage the diversification of energy sources; and explicitly refer to compensation.

SAMOA stressed the need to interpret Article 3.14 in its broadest sense and in relation to the FCCC's objective. AUSTRALIA and the US said discussions should focus on minimizing adverse impacts rather than on compensation. SWITZERLAND cautioned against adopting hasty decisions on the basis of inadequate knowledge. SAUDI ARABIA said information gaps should not be used as a pretext for inaction.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8: Co-Chair Helen Plume (New Zealand) identified the objectives of the meeting as finalizing the guidelines under Article 5.1 (national systems), and making progress on the guidelines under Article 8 (review of information) and methodologies under Article 5.2 (adjustments). She proposed convening two subgroups to address these objectives. In response to a request by the EU, she agreed to hold a session to exchange views on Article 7 (communication of information).

Takahiko Hiraiishi of the Intergovernmental Panel on Climate Change (IPCC) presented the Special Report on Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories. Co-Chair Plume noted that a side event will be devoted to it during SB-12.

This issue of the Earth Negotiations Bulletin © enb@iisd.org is written and edited by Angela Churio angela@iisd.org, Jon Hanks jon.hanks@iisec.lu.se, Lavanya Rajamani lavanya@iisd.org, Malena Sell malena@iisd.org, Chris Spence chris@iisd.org and Juliette Velnov cdriekohl@small.com. The Digital Editors are Andrei Henry andrei@iisd.org and Ken Tong ken@iisd.org. The Editor is Pamela S. Chasek, Ph.D. pam@iisd.org and the Managing Director is Langston James "Kimo" George VI kimo@iisd.org. The Sustaining Donors of the Bulletin are the Netherlands Ministry of Foreign Affairs, the Government of Canada (through CIDA and DFAT), the United States (through USAID), the Swiss Agency for Environment, Forests and Landscapes (SAEFL), the United Kingdom Department for International Development (DFID) and the European Commission (DG-ENV). General Support for the Bulletin during 2000 is provided by the German Federal Ministry of Environment (BMU) and the German Federal Ministry of Development Cooperation (BMZ), the Danish Ministry of Foreign Affairs, the Ministry of Environment of Austria, the Ministry of Foreign Affairs and Environment of Norway, the Ministries of Foreign Affairs and Environment of Finland, the Government of Australia, the Global Environment Facility (GEF) and BP Amoco. Logistical support has been provided at this meeting by the UNFCCC Secretariat. The Bulletin can be contacted by e-mail at enb@iisd.org and at tel: +1-312-644-0204; fax: +1-312-644-0206. IISD can be contacted by e-mail at info@iisd.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 IISD and other funders. Excerpts from the Earth Negotiations Bulletin may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this material in commercial publications, contact the Managing Editor. Electronic versions of the Bulletin are sent to e-mail distribution lists and can be found on the Linkages WWW server at <http://www.iisd.ca/linkages/>. The satellite image was taken above Born ©2000 The Living Earth, Inc. <http://livingearth.com>. For information on the Earth Negotiations Bulletin, send e-mail to the Managing Director at kimo@iisd.org.



Tuesday, 6 June 2000

The subgroup on Article 5.1 considered the second Draft Guidelines for National Systems under Article 5.1 of the Kyoto Protocol and submissions by the EU and the US. Delegates discussed technical amendments, including a suggestion by the EU on a new paragraph on characteristics of national inventories making reference to monitoring of legal entities and/or projects under Articles 6 (joint implementation) and 17 (emissions trading). Co-Chair Newton Paciornik (Brazil) suggested that this issue be considered further at the meeting scheduled on cross-cutting issues.

The subgroup on Articles 5.2 and 8 considered the Objectives and the General Approach of Part I of the Elements of Draft Guidelines under Article 8 of the Kyoto Protocol. Delegates discussed the structure of the proposed draft guidelines and stressed the need to clarify whether there would be a separate review procedure depending on the annual or periodic nature of the submission of information. They agreed that, *inter alia*, Part I cover the annual review of information submitted under Article 7.1 (annual inventory and supplementary information) and related information under the FCCC; the definition of the information covered by Article 7.1 should be left to the sub-group on Article 7; and a reference to the annual inventory review period should be introduced.

LAND USE, LAND-USE CHANGE AND FORESTRY: Co-Chair Halldor Thorgeirsson (Iceland) identified key issues to be addressed during SB-12, including: consideration of the IPCC Special Report; preparation of Parties' submissions on land use, land-use change and forestry (LULUCF), which SBSTA-11 requested by 1 August 2000; and draft elements of decisions for COP-6. Regarding Parties' submissions, he noted a decision taken at SBSTA-11 that SBSTA-12 consider reporting formats for the submission of historical data and, where applicable, projections. He noted that it had presented a draft data-reporting format to SBSTA-11. AUSTRALIA presented its own proposed data-reporting format, noting that it takes into account discussions and conclusions at SBSTA-11. He outlined the proposed data format and an accounting regime/framework for activities under Article 3.3 and 3.4.

The US outlined its proposal for a data-reporting format, noting that it, *inter alia*: does not specify dates for historical data; excludes non-CO2 gases on the grounds that they might be an unnecessary complication; and includes land area. She said it was important to recognize the uncertainty of projections, and said Parties should be able to provide information on the assumptions, and on the degree to which they may assume additional activities above business-as-usual.

BRAZIL said the G-77/CHINA would be developing a negotiating position on this issue in the light of the new IPCC Special Report. With NORWAY, he supported including land areas. NORWAY noted the need to try and distinguish between different stocks. Noting emerging convergence of views expressed on the data-reporting format, Co-Chair Thorgeirsson formed a smaller group to consolidate the proposals.

MECHANISMS: Workshop Chair Kok Kee Chow (Malaysia) identified the key features of the Clean Development Mechanism (CDM) based on work done on the mechanisms since COP-5. INDIA, on behalf of the G-77/CHINA, highlighted the need to first determine the nature and scope of the mechanisms.

Chair Chow outlined the following steps in the CDM project cycle: project identification and design; independent assessment of project design; project submission to the Executive Board; monitoring; independent assessment and verification of project performance; and identification and distribution of certified emission reduction units (CERs). The REPUBLIC OF KOREA and INDIA sought clarification on the relationship between the Executive

Board and national authorities. NORWAY and the EU queried the specific references to the accreditation of Operational Entities in providing certification.

Chair Chow outlined the functions of the various institutions. The functions of the Executive Board could include: registering CDM projects; designating and accrediting the operational entity; deciding on new methodologies; and maintaining and updating the CDM reference manual. The functions of the operational entities could include: recommending new methodologies to the Executive Board; validating project designs against the FCCC standards; and verifying and certifying performance of CDM projects. He stressed the need to accredit Operational Entities to ensure integrity and quality, and suggested the use of existing ISO standards for certification.

Chair Chow introduced the CDM reference manual as a living document directed at guiding project design. He outlined the process for updating the manual, and said that it would make reference, *inter alia*, to: decisions of the COP/MOP; agreed standards for accreditation; approved baseline methodologies; and guidelines for monitoring, verification and certification. Chair Chow said it would be useful to have the contents of the manual identified by COP-6. SAMOA supported the reference manual, as it would ensure consistency in setting baselines.

CANADA and NORWAY emphasized that the verification and certification guidelines should provide for individual project circumstances. INDIA underlined the role of the host country in determining project eligibility. The EU asked who would develop the reference manual. SUDAN raised the need to address basic questions first, such as eligibility for participation in the CDM. TANZANIA asked how the reference manual would consider the differing sustainable development priorities of different countries and ensure equitable distribution of projects. CHINA stressed the need for both host and investor Party responsibilities to be clearly expressed.

IN THE CORRIDORS

Delegates expressed mixed views on the expected nature of the informal meetings. While some felt they were experiencing the "business as usual" atmosphere of formal subsidiary bodies meetings, others saw the week ahead as a confidence-building exercise. Although participants were cautious about predicting the extent of progress likely to be made on contentious issues before SB-12, many were generally optimistic.

THINGS TO LOOK FOR TODAY

ARTICLES 5, 7 & 8: An informal meeting on Protocol Articles 5 and 8 will be held from 10:00 am, with a further session scheduled for 3:00 pm.

POLICIES AND MEASURES: An informal meeting on policies and measures will be held from 10:00 am.

MECHANISMS: The workshop on mechanisms will convene at 3:00 pm.

CROSS-CUTTING ISSUES: A meeting on cross-cutting issues will take place at 5:00 pm.

LULUCF: The small group convened to consolidate the proposals for the reporting format is expected to report back to the informal meeting in an evening session.

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

15) 1-

From Hambley, Zimmer No. 104

cc: JA
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TELEFAX

Date: Wednesday, 7 June 2000

UNCLASSIFIED

TO: Ms. Linda Catlett

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

SUBJECT: Climate Change (SB12): Periodic Update No. 3 for
Tuesday/Wednesday, June 5-6, 2000

Attached is a copy of Update No. 3 from the climate change talks in Bonn. Please distribute it to the attached list of addressees. I hope everything is going well for you. Note that the recipients list has once more been revised. Many thanks.

MGH

6/7/00

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

Organization	Name	FAX
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7 June 2000

To: See Recipients' List

From: USDEL/Bonn - Mark G. Hambley ✓

Subject: Periodic Update No. 3 from SB12 (Tues/Wed, June 6/7)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Tuesday, June 6, to the afternoon on Wednesday, June 7.

Four additional reports prepared by USDEL members and detailing afternoon and evening discussions are also included: (A) recent developments in the technology transfer discussions prepared by State's Duncan Marsh; (B) a summary of the first PAMs summary on June 6; (C) a summary of June 6 reporting by the sub-group on review, reporting and adjustments prepared by EPA's Sharon Saile, and (D) an update on LULUCF discussions prepared by State's Adela Morris.

The latest edition of the **Earth Negotiations Bulletin** will be forwarded with the next update. However, we are enclosing a copy of **ECO**, a biased but generally humorous commentary prepared by NGOs. **ECO** rarely has anything good to say about U.S. climate change positions.

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

7 June 2000

SB12 Periodic Update No. 3: U.S. Gently, but Forthrightly introduces EU Bubble Parity Issues into the Discussions**Atmospherics**

The work of the Twelfth Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB12) continued to make headway during their afternoon, evening and morning sessions on Tuesday and Wednesday (June 6/7).

Relationships with the EU took on an added dimension when the U.S. raised Article 4 "bubble" issues in interventions in both the group dealing with cross cutting issues and in the mechanisms discussions. Initial reactions ranged from near apoplexy, to regret over the timing and venue of the interventions, to a recognition that the points raised are legitimate. We plan to raise Article 4 parity issues in compliance on Wednesday afternoon (June 7). Nevertheless, we are continuing to meet with the EU in small groups on smaller technical issues (such as eligibility requirements) and on some larger ones, as well (compliance).

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

- (a) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14:** Iranian co-chair Salamat convoked reporting officer for thirty minutes on June 6 to ask for his "unofficial" and "off the record" impression about Saudi Arabia's "compensation" proposal. He was told that it is a non-starter from the U.S. point of view. Asked to be thinking about alternatives, reporting officer told Salamat that we had listed a number of areas where we believe discussions and further investigation might be productive and forthcoming. However, no delegation appreciates having a gun put to its head which essentially means: "your money or your protocol." Salamat was also told that a Thursday drop date for proposed text is not acceptable. We believe it is premature to discuss proposed text. We should begin looking at the elements for a decision. Salamat said that he had cautioned one Party (read Saudi Arabia) about pursuing its compensation effort but to no avail. Unfortunately, the EU's suggestion for financial penalties for non-compliance now gives the Saudis an opportunity to seek some of these funds.

The June 7 meeting on Article 3.14 was the first round on this topic. Annex I Parties were uniform in suggesting that any action on this item must be taken in conjunction with a decision on Article 4.8/4.9. The Saudis pushed back hard on this point.

- (b) **Technology Transfer:** There has been something of a tussle between the two co-chairs on how to handle this topic. SBI Chair Ashe from Antigua/Barbuda had

wanted it raised at the cross-cutting discussion on June 6. SBSTA Chair Dovland (Norway) resisted. The latter is likewise resisting efforts by the G-77/China to turn his productive Friends of the Chair group in a formal contact group. This point was again raised at the June 7 meeting of the expanded "friends" group. Please see the attached report for additional details.

- (c) **Kyoto Mechanisms:** Malaysia's Chow Kok Kee, the chair of this group, completed his tutorial/walk-through of Joint Implementation (JI) and International Emissions Trading (IET) at the first June 6 session. India once more raised its rather strongly held views on fungability and made an oblique reference about trading as a "right." India also expressed concern that JI and IET might overwhelm CDM projects. Portugal, speaking for the EU, suggested this was one reason why ceilings were being suggested for JI and IET. Perhaps the most compelling intervention of the session was made by Colombia's Thomas Black who argued forcibly and convincingly in favor of fungability and for a system in which the mechanisms are as unburdened as possible. The chair hopes to complete his discussions on mechanisms by Thursday (June 8), with the supposition that he will release a new "text" for consideration by Parties on Friday. Thus far, there have been no indications of opposition to this approach by China, India, or Brazil. However, Saudi Arabia, which has become something of a nuisance in these and in other discussions, may attempt to forestall this action.
- (d) **Compliance:** The co-chairs Dovland (Norway) and Slade (Samoa) have circulated a "non paper" with a proposed text which has been used for discussion purposes. Next week, part of the text that has been generally discussed will be identified, with other elements raised for further discussion. The Umbrella Group met on June 6 to discuss common strategy towards the EU's compliance proposals that include financial penalties. The group agreed on a series of talking points to be used separately. The U.S. will raise Article 4 parity issues in the afternoon's four hour compliance marathon.
- (e) **Policies and Measures (PAMs):** This group met for the first time as an informal group under SBSTA Chair Dovland on June 6. The EU has been raising the issue of PAMs in several different settings (including the Article 5/7/&8 discussions. The Umbrella Group described the April workshop in Copenhagen to be useful. However, they opposed establishing an international set of indicators. The EU, on the other hand, expressed its insistence on the development of indicators to demonstrate substantial progress by the 2005 review period stated in the Protocol. The G-77/China stated that PAMs have a low priority at COP-6. They suggested that this matter be wrapped up early and removed from the September agenda for SB13 and proposed that a Friends of the Chair group might facilitate this. Dovland agrees in principle but has to figure out how he can out-manuever the EU on this point. Please see the attached report for additional details.
- (f) **Articles 5/7/&8 (on methodologies, reporting and review):** Two groups are meeting. One on national systems is engaged in a tussle over EU insistence on addressing reporting requirements. The EU requested a side-meeting with us on this and related issues. A second group dealing with the inventory process is striving to reorient the rather garbled secretariat conclusions from what had been a productive March workshop on this topic. Saudi Arabia continues to complicate

matters by insisting on raising the implications of these discussions for Article 3.14 (which deals with Annex I efforts to address consequences of climate change). Please see the attached report for additional details.

- (g) **Land Use and Land Use Change and Forestry (LULUCF):** This has evolved into a more technical discussion with one key issue being whether countries will be required to establish guiding principles and criteria for Article 3.4 additional categories. We do not believe that such a list would be particularly helpful. Several proposed tables have been submitted for consideration which incorporate a wide range of views on the types of criteria that may be valuable. The EU has quietly told us that they have prepared a "very tough" paper on sinks. Please see the attached report for additional details.
- (h) **Capacity Building:** The chair of this group, SBI Chair John Ashe (acting solo in the absence of Dan Reifsnyder) has indicated that he does not as yet know how to proceed on this question. He circulated a list of questions but does not want to address these until the capacity building consultation on June 9.
- (i) **Cross-Cutting Issues:** At the meeting held on the afternoon of June 6, SBSTA Chair Dovland outlined a number of questions that should be answered to ensure that all decisions in one area of the protocol are consistent with all of the others. These questions included those related to areas of inventories, implementation and the mechanisms, as well as the possible linkages with PAMs and with Article 4.8 and 4.9 and Article 3.14. Dovland then asked for additional suggestions for areas to be investigated or for general observations. Saudi Arabia's Al-Sabban suggested that the relationship between the financial penalties proposed by the EU and Article 3.14 should be addressed and he asked the chair how he would proceed with this question. Dovland responded that it was premature to consider this question because financial penalties had not been agreed.

The U.S. (Bodansky) then suggested that there are four additional cross-cutting issues related to Article 4 (the so-called "bubble") which need to be addressed. These issues relate to: (1) the relationship between Article 4 and the reporting/review process; (2) the relationship between Article 4 and the mechanisms, (3) the relationship between Article 4 and the banking provisions of Article 3; and (4) the question of consequences for compliance as they pertain to Article 4. The U.S. suggested that these issues might be best dealt with as a package, rather than individually. However, Dovland is expected to refer each of the items to the relevant contact groups for their consideration.

Comment:

One observer has remarked that we should always meet in informal session in view of the rapid and constructive progress that has been reached on many pertinent areas during the first three days of this week's meeting. This could, of course, change next week when we run up against the more rigid format of an official meeting. From a reading of these updates, it should be apparent that there are two reasons why this optimistic assessment should be qualified – Saudi Arabia and the EU.

The Saudis are active in most groups. Their participation is single-minded, however, and not particularly helpful. They want to move their agenda on compensation forward and are trying to introduce linkages into every other subject area, from Articles 5/7/&8, to compliance, to sinks.

The EU, on the other hand, rather than trying to find areas of compromise, continually raise the stakes for reasons that appear more concerned with public perceptions of their "greenness" than to any real interest in creating a Kyoto framework that is workable. Their position on caps on the mechanisms was the earliest example of this attitude. Their proposed financial sanctions in the compliance framework is a second example. "Friendly" warnings from the EU to expect a very tough sinks position are but the latest indication of this disturbing and unconstructive approach.

Our response, starting on June 6, to raise Article 4 parity issues in the mechanisms, in cross-cutting areas, and in compliance would give most Parties pause. However, in climate change, we are dealing with tough realities and some unrealistic expectations. This will make for a most interesting five month period through COP-6 in November. End Comment.

A

y

Technology Transfer

In the opening plenary, Chairman Dovland invited nominations for additional Parties to join the Friends of the Chair group on technology transfer, which has been engaging on and overseeing the consultative process for the last year. This was an unsuccessful attempt to pre-empt the call he knew was coming from the G-77, on whose behalf Nigeria then called for the Friends of the Chair to be expanded into a contact group at this SBSTA, to ensure transparency in the consultative process. Both we and the Secretariat believe it is premature to establish a contact group, and that this would dilute the lessons learned and themes raised in the consultative process before we produced text, and would return us quickly to the divisive dialogue before the consultative process was initiated at COP-4. The Secretariat has been talking about expanding the FOC to get more proportional representation from the G-77 – thus far it has been about half Annex II countries. We can probably refute the transparency charges, having held a series of regional workshops engaging numerous Parties, but the Secretariat will still move to expand the FOC by bringing in 3-5 additional developing countries. We may wish to push for one more Umbrella member at this point, to join Canada, Japan and the U.S.

Met with Canada and the UK tonight. Focused on how to deal with the Nigerian contact group proposal, reactions to the Chair's note, the future role of the CTI, and reactions to the Secretariat's proposal to move the July 15 submission to June 30. Agreed that a contact group would not be good, but not sure how best to combat it. Will meet tomorrow with a larger Annex I group to discuss these issues further before Wednesday's opening meeting. On CTI, we had apparent agreement that CTI should continue and be part of the COP-6 decision, though less clear in exactly what area of activity. Canada, and perhaps the UK, generally supports the CTI's restructuring proposal to further institutionalize CTI by bringing it formally under the wing (and budget contributions system) of the IEA. When asked, UK's Terry Carrington said it was difficult to gauge other EU countries' interest in and commitment to the CTI because their CTI reps are not their negotiators and often are from different ministries. Noting that we need to be prepared with positions by the CTI Board meeting at the end of June, I urged Terry to raise the issue at EU meetings here in Bonn, because it will be essential for the negotiators, and not just CTI participants, to weigh in on CTI's future role.

(Duncan Marsh, COB Monday, June 5)

B

PAMs 6-6-00 Summary

The first informal meeting regarding Policies and Measures was held Tuesday, June 6 with participants falling into camps and forwarding positions that held no surprises. Portugal speaking for itself and for the EU held that PAMs were "the central means of implementing the Kyoto Protocol." Portugal posited that we need to provide quantification of PAMs since it is both required by the Protocol and a necessary, concrete means of demonstrating progress by 2005. They also pushed the need to work on the sectoral level. Other EU countries including Switzerland, France, and the Netherlands supported these positions and added that emissions inventories would not be sufficient to demonstrate progress by 2005 and thus indicators were needed.

Jeff Miotke speaking for the US approved of the information sharing aspects of the recent Copenhagen workshop and asserted that that meeting met the requirements of the Buenos Aires Plan of Action. The US urged that compliance and demonstrable progress be measured using emission inventory data. Jeff forwarded the US belief that different national circumstances would make common indicators less useful and that information exchange should focus on good practices and best fit. Other Umbrella countries including Japan, New Zealand, Canada, and Australia provided support to these views emphasizing the importance of national circumstances, the focus on inventories over indicators, the concept of good practices over best practices, and that common indicators should not be a priority and that efforts to develop indicators unnecessarily increased our workload coming into COP-6.

Developing countries supported the information exchange aspects of PAMs. Several of the developing countries including China and Venezuela discussed the linkage of PAMs with Articles 4.8 and 4.9 and the need for a formal consultative process to address this linkage. The Chair stated that we need to decide how to respond at COP-6, ranging from providing no advice at all to forwarding common indicators to measure PAMs. The Chair urged that participants try to get past simply forwarding the party line and asked for concrete, constructive proposals be developed and provided to the Secretariat by 5pm Wednesday, June 7.

C

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Review, Reporting, and Adjustments (Articles 8, 7, and 5.2 Subgroup)
Tuesday, June 6 Morning and Afternoon Meetings
(prepared by Sharon Saile)

At the request of Parties, the we proceed through most of the rest of the Article 8 text merely as a vehicle to discuss issues. A new text will be drafted after Parties agree on a structural forma (our preference would be to reformat the text according to the timing of the review procedure as pre-commitment period, annual, and periodic).

In discussing the Article 8 text, we covered the issues of coverage, timing and procedures, guidance for the expert review teams, and composition of the teams.

The EU introduced a new non-paper on identification and classification of problems, so today we will go back and discuss this topic along with the adjustments process. The new EU position clarifies their opposition to our approach that everything is adjustable (they specifically identify problems that are non-adjustable inherently and also specify that conservative adjustments which increase the level of uncertainty in the overall inventory estimate beyond a certain threshold would be deemed non-adjustable). This should make for some interesting debate later today.

LULUCF

Sinks discussions were launched Monday with an outline of four main elements for SBSTA 12: consideration of the IPCC Special Report on Land Use, Land Use Change, and Forestry; preparation of data formats for the August 1 submissions; consideration of criteria and guiding principles for selecting additional activities under Article 3.4; and elements of a COP 6 decision on sinks.

Data formats got off to a reasonable start Monday with discussion gravitating around proposals by the U.S. and Australia, despite the extensive format proposed by the EU circulating for the last nine months. A contact group continued Monday evening and Tuesday, and will resume again Thursday after the IPCC presents its Special Report. A table for Article 3.3 activities is almost complete, but remaining issues include: (1) whether Parties will have to report any information that is not directly relevant to their proposals; (2) whether they have to discuss projected carbon stock changes after the first commitment period, and; (3) whether rows for deforestation should mirror rows for afforestation and reforestation. The last issue is pushed by Australia, which seems to be trying to engineer a requirement that if Parties choose an FAO approach to reforestation, they must choose a definition of deforestation that includes harvesting.

The co-chairs from Iceland and Uganda began the Criteria and Guiding Principles discussion Tuesday night. The EU table a long list of proposed criteria, topped with a statement that the main emphasis must be on fossil fuel reductions. The U.S. provided reference to relevant passages of the UNFCCC and the Protocol, particularly dealing with comprehensiveness, covering all sources and sinks, and cost effectiveness. The discussion proceeded with the unfortunate presumption that the objective was to conclude on an agreed list of criteria. Australia argued that the list should apply only to the August 1 submissions, and not thereafter. Co-chairs plan to resume discussion after preparing a paper synthesizing the diversity of views. Friday will focus on decision elements for COP6.

CLIMATE NEGOTIATIONS BONN JUNE 2000 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 the climate negotiations in Bonn, June 2000.

Flexibility Rules

CAN members will be using their opportunity to make interventions in the workshop on Mechanisms this evening to stress that flexibility mechanisms must be governed by strong rules. This is essential to guarantee global greenhouse gas reductions and meaningful progress towards the ultimate objectives of the UN Framework Convention. In particular, CAN members believe the following points need highlighting:-

Emissions Trading and JI

The rules governing eligibility to trade must emphasize compliance with Articles 5, 7 and 8 of the Protocol and Article 1 of the Convention, including review by independent bodies of the COP/MOP. An independently verified and certified national registry must be established for registering and verifying all transfers and acquisitions of AAUs, ERUs and CERs.

The registry must be compatible with all other national systems and a central registry maintained by the COP/MOP. And, an independently verified system must be established for monitoring, verifying, tracking and allocating AAUs to the legal entities under a Party's jurisdiction.

A liability system for emissions trading must be established which harnesses the forces of the market-place, to hold buyers as well as sellers of AAUs accountable for their transactions. A hybrid buyer-seller liability system would ensure environmental effectiveness and capture the power of the market to enhance compliance. Under such a system, buyers would be required to seek information and compare the relative quality of AAUs offered by different sellers. A pure seller liability system would fail to ensure the environmental integrity of

-continued over, col. 1

Process for Clouding the Facts?

And the nominee for Greenwashing Award of the year: step forward The World Bank's Prototype Carbon Fund, with its planned investments in Costa Rica hydro projects coming soon. The PCF seeks to create a "learning by doing" atmosphere for Kyoto flexibility mechanisms. However, the main problem with World Bank involvement is that linking learning and doing has never been one of the Bank's strong points.

Since the Climate Convention, designed to limit greenhouse gas emissions, was signed by a majority of the world's countries at the Rio Earth Summit in 1992, the World Bank Group has spent \$13.6 billion on fossil fuel projects which will, over their lifetimes, release 37.5 billion tons of CO₂ into the Earth's atmosphere. Rather than learning from these figures and creating bank-wide targeted goals for Bank lending in renewable energy, the \$150 million PCF has been created alongside a business-as-usual energy and environment strategy that NGOs had to plead with the Bank to be circulated for comment in key developing countries.

The PCF plays fast and loose with its terminology and interests. One PCF document says that investments will be "largely renewable". When meeting with NGOs recently, PCF Director Ken Newcombe stated that the PCF Implementation Notes would clarify just what this means... well, the implementation notes state: there will be an "emphasis on renewables". This clears up everything! In the meantime, there are no solar or wind projects explicitly in the pipeline. The PCF promises not to get out ahead of

-continued over, col. 2



The motor industry demonstrates its commitment to respond to the challenge of climate change

ISSUE NO1 VOLUME CIII FREE OF CHARGE

CLIMATE NEGOTIATIONS BONN JUNE 2000 NGO NEWSLETTER

-Flexibility, from front page
 these transactions - by allowing buyers to redeem purchases no matter what, purchasers would lose any incentive to assure the environmental integrity of the AAUs they purchase.

In the basic design of the emissions trading system, it is vital that the correct conditions are established, including comprehensive serialization of AAUs, full transparency of the reporting system, and accessibility of information to the general public.

The Clean Development Mechanism

In addition to the emissions trading system, rules for other mechanisms under consideration by the Workshop should be guided by the underlying principles of the mechanisms themselves, not by operational issues alone. This means that the CDM should be guided by rules that treat all technologies on a level playing field, without favor to the big projects that can absorb larger transaction costs.

The principles at stake in the CDM include:

- Protection of the Annex I target - it is essential that the rules for the CDM are written to ensure that vast volumes of credits aren't generated to offset any meaningful reduction requirement in the Annex I nations.
- Promotion of clean technologies in the non-Annex I host countries, and
- Minimization of other damaging environmental effects of technologies supported by the CDM (for example, technologies that are low carbon, but produce other forms of hazardous or environmentally harmful byproducts).

Two key ways of ensuring these principles are:

- An exclusive positive list of renewable and energy efficient technologies until the CDM is operational, and
- Project eligibility criteria, which explicitly rule out "clean" coal, nukas, and large hydro; meet a sustainability screening test; and provide for robust public participation.

Public participation in the CDM must include two fundamental principles: Disclosure of, and access to, environmental and other relevant information; and participation of the public and public interest groups in environmental decision making.

These principles must be built into the CDM by requiring that documents be made publicly available, and by allowing NGOs and local/indigenous groups to submit comments (including data and other information) to the entities responsible for making decisions on project acceptance, certification of emission reductions and accreditation of operational entities.

Building such provisions into the mechanism should not be seen as "burdening" the CDM with additional costs. Rather, public participation will enhance the CDM by promoting transparency and accountability, essential elements of good governance that can help ensure that the CDM delivers on its promised objectives.

As CAN has said before, the flexibility mechanisms will only be a valid option if they benefit the environment, are institutionally independent, transparent and verifiable. By ensuring that any agreement contains strong rules, Parties will move closer to the achievement of these goals.

Vanishing Act

On Wednesday the IPCC will present the results of the IPCC Special Report on Land Use Change and Forestry. The Summary for Policy Makers was negotiated recently at the IPCC XIV Plenary in Montreal. ECO will be reviewing the report and the IPCC presentation. In the meantime, delegates might like to reflect on the fact that, at the eleventh hour, some governments seem to want to hide the magnitude of their preferred loophole by deleting text. This wording describes the fact that the use of unlimited sinks could enable industrialized countries to meet their Kyoto Protocol commitments without taking any action to reduce their fossil fuel emissions. And in case anyone was wondering which countries the culprits are the US, Canada, Australia, New Zealand and Russia.

The text deleted in Montreal reads as follows: "Commitments under the Kyoto Protocol require Annex I parties to reduce emissions by about 200 MtC_y-1 below 1990 levels and about 750 MtC_y-1 below business-as-usual projections based on the IPCC IS92a scenario. A simple comparison suggests that the potential impact of Article 3.3 and 3.4 activities in Annex I countries alone could be comparable to the projected magnitude of reductions required by Annex I Parties. Such a comparison, however, risks under-estimating the difficulty in creating and implementing the incentives needed to achieve the potential."

Quiz: Who Said This?

(Hint: Think big!)

[On climate change] This is a huge problem. If we don't deal with this within just a few years, you will have island nations flooded; you will have the agricultural balance of most countries completely changed; you have a dramatic increase in the number of severe, unmanageable weather events. And the good news is that we can now deal with this problem - again I say, and strengthen our economic growth, not weaken it.

Answer: William Jefferson Clinton at the Rusten Durna yesterday.

-PCF from front page

the COP process, but has carved out 10% of its portfolio space for sinks projects! The PCF staff promises open TAG meetings but then has to be pressured into following up on that commitment. The PCF promises no investments in large hydro and then is rumored to be looking at the Bujagali Falls Dam in Uganda. What are we learning, while the Bank keeps on doing?



Ludwig's arrival in Bonn has unfortunately been delayed. Circumstances have deprived him not only of the well-known charms of the Hotel Maritim, but also of the wit and wisdom of distinguished delegates. Alas, he finds himself deep in the English countryside, with nothing more stimulating than birdsong, sunshine and shade.

However, let no-one see this as an opportunity! Ludwig's ever-vigilant spies are everywhere: all misbehaviour will be noted, and, if necessary, reported here - with the usual distortions - at the appropriate time.

NGO PARTY
9.30pm
Saturday 10 June
Insel Hotel,
Bad Godesberg

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From Hambley, Zimmer No. 104

TELEFAX

Date: Wednesday, 7 June 2000

UNCLASSIFIED

TO: Ms. Linda Catlett

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

SUBJECT: Climate Change (SB12): Periodic Update No. 3 for
Tuesday/Wednesday, June 5-6, 2000

Please note that there is yet another name for your distribution - David Hayes from Interior. Thanks.

MGH

6/8/00

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

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EPA	Bill White	202 260-4852
EPA	Brian McLean	202 565-2141
EPA	Dina Kruger	202 565-2077
DOD	Kevin Doxey	703 607-3124
DOI	David Hays	202 208-1873

From Hambley, Zimmer No. 104

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TELEFAX

Date: Thursday, 8 June 2000

UNCLASSIFIED

TO: Ms. Linda Catlett

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

SUBJECT: Climate Change (SB12): Periodic Update No. 4 for
Wednesday/Thursday, June 7-8, 2000

Attached is a copy of the climate change Update No. 4 for June 7-8, 2000. Please arrange with someone to collect and distribute these reports each day if you are going to be absent. I generally try to fax a separate copy to the Front Office, as well, but it is always good to check with them. Please also ensure that the fax machine has paper! Many thanks.

MGH

6/8/00

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

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 4 from SB12 (Wed/Thurs, June 7/8)

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

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

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

8 June 2000

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

Atmospherics

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

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

NGO Meeting – An Unfortunate Letter is Delivered

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

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

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

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

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

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

Reaction to our Article 4 Efforts

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

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

6

Status of the Negotiations

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

- (a) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14:** The first discussion of Article 3.14 occurred on June 7. The Saudis once more listed their demands for minimizing the impacts of response measures that include eliminating tax distortions and removing subsidies; discouraging nuclear energy; supporting wider use of CO2 sequestration technologies; helping with economic diversification; and providing compensation where adverse impacts are indicated. Annex I Parties took a firm and consistent line on this issue and during the discussion of minimizing the impacts of climate change, as well. The leading process debate continues to be over the question of whether Article 3.14 will be handled as a separate decision or not. Annex I uniformly said no. Saudi Arabia gained the support of China that said the decision should be separate, because Article 3.14 deals only with Annex I obligations 4.8/4.9. The Saudis pushed back hard on this point.
- (b) **Technology Transfer:** There continues to be tussle over efforts by the G-77/China to turn Chair Dovland's productive Friends of the Chair group into a formal contact group. The June 7 discussions revolved around the IPCC contribution on this topic and on the web page that has been established.
- (c) **Kyoto Mechanisms:** There were no formal meetings on Wednesday. They resume later today (June 8). Malaysia's Chow Kok Kee, the chair of this group, held a meeting with a contact group and reported that the G-77 had not as yet agreed to release his revised text. He hopes that following additional consultations within the group that this might be possible by Friday. If this is not the case, he will hold an additional general discussion next Monday (June 12) and will issue the text on Tuesday - if there are no objections raised by Parties. (Comment: We understand that the delay is being caused by the Saudis and their allies who insist that Chow has moved too quickly on mechanisms, leaving their issues at a disadvantage. The timing for the Article 4.8/4.9 discussions was shifted today to permit the holding of a mechanisms meeting in place of a session on cross-cutting issues. Article 4.8/4.9 is being allocated an additional three hour session on Saturday. End Comment)
- (d) **Compliance:** As noted, the U.S. and the EU held a useful bilateral on this topic on June 7. We were impressed to note that some 16 EU delegates showed up, so there was no misinterpretation of our message to the broader group. The actual meetings on June 7 went better than expected. The participants went through the old elements text. They were invited to comment on the co-chairs' new text. The co-chairs then hope to develop a new document which can be reviewed by delegates during the formal meetings next week.

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- (e) **Policies and Measures (PAMs):** Hopes for an early resolution of this issue to keep it from becoming a drag to the already overburdened September agenda have been diminished. According to SBSTA Chair Dovland, his efforts to put together the draft elements for a decision were complicated by EU submissions that call for the development of international indicators and for the delineation of policies that can measure substantial progress by the review expected in 2005. Both positions are opposed by the umbrella group and are not supported by many G-77 countries, either.
- (f) **Land Use and Land Use Change and Forestry (LULUCF):** During a marathon presentation of its report, various IPCC scientists – led by Chair Bob Watson – outlined the reports conclusions and responded to questions. More detailed reporting will be available in a future update. Suffice it to note the interest in this topic exhibited by developing countries, and especially by the Latins. Colombia's Black gave a particularly compelling intervention on the utility of sinks as CDM projects. Although the EU warned us to expect a "very tough" paper on sinks, the British appeared to have been impressed with the explanation we gave to them at our June 7 bilateral on the way we propose to handle Article 3.4's additional activities. We will make another push at a bilateral with the EU Presidency (Portugal) later on June 8.
- (g) **Capacity Building:** The chair of this group, SBI Chair John Ashe (acting solo in the absence of Dan Reifsnyder) held his first meeting on this topic on June 7 with a focus on the needs of economies in transition. Aside from the Russians who indicated that they want to know how much money they can expect (!!), most of the other EIT member states were thoughtful interlocutors, many of whom expressed gratitude for the help they had already received. Ashe posed a number of questions he would like answered by the Parties. These are essentially in three broad categories: (a) What are the needs? (b) What are the means?, and (c) How do we get from here to there? Countries have been asked to prepare answers to these questions for the next discussion on this issue that will involve capacity building as it relates to developing countries.
- (j) **Cross-Cutting Issues:** The second meeting scheduled for the afternoon of June 8 has been cancelled because it is not needed. As noted, the time slot has been given to the mechanisms working group.

US CLIMATE ACTION NETWORK

1367 Connecticut Avenue, NW, Suite 300 • Washington, DC 20036
Tel: (202) 785-8702 • Fax: (202) 785-8701 • Email: naddy@ciel.org

FAX MEMORANDUM

Please Deliver Immediately

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

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

FAX: 647-0191, 456-2710

FROM: Nathalie Eddy, USCAN, International Coordinator

DATE: June 7, 2000 PAGES: 6

RE: USCAN letter to Climate Negotiators

Dear U.S. Climate Delegation,

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

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

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

Sincerely,

Nathalie Eddy
USCAN, International Coordinator

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

June 7, 2000

Dear Climate Negotiator,

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

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

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

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

Sincerely,

Members of US Climate Action Network

Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

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

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Vol. 12 No. 130

Published by the International Institute for Sustainable Development (IISD)

Thursday, 8 June 2000

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

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

INFORMAL MEETINGS AND WORKSHOPS

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

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

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

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

DEVELOPMENT AND TRANSFER OF TECHNOLOGY:

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

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

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

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

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

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

This issue of the Earth Negotiations Bulletin © enb@iisd.org is written and edited by Angela Charis angela@iisd.org, Jon Hanks jon.hanks@iisec.lu.se, Lavanya Rajamani lavanya@iisd.org, Malena Sell malena@iisd.org, Chris Spence chris@iisd.org and Juliette Veinov coedrickoblor@gmail.com. The Digital Editors are Andrei Henry andrei@iisd.org and Ken Tong ken@iisd.org. The Editor is Pamela S. Chasek, Ph.D. pam@iisd.org and the Managing Director is Langston James "Kimo" Gomo VI kimo@iisd.org. The Sustaining Donors of the Bulletin are the Netherlands Ministry of Foreign Affairs, the Government of Canada (through CIDA and DFATT), the United States (through USAID), the Swiss Agency for Environment, Forests and Landscape (SAEFL), the United Kingdom Department for International Development (DFID) and the European Commission (DG-ENV). General Support for the Bulletin during 2000 is provided by the German Federal Ministry of Environment (BMU) and the German Federal Ministry of Development Cooperation (BMZ), the Danish Ministry of Foreign Affairs, the Ministry of Environment of Austria, the Ministries of Foreign Affairs and Environment of Norway, the Ministries of Foreign Affairs and Environment of Finland, the Government of Australia, and BP Amoco. Logistical support has been provided at this meeting by the UNFCCC Secretariat. The Bulletin can be contacted by e-mail at enb@iisd.org or by fax at +1-212-644-0204; fax: +1-212-644-0205. IISD can be contacted by e-mail at info@iisd.org and at 161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba R4E 0P4, Canada. The opinions expressed in the Earth Negotiations Bulletin are those of the authors and do not necessarily reflect the views of IISD and other funders. Comments from the Earth Negotiations Bulletin may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this Bulletin in commercial publications, contact the Managing Editor. Electronic versions of the Bulletin are sent to e-mail distribution lists and can be found on the Links page on the WWW server at <http://www.iisd.ca/links/gas/>. The satellite image was taken above Bonn ©2000 The Living Earth, Inc. <http://livingearth.com>. For information on the Earth Negotiations Bulletin, send e-mail to the Managing Director at kimo@iisd.org.

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

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

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

IPCC SPECIAL REPORT: IPCC Chair Robert Watson presented the major findings of the IPCC Special Report on Land Use, Land-Use Change and Forestry (LULUCF), which were then elaborated by the lead authors. On the global carbon cycle, Bert Bolin said ecosystem models indicate that additional terrestrial uptake of atmospheric CO₂ arising from indirect anthropogenic effects is likely to be maintained for several decades in the forest ecosystems, but may gradually diminish. Robert Watson underscored that defining afforestation, reforestation and deforestation will be critical, as this will determine the amount of land falling under Article 3.3 and treatment of the harvesting-regeneration cycle. On carbon accounting, he presented land-based and activity-based approaches, noting that in the former case it is difficult to factor out human-induced activities, while the latter poses a risk of double counting. Bernard Schlamadinger outlined three different accounting approaches applied to the FAO definitional scenario as well as the IPCC scenario to illustrate the effect of different approaches under Article 3.3.

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

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

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

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

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

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

THINGS TO LOOK FOR TODAY

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

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

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

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

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

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

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From Hambley, Zimmer No. 104

TELEFAX

Date: Thursday, 8 June 2000

UNCLASSIFIED

TO: Ms. Linda Catlett

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

SUBJECT: Climate Change (SB12): Periodic Update No. 5
Supplemental Reporting for Wednesday/Thursday, June 7-8, 2000

Attached is a copy of detailed USDEL reporting for June 6/7, plus the June 6 copy of the Earth Negotiations Bulletin. These reports should be read in conjunction with Updates No. 3 and 4. Please distribute them to the addressees on the attached list. Many thanks.

MGH

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6/8/00

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

Organization	Name	FAX
State/OES	David Sandalow	202 647-0217
State/OES	Ken Brill	202 647-0217
State/OES	Brooks Yeager	202 647-0217
State/OES	Povenmire/Hobgood	202 647-0217
State/L/OES	Sue Biniarz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer <i>et al.</i>	202 647-0191
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
WH	Roger Ballentine	202 456-1736
USAID	Hales/Barrctt	202 216-3174
WH/OSTP	Rosina Bierbaum	202 456-6025
WH	Ian Bowles	202 456-2710
Treasury	Todd Stern	202 622-0073
Treasury	Robert Crumby	202 622-2633
Commerce	Robert Festa	202 482-4636
Commerce	Dana Palmer	202 408-9674
WH/CEQ	George Frampton	202 456-2710
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
Energy	David Goldwyn	202 586-0861
WH/CEA	Robert Lawrence	202 395-6958
Energy	Margot Anderson	202 586-3047
WH/OVP	Michael Orfini	202 456-9500
EPA	R.Perciaspepe/J.Beale	202 260-5155
Energy	Dan Reicher	202 586-9260
EPA	Bill White	202 260-4852
EPA	Brian McLean	202 565-2141
EPA	Dina Kruger	202 565-2077
DOD	Kevin Doxey	703 607-3124
DOI	David Hays	202 208-1873

8 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 5 from SB12 (supplemental reporting)

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

- (A) Notes on the June 6 mechanisms informal workshop prepared by EPA's Jennifer Macedonia;
- (B) Notes on the June 6 mechanisms discussion with NGOs and Business representatives prepared by EPA's Jennifer Macedonia;
- (C) Reports on the June 7 meeting on capacity building prepared by States Barbara DeRosa Joynt;
- (D) Notes on the first technology transfer meeting and on the EU-Umbrella Group consultation, both held on June 7, prepared by EPA's Paul Schwengels;
- (E) A report on the June 7 meeting on Articles 4.8/4.9 and Article 3.14 prepared by USAID's Duane Lakich Muller;
- (F) A report on the IPCC's presentation of its special report on sinks which I believe was prepared by USDA; and
- (G) The June 7 edition of the NGO-prepared Earth Negotiations Bulletin.

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

A

NOTES: 6/6 Mechanisms Informal Workshop

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

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

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

B

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NOTES: 6/6 Mechanisms Meeting with NGOs

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

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

C

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Informal Workshop on Capacity Building

June 7, 2000

Notes: Barbara De Rosa-Joynt and Duane Lakich Muller

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

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

D

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

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

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

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

E

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

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

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

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

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

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The presentations focused on:

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

Questions/Concerns were focused on two broad areas:

- 1) Measurability of carbon stock changes (both in terms of meeting national commitments and for projects)
- 2) Issues related to sustainability

Measurability

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

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

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

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

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

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

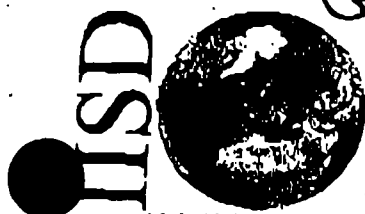
Sustainability

Tuvalu raised concerns about not having global sustainability criteria and I believe raised the issue that Annex 1 countries could meet all their commitments through sinks?

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

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

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



Earth Negotiations Bulletin

SB-12
#3

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

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

INFORMAL MEETINGS AND WORKSHOPS

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

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

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8:

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

BULGARIA, she suggested distinguishing between Quality Control and Quality Assurance, recognizing the stronger obligation to implement the former.

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

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

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

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The US highlighted the need to maintain similar approaches on Articles 4 (joint fulfillment of commitments) and 17 (emissions trading), as both permit Parties to fulfill obligations collectively, pointed out that Article 4 refers to transferor liability.

TUVALU, on behalf of AOSIS, highlighted the need for environmental integrity of emissions trading systems and sought elaboration on the idea of a compliance reserve. COLOMBIA stressed the need for a suitable system for the measurement of emissions from joint and mobile sources. INDIA stressed the need to first determine the character, nature and volume of the transferable. He said that the CDM could be marginalized by emissions trading because of its sustainable development requirements.

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

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

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

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

On additional cross-cutting issues, SAUDI ARABIA asked *inter alia*: the relationship between the financial penalty under the compliance regime and Protocol Articles 2.3 and 3.14;

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

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

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

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

IN THE CORRIDORS

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

THINGS TO LOOK FOR TODAY

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

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

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

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

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

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

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

1711
cc: SA
LBE

From Hambley, Zimmer No. 104

TELEFAX

Date: Friday, 9 June 2000

UNCLASSIFIED

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

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

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

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

MGH

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9 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 6 from SB12 (Thurs/Fri, June 8/9)

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

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

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

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9 June 2000

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

Atmospherics

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

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

The Russians Are Coming (and some are already here)

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

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

Reactions to the NGO Letter

We have not received reactions from any government to the NGO letter reported in Update 4 that casts U.S. positions on the Kyoto Protocol in disparaging terms. Surprisingly, it was not even featured in the latest edition of ECO (included in this report), despite the fact that this broad sheet is only one page, rather than its usual

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two (and sometimes four; thus this edition of ECO is referred to in the editors' self-deprecating style as "ECO-Lite".) As it is, the letter has only been left out on a distribution table. We doubt it will be raised by any government representatives. We have continued to up-braid NGOs whose organizations signed the letter, and our chastisement has had a modest, mollifying effect.

Reactions to our Article 4 Placements

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

Status of the Negotiations

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

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

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

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

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have brought capacity building in the CDM into these discussions. However, this idea is not likely to have wings.

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

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

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

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

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

- (E) **Policies and Measures (PAMs):** A consolidated text has been prepared. The EU and the umbrella will meet on this topic at the former's request. Stay tuned.
- (F) **Land Use and Land Use Change and Forestry (LULUCF):** Two core issues that are under consideration are (a) consideration of the IPCC Special Report and (b) elements for a decision at COP-6. The umbrella group would prefer a structure for a decision, rather than actual elements. In fact, the Icelandic chair told the group that while the mechanisms work is proceeding by means of a "walk in the garden," the sinks work is more like building a house. The IPCC report provided the foundation. Now there is the need to develop the architecture.

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

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

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

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

JUSCANZ Meeting
8 June 2000
Jack Schick

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

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

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

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

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

8

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

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

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

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

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

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



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

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

INFORMAL MEETINGS AND WORKSHOPS

MECHANISMS: Joint Implementation: BOLIVIA and SOUTH AFRICA urged greater equilibrium between the rules relating to CDM and JI. CANADA and JAPAN emphasized that JI is subject to the rigor of guidelines under Protocol Articles 5, 7 and 8. CHINA suggested that JI be subject to CDM requirements, and sought clarity on who should pay for this. The EU and SWITZERLAND said their submissions on baselines for CDM applied to JI. SOUTH AFRICA said its submission on monitoring, reporting and verification for CDM also applied to JI.

Clean Development Mechanism: BOLIVIA, COLOMBIA, the US, IRAN, HONDURAS and NORWAY supported the inclusion of sinks projects in the CDM on the grounds that, *inter alia*: nearly one-fifth of global emissions come from deforestation and land use change; almost 90% of emissions from tropical countries are from LULUCF activities. IRAN said that in light of the FCCC's comprehensive approach, the CDM should cover all six gases, and all sources and sinks. The EU and SWITZERLAND opposed sinks projects in the CDM, as it raised questions of methodological uncertainty, non-permanence and leakage. The SUDAN and SENEGAL said it was premature to decide on the inclusion of sinks, as the IPCC report had just been released. AOSIS, with COLOMBIA, said Protocol Article 6 (JI) and 12 (CDM) should be given equal treatment in the context of share of proceeds for adaptation, as this would ensure real additional funds for adaptation, sufficient funds for administrative costs, and no additional transaction costs for the CDM. NORWAY and the EU opposed a provision on share of proceeds in Articles 6 and 17 (Emissions Trading). BOLIVIA called for an analysis to determine if project-by-project or regional/sectoral baselines would be appropriate. INDIA supported project-by-project baselines. SWITZERLAND, the US and NORWAY underscored the need for stakeholder participation and transparency in the CDM. SAUDI ARABIA and AOSIS opposed nuclear projects under CDM.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8:

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

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

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

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ECO LITE



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

Sinking Things Through...

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

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

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

Let's get on with it. No more holding up a decision on 3.3 until 3.4 is negotiated. (We're

looking at you, US.) No more asking for a pick and choose approach to definitions and accounting methodologies in the August submissions that allow each Party to provide estimates of its carbon stock changes under its own preferred definitional scenario. (That's you Japan.)

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

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

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

Remember 2005?

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

The Fourth National Communication will provide some information on demonstrable progress. This should be submitted before the

end of 2005. Parties are obliged to report on projected and actual emissions, and on implemented policies and measures. But a thorough review could do more. One suggestion is the reporting and review of detailed quantitative indicators, at the sectoral level, to assess the effect of policies and measures. Another is for parties to report on their preparation for implementation of the Protocol - establishment of national systems, and implementation of domestic legislation and enforcement processes.

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

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

<u>Organization</u>	<u>Name</u>	<u>Fax</u>
State/OES	David Sandalow	202 647-0217
State/OES	Ken Brill	202 647-0217
State/OES	Brooks Yeager	202 647-0217
State/OES	Povenmire/Hobgood	202 647-0217
State/L/OES	Sue Biniarz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer <u>et.al.</u>	202 647-1091
State/OES	Susan Gordon/H. Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
Commerce	Dana Palmer	202 408-9674
Commerce	David H. Festa	202 482-4636
DOD	Bruce Degrazia/K. Doxey	703 607-4237
DOD	Dan Benton	703 693-4507
DOD	Sherri Goodman	703 693-7011
DOI	David Hayes	202 208-1873
DOJ	Jim Rubin	202 514-4231
Energy	Dan Reicher	202 586-9260
Energy	David Goldwyn	202 586-0861
Energy	Margot Anderson	202 586-3047
EPA	Bill White	202 260-4852
EPA	Robert Perciaspepe/J. Beale	202 501-0394
Treasury	Robert Crumby	202 622-2633
Treasury	Todd Stern	202 622-0073
USAID	Hales/Barrett	202 216-3174
WH	Ian Bowles	202 456-2710
WH	Roger Ballentine	202 456-1736
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
WH/CEA	Robert Lawrence	202 395-6958
WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

#7

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10 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 7 from SB12 (supplemental reporting)

This message transmits additional reporting on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message includes the following reports by USDEL members, principally covering events on Thursday and Friday, June 8 & 9:

- (A) A report on developments in the Land Use and Land Use Change and Forestry discussion (sinks) prepared by State's Adele Morris;
- (B) Details notes on Article 5.1 deliberations prepared by EPA's Wiley Barbour;
- (C) Reports on Article 8, 7, and 5.2 subgroups prepared by EPA's Sharon Saile;
- (D) Additional reports on the June 10 meetings on Articles 8, 7, and 5.2 sub-groups prepared by EPA's Sharon Saile;
- (E) Report on the June 9th informal workshop on capacity building prepared by USAID's Duane Lakich Muller;
- (F) Report on the June 8 meeting on Article 4.8.4.9 and Article 3.14 prepared by USAID's Duane Lakich Muller;
- (G) Report on the June 8 meeting on compliance prepared by EPA's Sharon Saile and State's Evan Bloom;
- (H) A report on the June 8 mechanisms meeting prepared by EPA's Jennifer Maccdonia; and,
- (I) A summary of the June 9 meeting on technology transfer, along with a list of the themes for the discussion proposed by the U.S. prepared by State's Duncan Marsh.

All of the foregoing materials should be read in conjunction with our Updates No. 6 and 8. As is the case with other reports, these are for internal use only and are not intended for dissemination outside the U.S. Government.

A

4

LULUCF 2 6/10/00

Sinks discussions have focused on two elements: considering the IPCC Special Report and further developing data formats for the August 1 submissions. Some of the lead authors, along with Bob Watson, have been available for questions during discussions of the Special Report. Friday, the main LULUCF contact group spent four and a half hours on the Report and another three hours are scheduled for Saturday. The co-chairs have so far taken a relaxed approach to the discussion, mainly so that nobody can accuse them of rushing the consideration process.

A more focused and facilitated discussion of the Special Report is likely to commence Saturday, with an eye toward moving toward some further discussion of criteria and guiding principles for additional activities under Article 3.4 and decision elements for COP6. The Umbrella group view is for the SBSTA 12 decision to provide guidance for the Secretariat for the structure of the synthesis of the proposals from the August 1 submissions, as opposed to outlining a specific set of decision elements for COP 6. Australia circulated a draft SBSTA decision, which is similar to the one we have prepared but not circulated.

The data formats work is progressing well, if slowly. We are almost through all three tables, but important work remains, including instructions and headers for the table, and explanatory text elements for the Article 3.4.

B

5

Notes from SBSTA-12: Guidelines under Articles 5,7 and 8 of the Kyoto Protocol
(by SPA's Wilson Barbosa)

Breakout Session on National Systems (Article 5.1) – June 9, 2000

All bracketed text has been removed or accepted. Saturday the contact group will meet to informally accept the guidelines text. Legal experts from Canada, US, and UK met to discuss the wording of the opening statement on the mandatory nature of the guidelines. The US and Canada tried to get a clear statement that these guidelines are mandatory, but the UK blocked that. The final phrasing is "The application of these provisions is mandatory, except for those expressed in non-mandatory language."

Breakout Session on National Systems (Article 5.1) – June 8, 2000

Today we completed our small contact group work on the Guidelines for National Systems, and have agreed on text for almost all paragraphs. The US proposal forms the basis for much – almost all - of the document, and all of our recommendations have been accepted with only minor revisions. Two key paragraphs have been bracketed but not yet deleted; these are the 6 (bis) and 15 (bis) paragraphs from the original draft that discuss project level monitoring. After several long discussions, the group seemed ready to delete these proposed paragraphs as not appropriate under the 5.1 guidelines, but the EU asked for time to meet with their delegation before agreeing to that deletion.

Legal experts from the EU, US and Canada are converging on the exact wording for the opening paragraph, which is a statement about the mandatory nature of the guidelines. The debate over the reporting requirements has finally been resolved – the entire section on reporting has been deleted as suggested by the US. A general requirement was agreed to which requires reporting in accordance with relevant decisions of the COP and COP/MoP, but all specific reporting functions have been removed from the National Systems Guidelines.

We also were able to delete the proposed footnotes, which unwisely attempted to state the purpose of the good practice guidance. The US circulated copies of text from Chap 7 and Chap 1 that contained similar text and the group agreed that since this was already stated in the guidance, there was no need to include footnotes.

Breakout Session on National Systems (Article 5.1) – June 7, 2000

Some progress has been made, and many US proposals were accepted, but several key points have been set aside for further discussion later this week. The EU representative objected to proposed US text that National System guidelines are mandatory for all Annex I Parties. EU asserts that National Systems are not mandatory until a decision by Parties. A meeting between US and EU representatives will be scheduled for Wednesday. Substantive disagreement over EU proposal to link project level monitoring to the national system guidelines. This has also been deferred until later.

C 6

Review, Reporting, and Adjustments (Articles 8, 7, and 5.2 Subgroup)
Thursday, June 9 Morning and Evening Meetings
(prepared by Sharon Saile)

At the morning session, we had an exchange of views on the Secretariat draft of guidelines for Article 7. There was general agreement by Parties that the draft text prepared by the Secretariat contained roughly the right headings for the elements to be reported annually under Article 7.1 and periodically under Article 7.2. Parties did have some specific comments, primarily focused on the fact that the different items to be reported "annually" might more usefully be submitted at different times. The EU introduced its non-paper on requiring specific items (emissions trends and indicators) to be included as a special report under Article 7.2 on demonstrable progress required by Article 3.2. The umbrella group countries generally responded that while some other items (such as evidence of progress on national systems, national registries, and domestic compliance) might be appropriate to demonstrate progress by 2005, this issue was not specifically identified in the Buenos Aires Plan of Action and was not a priority for COP6. Parties agreed to discuss the Article 7 issues further at the next SBSTA meeting in September.

The evening session started with a summary of the agreement reached in the morning. After 30-40 minutes of re-discussion, the EU finally agreed to the agreement we had reached in the morning. The group then returned to the Article 8 issues by continuing its discussion of the EU paper on classification of inventory problems. After discussion, the Parties agreed that the first useful classification of inventory problems is captured by identifying an indicative list of "first-order" problems (which Parties agreed, without explicitly stating as such, would result in referrals to the compliance body for further, specified action). The US intervened to request that the Secretariat not lose the substantive points included in the submission of our list of first-order problems which are different from those listed by the EU.

We then discussed the qualitative classification of other problems listed in Section 3 of the EU paper. The conclusion was that this classification would not be particularly helpful to the technical ability of the Expert Review Team to identify inventory problems, but would be helpful in a "summary for policy makers" sense for characterizing the technical problems in the reports ultimately sent to the compliance body. A long discussion ensued, with several extremely helpful interventions from New Zealand, Australia, Slovakia, Russia, and Canada, in addition to the US. Although the meeting did run about an hour longer than scheduled due to the late start, we were able to conclude with specific instructions for drafting the text.

We agreed first that most of the classification categories (transparency, consistency, comparability, completeness accuracy, and timeliness) were subsidiary descriptions of the overarching category called "problems with direct implications on the total aggregated inventory estimate or trend". We agreed that all inventory problems would have an implication on the emissions total, and thus all inventory problems were adjustable. If several small inventory problems resulted in a large total annual adjustment (to be defined by a quantitative threshold), then Parties agreed there were two possible options for guidance for the review teams: a) such problems were not adjustable (EU position) or b) such problems should both adjustable and result in classification as a first order problem (with additional consequences) (UG+Slovakia).

D

T

Review, Reporting, and Adjustments (Articles 8, 7, and 5.2 Subgroup)
Friday, June 10 Morning Meeting
(prepared by Sharon Saile)

SUMMARY: Next week, we will be able to discuss the revised text for Article 8 review, including the review for national communications.

MEETING NOTES: Although we had mostly agreed on the descriptive classification of inventory problems, at today's meeting the EU realized it hadn't meant to agree that all inventory problems are adjustable. The Chair agreed to clarify that there was still a difference of opinion as to whether all problems are adjustable.

In finishing our discussions of the adjustment procedures, we discussed how much time a Party would have to provide a corrected inventory which would then remove an adjustment. All Parties agreed that an adjustment could not be removed after it had been used for the accounting of emissions and assigned amount for the previous commitment period. However, Australia indicated their position that at any time during the commitment period (e.g. in the submission of the 2010 inventory), a Party should be able to provide a correction (e.g. for the 2008 inventory), which would remove a previous adjustment, should the correction be found satisfactory during an Article 8 review. The EU indicated that they believed that an adjustment should not be removed after it has been applied following an Article 8 review because the Party would have had an adequate opportunity to correct the problem (e.g. by using a less data-intensive but approved methodology) during the annual review.

The umbrella group interventions allowed us to clarify that any adjustment would not directly affect the submitted inventory, but would be used to adjust for the accounting of emissions and assigned amount. This allowed us to note that a correction could be submitted at any time to ensure a consistent time series in the inventories without necessarily affecting the official data tracked for accounting of emissions and assigned amount.

The Chair had some difficulty officially concluding the meeting because many Parties, including the EU and umbrella countries, stridently requested the Chair to authorize the Secretariat to draft a new text over the weekend, following the agreed revised outline provided by Parties. (There was some confusion because we really wanted to continue with our small group of Parties to draft the new text, but we needed the authorization of the Chair so that it could be introduced on Monday). After the meeting, we did get the Chair's authorization.

E

8

INFORMAL WORKSHOP ON CAPACITY BUILDING
Friday, June 9, 2000 (3-7pm)
Notes: Duane Lakich Muller

The informal workshop on capacity building began with a presentation by UNDP/GEF on its Capacity Development Initiative (CDI) – an action plan/strategy aimed at being more responsive to the continuing concern for capacity building among developing/EIT countries. CDI includes three phases: 1) an assessment of capacity building needs at the country/regional level (four regions); 2) preparation for overall capacity building strategy based on needs; 3) GEF action plan to address those needs. The results will be presented at SB-13. Termed “capacity development” rather than “building,” this activity is aimed at enhancing and mobilizing existing efforts—not creating new capacity building initiatives. Regional experts presented their preliminary findings for Eastern Europe, Latin America, Africa, and the Small Island Developing States (SIDS). There was no presentation on Asia, although an assessment is taking place for the region.

Following the CDI presentation, Chairman John Ashe called on Parties to provide initial comments on the CDI, as well as comments to questions presented by the Chair to assist Parties in considering elements for a capacity building framework. As expected, the G-77/China attacked the CDI, indicating without financial resources, capacity building cannot take place. Many developing countries, including Tanzania, Kenya, Nigeria, Brazil, and Guyana (as well as the NGO, Climate Network Africa) questioned the use and timing of questionnaires; methodologies in the CDI assessment; and the need for “sustainable” capacity building measures; they also highlighted the need for a country-driven approach to capacity building.

With regard to the questions to assist Parties in considering elements for a capacity building framework, Nigeria (on behalf of the G-77/China) reiterated the need to incorporate national priorities, a country-driven approach, and centers of excellence into a capacity building framework, with a focus on human resource development. El Salvador, Egypt, Sri Lanka, and Samoa (on behalf of AOSIS) supported the G-77/China's intervention, and reiterated the need for financial assistance and institutional strengthening.

The EU, to the surprise of many UG members, praised the CDI as a vital element to identify the needs of developing countries, and criticized the lack of information and prioritization from developing country submissions, noting that only five submissions were made to the FCCC Secretariat. Like the EU, Australia also noted information gaps in the submissions by developing country Parties, and called for a way forward that included a country-driven process and the need to recognize that capacity building priorities differ among developing countries. Canada and the US stressed the importance of a country-driven approach and of incorporating national development strategies into the elements for a draft capacity building framework, while also noting the need to improve coordination of ongoing capacity building initiatives by Annex II Parties.

An elements paper on capacity-building for Non-Annex I Parties (as well as one for EITs) will be available at 5pm on Saturday, June 10, 2000.

F

9

Informal Workshop on Article 4.8/4.9
Thursday, June 8, 2000 (5-7:30pm session)
Notes: Duane Lakich Muller

The Co-Chairs distributed a compilation of submissions by Parties on Articles 4.8/4.9 (and 3.14), which included submissions by: the African Group, Australia, Canada, Egypt, EU, Japan, New Zealand, Saudi Arabia/Kuwait/Venezuela, South Africa, and USA. Saudi Arabia highlighted the need to reach two draft decisions and two negotiation texts (one for 4.8/4.9 and one for 3.14) by early next week, citing the BAPA and preparation for the COP/MOP-1. Many Parties, including Switzerland, US, Portugal (on behalf of the EU), Zimbabwe, Australia, Japan, and Burkina Faso noted the need for additional time to review the submissions by Parties, and allow for further submissions over the next day or two. At the suggestion of Zimbabwe, the Co-Chair Bo Kjellen called on Parties to summarize their views in the submissions noted in the compilation. All Parties, with the exception of New Zealand, noted their views on 4.8/4.9, and in some cases 3.14. Honduras, which did not provide a written submission, did note the need for all Parties to place a high priority on vulnerability and adaptation, citing Hurricane Mitch and the devastation it caused to her country—primarily due to deforestation. Honduras also noted the importance of the national communications process, and the need for additional financial resources in the vulnerability sector, while also stressing that disasters make an obvious link to climate change. The Co-Chairs have not decided whether to continue discussions on 4.8/4.9 on Friday, June 9, or whether to allow Parties to draft additional submissions and review existing submissions, and meet on Saturday, June 10.

G

10

Joint Working Group (JWG) on Compliance
Wednesday, June 8 Afternoon Meeting
(prepared by Sharon Saile and Evan Bloom)

The JWG on Compliance held its first informal session on Wednesday afternoon. After a long summary by Co-Chair Slade, the group made progress over 4 hours, working through a good portion of the Co-chairs elements paper. Delegations are working with the Secretariat off-line to produce a new text with more legal language, and the discussions in the JWG will likely be reflected in that text, which will be released at the end of the week.

The Saudis unhelpfully intervened several times to suggest that compliance issues related to the CDM could only be covered by the CDM Executive Board. A consensus has yet to emerge on exactly what to call the compliance "system/body/authority". South Africa, China and Saudi Arabia continued to support various "principles" for the compliance text. The discussion moved on to structure of the compliance body. The US indicated that the Chairs might be able to structure the text to allow agreement at COP6 on the important issues, while leaving decisions on less critical issues to be decided later.

We also had a useful discussion about the "referrals" section. Discussions on the elements text will continue on Thursday.

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Mechanisms Workshop, June 8, 2000

During a three-hour morning session, Mechanisms Group Chair Chow Kok Kee raced through the voluminous text of consolidated submissions on all three mechanisms. As expected, most Parties did not intervene on a number of sections so that Chow could complete his run-through and open the door to consideration of a more streamlined version of the document. (Note: We understand that such a document has already been prepared and is waiting in the wings. End Note.) However, despite an intervention from Costa Rica urging Chow to produce a consolidated text, it was not clear what Chow's next move would be, given OPEC's interest in holding the mechanisms discussion hostage to making "progress" on Articles 4.8 and 4.9. Later in the day, in a private conversation with Chow, he indicated that certain Parties were "tying his hands." Much of the discussion on Chow's text focused on treatment of sinks in the CDM, fungibility, and the application of the share of proceeds to Articles 6 and 17. Switzerland, the U.S. and Norway also stressed the importance of transparency and allowing for public comments at different stages of the CDM project cycle. The lively exchange on sinks pitted the Latins (Colombia and Bolivia were particularly eloquent), Africans, Umbrella Group, and Iran (in an unusually supportive statement) against AOSIS, the EU and Switzerland. While AOSIS remained firm in its opposition, the EU and Switzerland focused on the need to address the concerns posed by leakage, uncertainty, and permanence (or "duration" as USDEL helpfully pointed out) before sinks could be included in the CDM. As in previous statements, India stressed the fundamental differences between the mechanisms and the fact that Article 12 does not provide for the transfers of CERs as Article 6 and 12 do for ERUs and parts of assigned amount, respectively. A number of developing countries (e.g., South Africa, Tuvalu, and Bolivia) called for assessing trading and JI with the share of proceeds for adaptation. At one point, Saudi Arabia reminded us that we were not negotiating but pointed out the "consensus" that existed on leaving nuclear energy projects out of the CDM. At the close of the session, Chow briefly touched upon the questions developed by the SBI/SBSTA Chairs to get at those crosscutting issues "assigned" to the mechanisms group.

Drafted: Susan Wickwire

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Technology Transfer - June 9 Summary

The third day of technology transfer meetings - a 1 1/2 hour Friends of the Chair meeting - went refreshingly smoothly after yesterday's rougher session. This time, the group largely followed our opening suggestion to focus on getting agreement on broad themes upon which we could agree before we get into discussion on frameworks and specific actions. Many Parties, including some NAI, were supportive of this approach, and a number of themes emerged, including technology needs assessments, the need for enhanced information; the importance of proper enabling environment; adaptation; financing; capacity building (including for CDM); demonstration projects. Several developing country delegates emphasized the importance of utilizing and strengthening existing institutions instead of looking to begin new ones. IPCC's Bert Metz made a helpful intervention explaining the importance of a bottom-up, country-specific approach, and an approach which integrates the various stakeholders and vehicles of technology transfer. China tried to focus on the Chair's note, and asking "how", not just "what". China yesterday had suggested that a decision be drafted for next week based on our discussions. Chair Dovland also said he hoped to leave Bonn with something on paper, however, it is not yet clear whether our deliberations will appear in a draft decision. Today's inputs were to be collected by the Secretariat along with any additional suggestions in writing by COB of the same day, and will be presented to the FOC for consideration at our next meeting on Monday night. After agreement on themes, the plan is to consider framework(s) and actions, in that order.

Neither Nigeria nor anyone else proposed a contact group, even after Chairman Dovland had explicitly discussed his plans for the next Friends of the Chair meeting Monday night. However, it's still not certain this issue is dormant. We will know more by the Plenary session on tech transfer Monday morning. The question of an Annex I co-chair nominee is still open.

Duncan Marsh, 6/9/00 6:53 PM

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US Proposed Broad Themes for Technology
Transfer Friends of the Chair Discussion

Technology Needs Assessment

Capacity Building

- Capacity building for CDM

Creating an Enabling Environment

- Roles for public and private sectors
- Barriers

Technology Information

Integrated Approaches.

* All of the Proposed Themes should include both adaptation and mitigation technologies.

#8

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11 June 2000

To: See Recipients' List

From: USDEL/Bonn - Mark G. Hambley ^W

Subject: Periodic Update No. 8 from SB12 (Friday to Sunday, June 9-11)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Friday, June 9 until Sunday, June 11.

Also included is the June 9 edition of ECO, a sometimes provocative NGO tract that usually carries article critical of the U.S. (this edition is no exception). There was no edition of the more balanced NGO report of the daily proceedings, the **Earth Negotiations Bulletin**.

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

11 June 2000

SB12 Periodic Update No. 8: Governments Pleased with Informal Week's Productivity; Less "Progress" Foreseen During the Official Deliberations that Start on Monday, June 12**Atmospherics**

Delegations are broadly pleased with the amount of work that has been accomplished following the week of "informal" deliberations in Bonn (June 5-9). The formal meetings of the Twelfth Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB12) begin on Monday, June 12. Because some more outwardly political and controversial process issues have to be raised, it is felt by many that progress will be slower than the first week's rather extraordinary productivity.

As delegates regroup for the Monday sessions, they can be pleased that they now have a revised (and shorter) text on mechanisms, an elements for decision on capacity building, and (for Saudi Arabia's benefit) a discussion paper on paper Articles 4.8/4.9 and 3.14. (The latter looks suspiciously like a text for negotiation thanks to the irascible Swedish veteran Bo Kjellen, but the EU and the umbrella have taken pains to emphasize that it is not one, a point recognized the Kjellen's co-chair, Mohamed Salamat of Iran.)

The sinks deliberations are moving slowly, but it looks like we will have agreement on formats for the August 1 submissions by very late next week. The compliance network, meanwhile, is moving ahead. EU-UG-LDC cooperation will hopefully fill in the blanks on some missing or confusing elements in the co-chairs' draft so that a complete text will be available by next week. Technology transfer ended on Friday with a better discussion than the previous one. Although there remains some confusion as to the status of Chairman Dovland's Friends of the Chair group, but this will be worked out. Meanwhile, the G-77/China put a kabosh on the EU's plans to negotiate a more robust text on policies and measures. We expect a riposte from Brussels, but at least the potential sting of this effort appears to have dissipated for the moment, at least.

U.S.-EU Plenary

As has been reported, a positive highlight of this week has been the "era of good feeling" which has dominated U.S.-EU proceedings at the technical level. We have held nearly a score of such meetings with the EU or with leading members (principally Britain, France, Germany, and the Netherlands), either bilaterally or in conjunction with our umbrella partners.

At European invitation, we held a plenary with the EU on June 9. On the U.S. side were Hambley, Bodansky, Doniger, Bradley, and Talley. The topics were more of a political nature, rather than in the technical weeds of any particular topic. On our

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various outlooks for COP-6, we came up with a broadly shared view, although the EU added policies and measures to their package of key elements (see the report below on the status of the PAMs discussion), while the U.S. highlighted developing countries.

The EU expressed relief at our indication that we would not use our potential sinks to subvert the Protocol during the first commitment period and asked for a sinks consultation with us and with the umbrella group to further exchange views on this topic. We readily agreed for our part and will convey this message to our umbrella partners.

The Germans raised the question of hot air and our dealings with the Russians on this. They mentioned that they had raised the question of using trading proceeds for environmental purposes, and we confirmed that we had discussed this idea with them, as well. Both agreed that it has been difficult to know whom to engage in Moscow authoritatively on this topic. We noted President Clinton's recent success in engaging his Russian counterpart on climate change, which the EC rep (Jos Delbeke) noted with appreciation.

Delbeke told us that Europe is still waiting for a response to its May 1999 supplementarity proposal. Hambley told him that the EU can expect to continue to wait. France indicated Mme. Voynet's interest in some kind of political statement at The Hague (France will be the head of the EU at the time.) Hambley said that we would consider the idea. (Comment: Following consultation with Washington, we will be advising the French that we are not keen on the idea; a better result would be robust decisions, rather than a hotly contested political statement. End Comment)

No mention was raised about our insertion of Article 4 language in several points of discussion. We agreed, time permitting, to meet (at Bo's Kjellen's suggestion) again next week on developing country issues. Although the EU claims to be taking a similar approach on this issue than we are, it is clear that they are not doing so. Kjellen claimed that there is no concerted EU policy on developing countries.

The meeting was exceedingly cordial, with our Portuguese host, Ambassador Liberto, giving each U.S. delegate present a Portuguese presidency tie (valued at US\$14 each). We agreed that it is important to maintain contacts at both the technical and political levels throughout the period leading to COP-6. The Ambassador said that he hoped we might find a way for a ministerial level gathering to take place in either Brussels, Paris, or Washington prior to COP-6 to seek resolution or at least to further clarify our positions on some of the trickier political questions that must be resolved at COP-6 such as supplementarity). We responded in a politely, non-committal manner, emphasizing our support for a continuing dialogue with our EU partners.

Reactions to the NGO Letter

In its Saturday edition, the NGO rag, ECO, presents a front-page article advising delegations "not to buy the U.S. line" about the need for unfettered emissions trading and sinks. By citing examples of U.S. domestic action (no mention

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is made of any Federal government initiatives), ECO actually bolsters our arguments that we are taking significant domestic actions, and that there is growing support in the U.S. for significant additional action on global climate change. We have thus far not had any government reaction to either the ECO piece or to the letter containing these accusations which has been circulated by the U.S. NGOs.

Status of the Negotiations

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

- (A) **Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14:** As has been indicated, a deal was cut by Ashe and Dovland with the co-chairs of this working group (Iran and Sweden) whereby a paper on this topic will be issued at the same time as the revised mechanisms text and an elements paper on capacity building. This decision was taken in order to respond to the continuing charges by Saudi Arabia that its issues (principally this one) are not being accorded equal status.

The paper was issued following another Saturday morning session on this topic at which additional submissions were accepted by the co-chairs. Although the text looks like a "text", we view it as a compilation document of ideas and this is the way it will be treated over the next week. We are supported in this by all other Annex I Parties and by Iran's co-chair Mohamed Salamat. Sweden's co-chair, Bo Kjellen, blanched at our meeting with the EU on June 9 meeting when he was told by the U.S. and the UK that we do not intend to negotiate at this meeting and that we will not consider any text released by the co-chairs as a negotiating document.

- (B) **Technology Transfer:** There was an upswing in these discussions on Friday. Delegations focused on major themes, something that both Chairman Dovland and ourselves had urged, unsuccessfully, at the earlier meetings. Among the themes mentioned are technology assessment, the creation of a receptive enabling environment, capacity building, adaptation and so forth. Dovland has asked for additional submissions on this topic. (Please see Item I in Update 7 for our proposed list of themes.) He will produce a composite paper with these submissions during the next meeting of this group, currently scheduled for Monday evening (June 12).

Meanwhile, one continuing twist in the background of these talks concerns the status of G-77/China efforts to turn this discussion into some kind of formal contact group. Dovland has been resisting this move. The latest we have heard is that the G-77 wants to provide a co-chair to this friends' grouping. This would appear to be unprecedented, and is probably being suggested (if this report is accurate) in order to put pressure on Dovland to convene a contact group. SBI Chair John Ashe is believed to be the inspiration behind this subterfuge. We will be seeking some clarification. If a contact group is established, the umbrella candidate for the Annex I role is either Jean Cooper of Canada or Rick Bradley from DOE.

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- (C) **Kyoto Mechanisms:** No official meeting was held on Friday, although there was a Friday session. The new revised text was released by the Secretariat. The umbrella group is going to study in on June 11. The U.S. and the EU met on pre-eligibility requirements for the CDM on Friday evening. Our positions on this remain distinctly different (the EU wants a formal review of all projects before trading, whereas we want a much more expeditious system). Nevertheless, we think we will gradually be able to bring them closer to our approach in time.
- (D) **Compliance:** At the formal June 9 session, the group finished marching through the latest set of the co-chairs' elements paper. There was also a first-ever discussion of Article 18 which calls for an amendment for any binding consequences. The idea of proposing a modifying amendment was proposed and received surprisingly sympathetic noises from China. The Chinese said that the agreement could be fixed in much the same way as the UN Convention on the Law of the Sea was done. Japan reiterated its position that the Protocol cannot be amended. We then offered our proposal about using the amendment for second commitment period obligations as a way to bridge these two points of view (this had been raised at the May meeting of the umbrella group in Montebello). The idea attracted interest.

On Friday afternoon, the umbrella group met with the EU on institutional structures for compliance. Initially, the meeting was somewhat awkward, with no one chairing. "It was like a Quaker meeting," according to our lead, Sue Biniaz. The group plans to meet again on Monday (June 12) to continue to work on filling the gaps in the co-chairs' text. The group may be joined by selected developing country participants. It is anticipated that this effort should result in a reasonable working document by the week's end. This legal text will then serve as the basis for negotiations in September.

- (E) **Policies and Measures (PAMs):** As has been reported, the Venezuelan delegate reported on June 9 that she had been instructed by her group (the G-77/China) to report that there will be "no decision" on PAMs taken at this meeting. It is expected that there will be a report on the Copenhagen workshop next week, but that no substantive decisions will be adopted. There may also be a second workshop proposed as a sop to the EU which is understandably vexed by the G-77 position.

We may find the workshop to be a convenient way to deal with some of the issues raised by Saudi Arabia in the adaptation/compensation discussions. While it is hoped that G-77 intransigence may forestall detailed discussion of PAMs until COP-7, we do not expect the EU to take this decision without putting up some kind of a fight. As we advised in Update No. 6, stay tuned.

- (F) **Articles 5/7/8 (on methodologies, reporting and review):** Thanks largely to EPA's Wiley Barbour, the contact group on Article 5.2 concluded its work with a decision that these guidelines will be mandatory where it is deemed they are not mandatory. This decision will now have to be presented to the working group as a whole.

On the broader Article 8 issues, the EU/UG technical experts met and are working to sort out a more organized and useful text than the one prepared by the secretariat and co-chairs. Developments on all of these issues are detailed in Update No. 7.

- (G) **Land Use and Land Use Change and Forestry (LULUCF):** As is reported in the report by USDEL's lead, Adele Morris, in Update No. 7, this group has been handling two issues, (a) consideration of the IPCC Special Report and (b) further developing formats for the August 1 submissions. Bob Watson and some of the lead officers from the IPCC have been available for the discussions on the report which consumed nearly five hours on Friday and almost three on Saturday. It was hoped that Saturday's discussion would focus on the question of elements for a decision at COP-6. The umbrella group would prefer a structure for a decision, rather than actual elements.

The contact group working on the format for the August 1 submissions continues to make slow progress. The group has almost completed going through three tables. Important work remains, including instructions and headers for the tables and expository text elements for Article 3.4.

- (H) **Capacity Building:** A paper described by SBI Chairman Ashe as elements for a draft decision was released on June 10. At the June 9 meeting, Chairman Ashe asked the EU to respond to the questions he had raised at an earlier meeting. These are essentially in three broad categories: (a) What are the needs? (b) What are the means?, and (c) How do we get from here to there? A report on this meeting is contained in Update No.7.

The EU flubbed its chance to glow in the limelight. They admitted that they had nothing yet available, and then scrambled to throw together some ideas. In contrast, the U.S. was fully prepared to respond to Ashe's inquiries. Thanks to Ko Barrett and Duane Lakich Muller of USAID and Barbara DeRosa Joynt (with State's Miotke guiding the process), the U.S. submitted a thoughtful and complete response to these questions.

The meeting had begun with a presentation by GBF of a project it has underway in this area. Predictably, this was (somewhat unfairly) roundly slammed by the G-77 for being either insufficient or ineffective.

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

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 the climate negotiations in Bonn, June 2000.

Don't Buy the US Line

Since Kyoto, the world's climate negotiators have been subjected to tales of doom and gloom by the U.S. delegation on the state of affairs back home. The US is demanding "full flexibility" (read: loopholes) as the only way to appease the anti-Kyoto crowd in Congress and make U.S. ratification possible. Among the US demands: unfettered trading of "hot air" tons; broad definitions of additional Article 3.4 LUCF activities that could open the way for crediting of business-as-usual practices, and "borrowing" from future budget periods as the principal non-compliance remedy.

The emission reduction targets adopted in Kyoto are barely adequate as it is. Further weakening of the Protocol's environmental effectiveness in the name of "ratifiability" is entirely misguided. It threatens to undermine the enthusiastic support of environmental, religious, and other constituencies for the Protocol, and to undercut the growing group of US companies that are committing to real emissions reductions. The fact is the political climate for taking action to reduce US emissions is improving, and will continue to improve in the months ahead. It would be shortsighted for governments to weaken the Protocol out of a belief this would pave the way for US ratification.

Earlier this week, eighteen US Climate Action Network organizations distributed a letter to climate negotiators urging them to reject the US pressure tactics and to hold firm for COP6 decisions that strengthen, rather than undermine, the Protocol's effectiveness. In order to give delegates a more complete picture of the US domestic situation, we have compiled a list of recent positive developments. Among them:

- The Global Climate Coalition, the leading source of corporate misinformation on both

global warming science and policy, was significantly weakened this year as Ford Motor, Southern Company, Daimler Chrysler, Texaco and General Motors abandoned ship in quick succession.

- Republican-controlled New Jersey became the first state to set an emissions reduction target, and over 67 cities have made pledges to reduce GHG emissions led by Seattle, Washington which has set a zero net emissions goal.
- Last year, over 580 local elected officials including among others, the mayors of Chicago, New Orleans, Honolulu, Portland, Seattle and San Francisco, signed a statement urging greater leadership from Washington on global warming.
- A growing number of legislators from both parties are supporting bills to control power plant pollution, including CO2, despite the lack of Administration support.
- A push for stricter vehicle fuel efficiency standards garnered support from 42 (out of 100) US Senators last year, and is expected to gain more support in a vote next week.
- After a sustained push from sustainable energy, environmental and consumer groups, the Department of Energy finally moved forward with improved efficiency standards for appliances including water heaters, washing machines, central air conditioners and fluorescent lights.
- Religious leaders in sixteen states are forming coalitions to educate and advocate on the issue of climate change.

warming filed this year at nine major corporations continue to gain support and publicity.

-continued over, col. 1

Africa's fair share

by Climate Network Africa

It is becoming increasingly apparent that a CDM focused on large energy projects will leave Africa in the cold. A number of African nations e.g. Benin, Malawi, Eritrea, Swaziland and Cameroon might not expect to benefit from any large projects at all and in general large projects are likely to occur in those nations with abundant opportunities in energy investments and the greatest projected increases in energy demand.

In fact an optimal development model for the African energy sector would rely heavily on decentralised forms of energy services with an integrated approach. Communities clamoring for energy services are often remote and scattered. Grids, where they do exist, are of limited extent and perform poorly due to lack of maintenance and non-payment for services - refurbishing and expansion will be prohibitively expensive.

A number of technologies which are suited to small scale decentralised applications have considerable potential in Africa and would also naturally qualify for the CDM because they are renewable.

- PV - applications can serve individual clients, micro-grids and public services - education, health, etc.
- Solar water heaters - in rural areas this technology can lead to significant fuel-wood and fossil fuels savings, while in urban locations it can lead to significant peak shaving.
- Biomass gasification - large volumes of organic material from farms, sawmills, sugar-mills, etc, have wide application throughout Africa and will lead to more efficient natural resource use.

development of domestic markets in renewable energy, will have significant advantages in em-

-continued over, col. 2

Down-under Duo's Dirty Dealings

It seems like there is trouble coming from down under. Repeatedly, in almost all of the working groups, Australia and New Zealand are working diligently to limit information to the public in the flexible mechanisms, oppose meaningful consequences for non-compliance and open up wide loopholes for sinks. This is especially surprising for New Zealand, whose *new* government is stating that it wants to take a progressive stance on the environment, but whose negotiating position is unchanged. It seems as if their neighbors may be holding them back from a desired greener stance.

Whilst amongst Annex 1 countries there has been general agreement on the importance of public access to information, the inseparable two have been fighting hard to restrict future public scrutiny of its own use of the mechanisms. Their reluctance to reveal price information on individual trades and their note in the Chair's text objecting to the establishment of compatible national systems for accurate monitoring, verification, accountability and allocation of AAUs to legal entities is just the start. This requirement would of course enable the public to be aware if companies are fulfilling their publicly stated commitments (i.e. expose greenwashing). It is not surprising, therefore, that those countries that all

along have been wrangling out of their commitments should be trying to make it as difficult as possible for the dirt to be dished on them.

Their latest efforts, however, seem to be beyond the pail for even their friends in the umbrella Group. Proposals to allow public access to CDM project proposals followed by a waiting period for public comment before approval were roundly rejected at the same time as they sought to restrict outside scrutiny beyond the validation stage. This must be music to the ears of companies wishing to get low cost-hassle-free CERs. They could do so without annoying interference by people affected by the CDM projects, such as indigenous and community groups (not always Australia's strong point), and people interested in protecting the environment.

This isn't to mention their continued opposition to caps on the flexible mechanisms, strong eligibility criteria for emissions trading and limits on hot air.

Australia and NZ are obviously trying to cover up the inadequacy of their own policies and get other Parties to unwittingly collude in this process. Such deception clearly should be resisted.

While the duo does begrudgingly support

binding consequences, the only show it town for them seems to be "borrowing." Opposed to financial penalties or a compliance fund, the two don't seem to want to send a clear signal that non-compliance is unacceptable and will have economic consequences. Australia even offers the option for Parties to choose which "consequence" it wishes to accept. What a great idea — any kid knows that if they are allowed to choose their punishment, the strictest never wins out.

Both Australia and New Zealand seem to have a national strategy that depends on uncertain, risky sinks to meet their commitments. Seemingly unwilling to accept the fundamental difference between fossil fuel left in the ground and carbon stored in trees, they move forward blindly with a risky strategy for the atmosphere. Their positions on both 3.3 and 3.4 reflect this strategy.

Furthermore, both seem quite willing to include perverse incentives to cut down old growth forests and replace them with fast growing plantations.

So, will the marriage last? Will others take the risk of associating themselves with the positions of the duo? And finally, how many more fossil of the day awards must the two get before they see the light?

-Don't Buy, from front page

- Businesses that have made recent independent commitments to reduce greenhouse gas emissions and energy consumption include IBM, Johnson & Johnson, Shallice, Interface carpet and the Saunders Hotel Group.
- Over the past three years, energy use and CO emissions have increased at a far slower rate (up 2-3%) than economic growth (up 13%), despite the lack of strong federal policies.

While much work remains to be done for the US to get on track to meet its Kyoto commitments, the picture is not as dire as US negotiators would have you believe. Most importantly, it will not be improved by gutting the Kyoto Protocol in The Hague.

(The full letter to negotiators and accompanying update on US domestic developments are available through any CAN member at SB12 — just ask.)

NGO PARTY

9.30pm

TONGUITI

**Insel Hotel,
Bad Godesberg**

-Fair Shares, from front page

employment creation and lessen the burden on the balance of payments by cutting fuel imports.

For the CDM to be relevant to Africa's needs it must give an added boost to the dissemination of such technologies. Small projects are more vulnerable to the burdens of transaction costs than are large projects. Transaction costs must therefore not be allowed to outweigh the value of the CERs generated. The rules for the CDM must therefore give small projects clear preferential treatment. Climate Network Africa believes that this could be achieved in the following ways:

1. An exclusive prompt start to the CDM restricted to small renewable technologies until the rules have been finalised and approved by the Executive Board. This will guarantee the credibility of the mechanism during its early phase.

2. Development of quick, simple and cheap baseline methodologies, for example using benchmarking approaches and limited up-front crediting for micro-technologies.

3. A streamlined bureaucracy minimising

African Parties should be supporting the idea of a positive list in order to maximise potential benefits to the continent from the CDM.

Ludwig

It has been pointed out to Ludwig that the UNFCCC negotiations has become one of the last refuges of an endangered species. The Global Climate Coalition, once widespread in industrialised countries, and especially in the United States, is now almost extinct. Anyone wishing to catch a glimpse of one of these elusive creatures can easily distinguish them by their characteristic skulking motion. Of course, they would be prime supporters of the ideology that says there are some species that just aren't worth saving...

Ludwig also notes that the Dutch are demonstrating their well-known commercial skills: the brochure from the government's official agency "helping" delegates for COP6 apparently offers prices for accommodation up to 100% higher than those available by contacting hotels direct, in addition to hefty "arrangement

do better to make their own arrangements. Ludwig hopes the Dutch take this in the spirit intended, and don't exile him to Rotterdam.

12 June 2000

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To: See Recipients' List

From: USDEL/Bonn - Mark G. Hambley *MGH*

Subject: Periodic Update No. 9 from SB12 (Sunday to Monday, June 11-12)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Sunday, June 11 to mid-day on Monday, June 12.

Also included is the June 12 edition of ECO, a sometimes provocative NGO tract that usually carries article critical of the U.S, as well as the more reputable NGO-produced Earth Negotiations Bulletin that provides information on Friday-Saturday's proceedings. It should be read in conjunction with our Updates No. 7-8. We are also including a report on the June 11 umbrella group meeting prepared by State's Jack Shick.

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

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12 June 2000

**SB12 Periodic Update No. 9: "Two Steps Forward; One Step Back":
Delegations Disappointed with Revised Texts as the Formal Sessions Open****Atmospherics**

The general optimism that was in evidence throughout last week largely dissipated somewhat once delegations had an opportunity to go over the three documents released by the co-chairs over the weekend. Critical as to how things will move or not move this week will be the manner in which Articles 4.8/4.9 and 3.14 are handled by the Saudis and their allies on the one hand and Annex I on the other. We will get our first taste of this continuing battle of words and maneuvering at the first joint SBSTA/SBI meeting on Monday afternoon (June 12).

"Two Steps Forward; One Step Back": The Story of Three Papers

Three papers were issued over the weekend – a new revised text on the mechanisms, a co-chairs' effort on the adaptation/compensation issues; and an elements for a decision on capacity building.

Mechanisms: The good news about the revised mechanisms text is that it is 50 pages shorter than its predecessor; the bad news is that it is still 92 pages long. Several umbrella group ideas were altered in the document in ways that are not satisfactory to us. On the other hand, the paper is better organized and excludes some of the more obnoxious Saudi proposals, as well. We are consulting with our umbrella partners about the best way to proceed. In general, it is an improvement. Ideally, we would like Chairman Chow to be authorized to prepare yet another draft for September, perhaps following the July mechanisms consultations in Penang. Given other complications, this may not be possible in any formal sense.

Article 4.8/4.9/Article 3.14: More disturbing is the document submitted on the adaptation/compensation issue (Articles 4.8.4.9 and Article 3.14). Contrary to repeated assertions by the co-chairs of this working group (and, especially, by Sweden's Bo Kjellen), this document looks like a negotiating text. It offers two decisions (one on 4.8.4.9 and a second on 3.14). We are working with our umbrella and EU parties to determine our best approach. For the time-being, we believe we should reject this paper as a basis for discussion, despite Saudi assertions that they will "block" progress in other areas, if we do not treat their issue equally. We believe that we have given the Saudis far more than is their due. They may well block progress in the mechanisms, but this might be acceptable as delegations need time to absorb this new draft's details and may want to consult with other Parties. Our concern is that the Saudis might well choose to have the mechanisms text rejected as well, or that they might turn their attention more directly on sinks, or that they may try to interject their views in all three areas.

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In any case, how we handle this problem is delicate. We want to keep a uniform Annex I approach if at all possible. For the moment, both New Zealand and Norway want to work from the co-chair's document; some EU members also support Kjellen in this approach. The U.S. Australia, and the UK take a harder line. We are hoping to meet with the EU later today to clarify our stands.

Capacity Building: The third paper on capacity building contains elements for a draft decision. This is a more acceptable basis for discussion. The difficulty could come from questions as to who and how the various proposals might be financed. As is the case for the adaptation/compensation paper, we do have problems of transparency from the co-chairs of these various processes. We are hindered in capacity building by not having a Reifsnnyder to keep tabs on Chairman Ashe.

Formal Sessions Begin: Status of Convention and Protocol Membership

The formal meetings of the Twelfth Sessions of the Subsidiary Body on Scientific and Technological Advice (SBSTA) and the Subsidiary Body on Implementation (SBI) began on Monday, June 12. The joint SBI/SBSTA session will be held on Monday afternoon. Because some more outwardly political and controversial process issues have to be raised, it is felt by many that progress will be slower than the first week's rather extraordinary productivity.

At the morning SBSTA meeting, the UNFCCC Director General, Michael Zammit Cutajar, noted that four more countries had ratified the convention bringing the total number to 184 (only ten countries remain non-signatories). Six additional Parties have ratified the Kyoto Protocol, bringing the total to 22, including Nicaragua, Bolivia, Palau, Mongolia, Ecuador and Mexico.

A highlight of the morning SBSTA session (and later in the SBI) was a short report issued by IPCC Chairman Watson. He confirmed, inter alia, that human activities are disturbing the global carbon cycle through the combustion of fossil fuels and through LULUCF activities. He noted that the amount of carbon concentration in the atmosphere had increased by 28 percent since 1850.

June 11 Umbrella Plenary

The eight umbrella members present at this meeting (no one has seen a Ukrainian thus far) met for over two hours on June 11. Many of the vexations noted above were expressed. Russia made an interesting comment that for many countries, (such as those in Africa) the EU and the umbrella are creating a system on the mechanisms and compliance that is far too complicated for them. He also said that the sinks issue is poorly understood by his country's foresters. We hope to probe more during a U.S.-Russian bilateral that is scheduled for Tuesday afternoon (June 13). A complete report on the June 11 umbrella meeting is contained with this report.

Status of the Negotiations

There was little change from our last update other than the rather significant developments that have been noted above. There were two additional developments that are worth noting, however:

Compliance: Over the weekend, second submissions were made. The co-chairs plan to issue a revised text late today (June 12). It is not clear whether the co-chairs have heeded our advice and have avoided prescribing outcomes on the paragraphs regarding institutions. Their suggestions to date have not been very good ones, and we would prefer to address these informally to produce a more satisfactory insertion prior to it being incorporated in a draft text.

Sinks: Several additional hours of weekend discussion have largely concluded the group's consideration of the IPCC special report on this topic. In addition, the sub-group has concluded its work on suggesting a format for presentation of the August 1 submissions that should be helpful. It must now be presented to the entire group for its blessing. Saudi reaction is not known. Suffice it to note that at the June 11 umbrella meeting, SBSTA Chairman Dovland described the progress on sinks over the past week as "the one real success" of our deliberations thus far. Our hats are off to Adele Morris and her entire sinks' team!

Comment:

Many Annex I delegations are nervous. As indicated, the Saudis are gradually pushing the entire camel into the tent of Article 4.8/4.9, following their success in getting its nose inside at COP-4. Some delegations are concerned that if we push too hard on the appalling text provided by Messrs. Kjellen and Salamat, this could result in either the blocking of the mechanisms text or introduce further Saudi obstruction in areas of concern to us including compliance and sinks. The point is, we will have to block the Saudis at one point; whether we do it now or at SB13 in September is a point we must take carefully into account as we proceed over the next few days.

We are not being helped by the G-77/China with finding a solution to this predicament. Nigeria, an OPEC member, is of course chairing the developing country's group this year (through COP-6). In addition, we have been told by informants that the Africans believe they are getting what they want from us in terms of capacity building and adaptation and apparently do not intend to engage the Saudis as bluntly on this issue here as they have in the past. They appear to believe that this can be a fight between Annex I and OPEC. We will attempt to ascertain whether this is, in fact, the case, and learn further African views at a lunch we will be hosting for several African delegations tomorrow. **End Comment.**

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Umbrella Group
11 June 2000
Jack Schick

The Umbrella Group saw this point midway in the June session as a delicate one because it is faced with a 94-page Mechanisms draft produced last week by Chow and the Secretariat loaded with much unacceptable material and yet concerned that an overreaction will drive the process back to the 142-pager going into this meeting. Australia is at one extreme, finding the draft largely unacceptable and preferring to have a fight over it now rather than closer to COP 6 or at COP 6. Japan, in particular, was concerned not to destroy the process, and New Zealand, Norway, and the US did not see the situation in such stark terms. Norway offered perspective that Chow has shortened the Indian "nature and scope" principles section, stripped out the Saudi material, and tightened the structure of the document, which suggests Chow has been listening to the Umbrella Group's views. Canada reported that Chow has given Tuesday to the G 77 for its deliberations on the document.

The US expressed concern for the form and substance of the 4.8/4.9 elements paper, which has two draft decisions instead of one, despite assurances from the co-chairs—Sweden and Iran—not to worry, and moves too far too fast. Norway tried to put this concern in perspective by noting that this 4-pager fails to compare to the Mechanism's 94-pager and was concerned that a U Group reaction to the former would impact on prospects for the latter. Nonetheless, the Norwegian Chair of SUBSTA took the US point.

Australia portrayed the sinks debate, which has just started at this session, as probably unable to produce an elements paper and urged the U Group to come to the Poznan Workshop next month with 1 August submissions in its back pockets to give a jolt to the process. Canada disagreed because developing countries have engaged the issues while noting that the timeline is very tight and that sinks are a ratification issue for Ottawa. In addition, the US pointed out that what was most wanted from this session is the draft data formats for the production of sinks data, and they are now available for a first reading tomorrow by the sinks Contact Group. (Comment: Australia failed to mention the constructive interventions of its own spokesman in the sinks debate and other useful interventions by Brazil and Canada yesterday.)

Canada's African analysis concluded that the Umbrella Group can no longer depend on the Africans to serve as a wedge for influencing the G 77 because "Africa" has given up on the CDM as burdened with procedural and structural complexity and instead decided to concentrate on capacity building. Moreover, the Africans anticipate that they will be unable to win both an adaptation fund in CDM and capacity building at COP 6. According to Canada, "Africa" will not oppose OPEC on 4.8/4.9 in public but is prepared to say to the Umbrella Group that, if the Group needs help with OPEC, show us the money for capacity building. Canada referred to South Africa as all but in OPEC albeit working from a coal-based economy. (Comment: Canada probably has not talked extensively to the 50-member African caucus, and on previous occasions Canada said it talks mainly to francophone Africans. Its analysis appears confined to that sample of African countries, and its dismissal of South Africa was unsupported by evidence of collaboration with Nigeria.)

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Russia—with a five-member delegation at this meeting—limited itself to an introductory statement that wandered from proudly saying that new President Putin had pronounced on climate change in the recent joint US-Russian statement at the summit to declaring that the Russian Forest Service cannot accept the sinks provision in the Kyoto Protocol but reiterated EIT's preference for JI projects (comment: this statement on JI does not represent the Energy Ministry's view nor perhaps the Natural Resources Ministry (where the State Committee on Environmental Protection probably will be housed) as US Embassy Moscow learned in the pre-summit runup).

The discussion did not go into compliance in any detail other than to place it with the positive developments of the week just ended.



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HIGHLIGHTS FROM FCCC SB-12 INFORMAL MEETINGS FRIDAY-SATURDAY, 9-10 JUNE 2000

Delegates to the informal meetings met to conclude their work ahead of the twelfth sessions of the FCCC subsidiary bodies (SB-12). Informal meetings were convened on: compliance; guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information); capacity building; land use, land-use change and forestry; policies and measures; and FCCC Article 4.8 and 4.9 and Protocol Article 3.14 (adverse effects).

INFORMAL MEETINGS

COMPLIANCE: On 9 June, delegates continued consideration of the Co-Chairs' Elements of a Compliance System for the Kyoto Protocol. On COP/MOP, Co-Chair Slade said the proposals reflected the degree of political intervention Parties would allow in the compliance process. NEW ZEALAND and the EU said the COP/MOP was the central policy-making body, but should not directly intervene in a specific case by taking over the judicial/legal body's functions. SAUDI ARABIA stressed the COP/MOP's central role and said it would not only accept the report of the compliance body, but could also modify that body's decisions. CANADA, with NEW ZEALAND, said this would politicize the process and that the legal appreciation should be left to the compliance body. AUSTRALIA said the COP/MOP could have a final say on manifestly unjust decisions.

On China's proposal to include a new section on the implications of Article 18 (non-compliance), the US said an amendment would be needed if binding consequences were to be adopted as part of the compliance system. CHINA cautioned against creating two groups of Parties that had ratified the Protocol: one group with, and the other without, the compliance procedure. The US said the amendment could be addressed when commitments for the second budget period were considered.

GUIDELINES UNDER PROTOCOL ARTICLES 5, 7 & 8:

Subgroup on Article 5.1 (national systems): On 9 June, delegates worked to remove three remaining brackets on the second draft Guidelines for National Systems for the Estimation of Anthropogenic Greenhouse Gas Emissions by Sources and Removals by Sinks under Article 5.1. On Applicability, delegates sought acceptable language on mandatory and non-mandatory provisions in the Guidelines. On the EU proposal to insert two paragraphs on monitoring of omissions of legal entities and/or projects under Articles 6 and 17 under national systems, delegates agreed to a compromise proposal by CANADA for a new paragraph under Characteristics that would refer to relevant IPCC

guidelines and COP or COP/MOP decisions. On 10 June, the subgroup resolved all outstanding editorial issues and approved the revised guidelines.

Subgroup on Articles 5.2 (adjustments) and 8 (review of information): On 9 June, delegates continued consideration of the EU proposal on Classification of Inventory Problems in the guidelines under Article 8, focusing on issues/problems with direct implications on the total aggregated inventory estimate or trend. Differing views were expressed as to whether any failure to follow the good practice principles was adjustable. NORWAY, supported by the EU, highlighted the linkages between the adjustment and compliance processes. NEW ZEALAND suggested that the final report of the expert review team should include the rationale for the adjustment and identification of steps the Party concerned could take in order to address the underlying causes of the inventory problem. Co-Chair Penman noted consensus among delegates that adjustments were "a good thing" and that they could be limited in two ways: as part of the review process and, for practical reasons, in time.

CAPACITY BUILDING: On 9 June, delegates heard presentations by the Global Environment Facility (GEF) on the Climate Development Initiative (CDI) and considered capacity building in non-Annex I countries.

Avani Vaish, GEF, said the CDI is an 18-month effort by GEF and UNDP in 3 phases: an assessment of country-level capacity needs; preparation of a comprehensive study to meet those needs; and development of an action plan. John Hoff, UNDP, defined capacity development as the ability of individuals and institutions to set and realize goals, and said it is influenced by the broader context of the institutions, including policy and regulatory frameworks.

Delegates heard brief reports by regional experts. Issues raised included: lack of financial resources; inefficient management of human resources and information; inability to retain human capacity; and a low level of economic, managerial and communication skills. On possible elements for a draft framework for capacity building, several delegates stressed the need for capacity building to be country-driven. The G-77/CHINA stressed that capacity building be a continuous, integrative and comprehensive process implemented within a specific time frame and based on country priorities. The US stressed the need to work on in-country capacities, build strong partnerships with local stakeholders and incorporate capacity building in national strategies.

On the role of institutions, several delegates called for clear guidance to the GEF to ensure adequate funding for capacity building initiatives.

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The G-77/CHINA said national communications should be the main source of information to monitor the effectiveness of capacity building. AOSIS drew attention to the Barbados Programme of Action and emphasized regional efforts in addressing capacity building needs.

POLICIES AND MEASURES: On 9 June, Chair Dovland introduced text for possible draft SBSTA-12 conclusions and preliminary elements of a draft decision for COP-6 based on recent discussions and submissions by Parties. The draft conclusions included a SBSTA recommendation that work on sharing experiences and information continue, in particular through a workshop in 2001. The draft decision stated, *inter alia*, that this process would lead to a further elaboration of the guidelines under Article 2 (national communications) and enable a demonstration of progress by 2005, in the context of Article 3.2 (demonstrable progress).

The EU supported moving forward by exchanging views on such texts. Noting the lack of time to consider this matter, the G-77/CHINA objected to consideration of elements of a draft decision. SAUDI ARABIA added that it was premature to consider a decision before holding another workshop involving more developing countries, and highlighted other pressing issues in the lead-up to COP-6. He said it would be more appropriate to consider conclusions that expressed appreciation for the recent workshop in Copenhagen and called for another workshop in 2001.

Chair Dovland said SBSTA-12 would consider this issue, and reach agreement on a workshop in 2001. AOSIS said it looked forward to extensive discussion on this matter during SBSTA-12.

LULUCF: On 9 and 10 June, delegates met to consider the IPCC Special Report on LULUCF, with the lead authors responding to requests for clarification. On implications of Article 3.3 (afforestation, restoration and deforestation - ARD) and 3.4 (additional activities), delegates considered, *inter alia*: ARD definitions, accounting scenarios, and how to combine them; issues related to separating "human-induced" activities, "direct human-induced" activities, and natural variability; improved management versus land-use change; the basis of and need for a definition of "forest"; the carbon accounting schemes and their relationship to atmospheric carbon; implications for the harvest-regeneration cycle; carbon stock changes versus fluxes; baselines and additionality; non-CO2 gases; incentives for sequestration where no land-use change occurs, and for the capture of co-benefits; and the intent behind the need for each Party to establish its level of carbon stocks in 1990 as required under Article 3.4.

The EU suggested designing ARD definitions specifically for the purpose of implementing Article 3.3, and the UK raised the possibility of customizing the IPCC scenarios. CANADA preferred land-based accounting and noted that Article 3.4 represents an opportunity to deal with sinks in a comprehensive and symmetrical way. He advocated a combined approach to Article

3.3 and 3.4. BOLIVIA said an appropriate accounting scheme applicable under Articles 6 and 12. BRAZIL said the minimum threshold for the purposes of Article 3.3 should be linked to thresholds for the variable tonnes of carbon per hectare. AUSTRALIA raised the issue of spatial and temporal discontinuities under Article 3.3 and the need to avoid perverse incentives. He called for further development of measurement techniques for the land-use change sector, noting the omission of this sector in the IPCC good practice guidance.

On the way forward after SB-12, the G-77/CHINA, supported by AOSIS, cautioned against using a "fast track", highlighting that he did not consider it to be part of the BAPA.

ADVERSE EFFECTS: On 10 June, Co-Chair Salamatz summarized issues raised in submissions and called on delegates to identify additional issues and comment on the need for and nature of future meetings.

JAPAN underlined the importance of recognizing past support for adaptation and, with MOZAMBIQUE, highlighted institutional and managerial capacity building, and training for vulnerability assessments and response measures. The EU highlighted monitoring and research, the importance of dialogue between donors and recipients and, with the NETHERLANDS, providing for adaptation within national and sectoral strategies. The UK and US emphasized the identification and evaluation of adaptation options. SAUDI ARABIA and the US, opposed by SWITZERLAND, highlighted provision for CO2 sequestration technologies. AUSTRALIA underlined the role of sinks. BELIZE called for immediate adaptation measures. BRAZIL, with JAMAICA, underscored the role of regional climate change models. NIGERIA emphasized access to information technology, including telecommunications.

On future meetings, AOSIS emphasized the value of regional workshops and the need for coordination of FCCC workshops and meetings. SENEGAL proposed a workshop on least developed countries. ZIMBABWE proposed a workshop to examine the role of insurance. JAPAN highlighted resource constraints for intersessional meetings. SAUDI ARABIA proposed a workshop on the nature and implication of Annex I Parties' P&Ms, as well as one on Protocol Article 3.14. SWITZERLAND, JAPAN and others said the issue of workshops would be addressed during SB-12.

The G-77/CHINA, supported by SAUDI ARABIA, SOUTH AFRICA and others, and opposed by SWITZERLAND, expressed preference for separate draft decisions, one on FCCC Article 4.8 and 4.9, and another on Protocol Article 3.14. Co-Chair Salamatz noted that the draft decision will have three distinct parts without prejudice to SBSTA-12 discussions.

IN THE CORRIDORS

While most participants left the week of informal meetings with the feeling that they had successfully moved discussions forward on several key issues, some sessions ended on a slightly sour note. Attempts by some Chairs to present draft decisions or negotiating text met with confusion over the extent of the meetings' mandate, and sparked what some observers saw as political posturing that contrasted with the generally constructive and open dialogue. While there was agreement on developing consolidated text for mechanisms and adverse effects, EU delegates were disappointed when attempts to develop a negotiating text on policies and measures for a decision at COP-6 were stonewalled by some G-77 countries late Friday afternoon.

THINGS TO LOOK FOR TODAY

SBSTA: SBSTA will meet at 10:00 am in Plenary II to consider LULUCF, Protocol Articles 5, 7 and 8, national greenhouse gas inventories and the status of the consultative process on technology transfer. An elaborated draft text on Article 8 is available today.

SBI: SBI will meet at 10:00 am in Plenary I and is expected to address Annex I and non-Annex I national communications, and the financial mechanism.

JOINT SBI/SBSTA: A joint SBI/SBSTA meeting will convene at 3:00 pm in Plenary I to consider adverse effects, compliance, and the mechanisms. Draft consolidated texts on mechanisms and compliance and a consolidated text on adverse effects are available today.

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 the climate negotiations in Bonn, June 2000.

Flex Mechs Text - Next?

CAN was delighted to see the emergence of Chairman Chow's revised mechanisms text on Saturday afternoon. The Chairman is to be congratulated for his efforts to re-organize and slim down the text (although at 94 pages, it's still nobody's idea of a light read). Delegates are also to be thanked for allowing the Chair's text to be put forward as the basis for discussions next week.

Early and large, the slimming-down process succeeded in eliminating redundant sections of text. There are still several areas that require beefing up as we move towards The Hague, such as rules and guidelines for public participation in review of JI and CDM projects, and elaboration of strong liability rules in the event of non-compliance with emissions reduction obligations. Of course, the Chairman's new text preserves the various options for decisions on all the key areas of disagreement among the Parties. Based on initial review of the new text, preferences among these options, as well as suggestions for further improvement, are outlined below.

Cross-cutting issues

Transparency: In the section on registries, the text provides for public access to national AAU/ERU/CER account balances on a real-time basis. For the public to get the big picture, however, all national registries need to be linked to an international registry whose data is publicly available. Further, it is disappointing that the Transparency section of each draft decision is blank. We suggest that this section specifically mention the public participation provisions of Agenda 21 and Principle 10 of the Rio Declaration.

Eligibility: Importantly, the text recognizes that Parties must establish their eligibility to

participate in the mechanisms. Failure to comply with Articles 5 and 7 must preclude a Party from using the mechanisms. We also support the proposal that the Secretariat maintain a list of Parties ineligible to participate. Finally, the text should include language limiting participation in emissions trading and the other mechanisms (including Article 4) to those Parties that have adopted domestic programs to enforce compliance.

Supplementarity: The options on this issue are put forward in an Annex X to each of the mechanisms. As is well known, most CAN groups support a quantitative limit on the share of Annex I countries' emissions reduction obligations that can be met through use of the various Kyoto mechanisms.

-continued over, col. 1



Vigorous support for the Chair

Adapt and Survive

For once it seems that Parties are serious in fulfilling their commitments under the Convention on Article 4.8 & 4.9. For developing countries such as AOSIS members and LDCs that are among the most vulnerable to the impacts of climate change, the issue of adaptation can mean life and death. It is therefore extremely heartening to see in the latest consolidated chair's text on Article 4.9 that the Parties are giving serious consideration to identifying initial actions to address adverse impacts.

There was a common thread of agreement in last week's informal exchanges of views. All Parties concurred that technological and financial support will be crucial for assisting developing countries build their capacity and institutional strength. This would be one of the first steps towards helping them identify and develop adaptation response measures, and this is where priority action should be taken. The Parties already have sufficient information to provide the basis for actions taken under Article 4.9. It would be senseless to delay decisions any further.

Actions relating to the impacts of response measures are, however, a different matter. Huge information gaps remain, making it premature for Parties to take any conclusive decisions on compensation. Nevertheless, there are some positive measures that Parties should support now. For starters, they should endorse more research into the development and use of renewable energy in developing countries.

CAN is extremely concerned by the intent of some Parties (stand up, Australia!) to explore carbon sequestration technologies as a way to minimize the adverse impacts of climate

-continued over, col. 3

CLIMATE NEGOTIATIONS BONN JUNE 2000 NGO NEWSLETTER

-Mechs, from front page

Share of proceeds: CAN believes the share of proceeds to be used for the adaptation fund established under Article 12.8 should apply to all three mechanisms, not just the CDM. The needs to be met by this fund are likely to be quite substantial, given the ever-more-apparent impacts of climate change on developing countries. In addition, it would be ironic indeed if the one mechanism that can contribute to sustainable development in non-Annex I countries (the CDM) were to be competitively disadvantaged by selective application of this fcc.

Joint Implementation

The Chairman's new text on JI retains almost all countries' tabled and bracketed proposals. To ensure environmental integrity, Parties should support those options that give priority to clean technologies such as renewables and energy efficiency, as well as those that emphasize multiple forms of additionality (paras 32a-g, and 36a-d). These paragraphs also address the need to exclude nuclear power and those sink projects that cannot provide methodological and scientific certainty.

There is a need for the final rules adopted in The Hague to promote clean JI projects over environmentally unsound projects or 'hot air' projects. In this regard, Parties should endeavor to ensure that the detailed reporting requirements for project baselines (Appendix B, page 30) and for the Project Design Document (Annex to App. B, p 32) don't increase costs unnecessarily, and actually reduce incentives to pursue JI projects as compared to hot air trading.

CAN thinks that the concept of fast track approval for a positive list of clean technologies such as renewables and cutting-edge demand side efficiency should be added to the text. These green technologies are far preferable to unsustainable technologies such as large hydro, nuclear power and coal. Favorable consideration should be given to the Swiss proposal for early crediting (against the assigned amount) for sustainable GHG emissions reduction projects, before the commitment period, so as to limit Hot Air. This would offer investors an opening for cheap energy efficiency options in Central and Eastern Europe. In order to generate net benefits to the atmosphere, these early JI credits should be properly discounted for the investor.

Clean Development Mechanism

Paragraphs on options for promoting clean technologies remain intact, in particular para. 53 c & e which gives the option to prioritize renewables and energy efficiency and to base decisions on the best available long-term envi-

ronmental option.

CAN can support conducting the CDM on an interim basis if the interim period is restricted to an exclusive positive list of renewables and demand-side energy efficiency technologies.

Such positive list technologies can be used to promote learning by doing without risking the environmental integrity of the mechanism, and will give the private sector greater certainty in developing early projects. The interim phase can be used to develop special rules for positive list technologies first, which could include simplified baselines (e.g. through benchmarking), relaxed additionality criteria and a fast track procedural system. Rules for technologies not on the positive list can be developed subsequently and still be in place for COP/MOP1, when other technologies could be allowed in, pending a review of the interim phase.

CDM projects should be required to meet tests of emissions, financial, investment and technology additionality. Whilst the details still need to be fleshed out, this principle is essential to operationalize Article 12.5c of the Protocol. Additionality criteria could potentially be relaxed to a degree for positive list renewable and demand-side projects because we can be more secure that such technologies are naturally additional. Restriction of the interim phase to such positive list projects will also allow the question of additionality to be fully addressed for other technologies before they are allowed access to the CDM.

The theme of stakeholder participation is briefly noted in the contexts of project validation (para 49d) and accreditation of operational entities (para 96a (i)) and the project design document (para 101i). However, the overly general approach to such participation does not yet inspire confidence in Parties' commitment on this issue, despite the obvious moral imperative and the clear operational benefits involved.

CAN would like to see a more systematic approach to participation throughout the text. In particular, local stakeholder involvement should be explicitly required in project selection and design, through specific criteria for local stakeholder benefits and capacity building, a framework for information provision, public comment periods and a clear and effective complaint procedure. These issues should all be integrated into the CDM reference manual and the project design document for both CDM and JI projects. In addition, CAN believes that civil society should have representation on the executive board.

Emissions Trading

We agree that Parties should commit to specific

dates for a review of the trading system. However, this text should state explicitly that the review examines the effectiveness and operation of the rules regarding eligibility, liability, and registries. Moreover, the text should specify that the reviews occur on a regular and predictable basis.

CAN is pleased that the text includes various proposals for hybrid liability, including the surplus-to-plan, shared liability, and compliance reserve alternatives. We believe significant work is still needed to fine-tune these proposals. We reject the seller-liability-only option. Finally, we agree that Parties not in compliance with Articles 3, 5 and 7 may not transfer AAUs in the second commitment period.

Chairman Chow and the Secretariat have done their part; now it's up to delegates to suggest further improvements in the text, and to work to narrow their differences wherever possible before we all leave Bonn at the end of this week.

-Adaptation, from front page

change on developing countries. This proposal is totally unacceptable. It would allow developed countries to evade cutting their use of fossil fuels - which is, of course, why the OPECs are supporting it. Moreover, because this technology is expensive and still being developed, it could divert investment away from the development of renewable energy and energy efficiency technologies that are sorely needed in both the North and South.

One doesn't have to be Einstein to figure out what these Parties are up to. AOSIS and LDCs should reject any reference to sinks in 4.9.



Time for Ludwig's by-now traditional report from the NGO Party. Firstly, badges (or buttons as North Americans call them). By the end of the party British delegates seemed to be wearing 'No Nukes in the CDM'; in contrast the French were supporting their national position by wearing 'Trees Don't Cut It - No Sinks in the CDM'. And who could resist the charm of the new head of the GCC, who chose to ignore the, um, facilities, using a tree in the middle of the square instead (or was it a lamp-post?).

While on the subject of carbon criminals, Ludwig has learned that the 'Don' in Don 'Godfather' Fearman is in fact a title, not a name. Watch out for horses' heads.

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13 June 2000

To: See Recipients' List

From: USDEL/Bonn - Mark G. Hambley ~~MA~~

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

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

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

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

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13 June 2000

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

Atmospherics

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

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

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

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

Status of the Negotiations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Land Use and Land Use Change and Forestry (LULUCF): Interest in this topic threw SBSTA Chair Dovland's plans for a smooth Monday plenary session into confusion. Following IPCC Chair Bob Watson's presentation, a lengthy discussion ensued during which the G-77 asked for an additional LULUCF workshop and for the

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preparation of a report by the Secretariat analyzing the results of the IPCC Special Report. Brazil indicated that this is not possible, citing principally the timing issue.

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

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

Cross-Cutting Issues: No change from earlier reporting.

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Joint SUBSTA/SUBIM Meeting
12 June 2000
Jack Schick

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

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

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

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

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

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



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HIGHLIGHTS FROM FCCC SB-12 MONDAY, 12 JUNE 2000

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

SBSTA

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

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

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

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

ARTICLES 5, 7 & 8: Co-Chair Paciornik reported on the pre-session informal meeting and its outcomes. The US and JAPAN recommended adoption of guidelines for national systems at COP-6. The EU said some matters under Articles 5, 7 and 8 can only be completed after COP-6, as decisions made on other issues need to be taken into consideration. The G-77/CHINA said work on Articles 5, 7 and 8 should take into account other Protocol articles,

including those on demonstrable progress, the financial mechanism and adverse effects. On the linkage to the mechanisms, JAPAN proposed that any Party should be able to use the mechanisms until non-compliance with Articles 5 and/or 7 is proven.

SBI

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

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

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

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

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Wednesday, 13 June 2000

diary bodies. Several Parties stressed the need for further exploration of the options presented by the Executive Secretary. Informal consultations will be held on this issue.

JOINT SBSTA

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

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

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

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

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

CONTACT GROUPS

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

ADVERSE EFFECTS: Co-Chair Kjellén emphasized that the goal of the contact group was to develop a proposal for negotiating text for consideration at SBSTA-13. On procedural issues, delegates differed over whether to develop one or two draft decisions.

SAUDI ARABIA and several other developing countries, opposed AUSTRALIA and JAPAN, supported continuing work on the basis of the Co-Chairs' consolidated text. SWITZERLAND said it was premature to take a decision on long-term actions without further research, information and a full assessment of options, and said this process was moving too fast. Several non-Annex I Parties expressed concern that this position would make it difficult to move forward, and KUWAIT noted that this could result in the

whole package of issues being blocked. NIGERIA said there was sufficient information to take action, in spite of gaps. Co-Chair Kjellén said the group should continue discussions to move forward based on the consolidated text.

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

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

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

IN THE CORRIDORS

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

THINGS TO LOOK FOR TODAY

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

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

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

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

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

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

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

<u>Organization</u>	<u>Name</u>	<u>Fax</u>
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State/OES	Brooks Yeager	202 647-0217
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State/L/OES	Sue Biniarz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer <i>et.al.</i>	202 647-1091
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
Commerce	Dana Palmer	202 408-9674
Commerce	David H. Festa	202 482-4636
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DOD	Dan Benton	703 693-4507
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DOI	David Hayes	202 208-1873
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Energy	Dan Reicher	202 586-9260
Energy	David Goldwyn	202 586-0861
Energy	Margot Anderson	202 586-3047
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EPA	John Beale	202 564-1554
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USAID	David Hales/Barrett	202 216-3174
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WH	Roger Ballentine	202 456-1736
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
WH/CEA	Robert Lawrence	202 395-6958
WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

13 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 11 from SB12 (supplemental reporting)

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

- (A) A report on the TCAPP side event on June 12 prepared by EPA's Paul Schwengels;
- (B) Report on a meeting by the consultative group of experts on non-Annex I communications reported by Jack Fitzgerald;
- (C) A report on the First Meeting of SBI on June 12 prepared by extraordinary USDELEr unknown;
- (D) Notes on the June 12 mechanisms joint working prepared by another ibid.
- (E) A report on the First Meeting of SBSTA on June 12 prepared by DOD's Lt. Colonel Peters; and,
- (F) A Reports on the joint SBSTA/SBI joint meeting on June 12 prepared by State's Jack Shick.

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

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

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

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

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

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

12th SBI – First Meeting – June 12, Uam-lpm

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

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

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

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NOTES: 6/12 Mechanisms Joint Contact Group

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

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

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

BONN, GERMANY, JUNE 12, 2000

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

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

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

LAND USE, LAND USE CHANGE AND FORESTRY

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

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

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

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

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

BONN, GERMANY, JUNE 12, 2000

GOOD PRACTICES

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

ARTICLES 5, 7, & 8

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

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

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

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

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

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

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

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

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

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

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Joint SUBSTA/SUBIM Meeting
12 June 2000
Jack Schick

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

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

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

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

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

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

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cc:JA

14 June 2000

To: Sec Recipients' List
From: USDEL/Bonn - Mark G. Hambley^{MA}
Subject: Periodic Update No. 12 from SB12 (Tuesday/Wednesday, June 13-14)

This message transmits an unofficial and informal report on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message covers activities from the afternoon of Tuesday, June 13 to mid-day on Wednesday, June 14.

Also included is a report on the June 13 JUSCANZ meeting that included a report by Yvo de Boer from the incoming COP Presidency, prepared by State's Jack Shick, along with the June 14 edition of the NGO-produced **Earth Negotiations Bulletin** that provides information on Tuesday's proceedings. This report should also be read in conjunction with Update No. 13 that contains additional supplemental reporting prepared by various USDEL members, primarily related to the June 12 sessions.

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

14 June 2000

SB12 Periodic Update No. 12: G-77 Pressing for Advantage on its Basket of Issues; Progress Slow on Our Issues as Delegates Ponder the End Game**Atmospherics and General Comment**

While Annex I continues to meet in small contact groups on mechanisms and elsewhere both to sort out technical details (where possible) and to try to coordinate action in various fields, the G-77 has come alive and, in a quite coordinated fashion, is dominating the play or trying to force early decisions. A "we versus them" paradigm still dominates in the Article 4.8/4.9 discussions. We are trying to mute this through intensive side-bar discussions and representational events. Nonetheless, it is with difficulty that we are striving to bring our positive position on adaptation back into the forefront.

In compliance, the Saudis tried to prevent the discussions from going forward (they failed), while a different tactic was used in the Articles 5/7/8 discussions. Here, the Saudis insisted that all of the details of Article 8's review provisions must be finalized by COP-6. (Annex I believes this not to be necessary). Moreover, the Saudi delegate told the Brazilian chair that he needs more time to consider the outcome decided on Article 5.1 (national guidelines). When asked to specify areas of concern, the delegate could not do so.

In capacity building, Chairman Ashe is playing sordid textual games once again and advised us that he wants to wrap up this issue by SBI-13 in September in Lyon. Meanwhile, in sinks, many developing countries are insisting that they need more time to consider the implications of the IPCC Special Report.

In short, the G-77 continues on something of a roll. Mechanisms resumes discussion this evening (June 14), and there will be another session on Article 4.8/4.9. It is hard to see much additional progress coming in either area at this meeting. In fact, mechanisms could get bogged down on a discussion of nature, scope, and principles or be overwhelmed with additional G-77 inputs, if Chairman Chow does not continue to keep his wits about him. Many delegates are now beginning to ponder what the end game this week will look like. Some do not like what they see. **End Atmospheric and General Comment.**

Latin Lunch

We had a very friendly lunch with members of GRILI – the like-minded group of Central and Latin American countries – on June 13. The principal topics discussed were Article 4.8/4.9 and sinks. Little interest was expressed about the former topic with only one question being asked (by Fernando Tudella of Mexico who wanted to know what we specifically did not like about the text proposed by co-chairs Salamat and Kjellen). On sinks, we had a lively 90 minute discussion, launched adroitly by

DOE's Bill Breed. Delegates from Colombia, Ecuador, Honduras, Panama, Costa Rica, Argentina, Mexico, Chile, Uruguay, and Nicaragua attended. Barbara De Rosa Joynt has drafted a report that will be sent separately to the Department.

U.S.-Russian Bilateral

On Monday afternoon (June 13), USDEL also held a two-hour long meeting with members of the Russian delegation headed by climate change veteran, Alexander Metalnikov. He was joined by a representative of the interagency climate task force and a MFA representative. The reporting officer led for the U.S., ably assisted by EPA's David Doniger and State's Jack Schick (other USDEL members were unavailable due to on-going contact group activities).

Among the points raised were dates and agenda for the forthcoming meeting of the U.S.-Russian (Sandalow-Bedritsky) Climate Planning Group. Metalnikov indicated that he would confirm our suggested dates (after August 1 submission) and suggestions for an agenda. He will get back to us through our EST officer in Moscow (Evelyn Wheeler). Doniger gave an impressive outline of our ideas for a type of green fund; Metalnikov, who has been resistant about such ideas in the past, indicated interest in the concept and asked that this matter be put on the agenda for the CPG. Similarly, despite Russia's keen interest in joint implementation, they took note of the advantages that might accrue to Russia under emissions trading.

Metalnikov discussed briefly European efforts to lure the Federation away from the umbrella group. He also told us about efforts to encourage Russia to ratify without the U.S. - an idea which he personally thinks would not be in Russia's better interests.

Difficulties with some of our approaches on compliance and Articles 5/7/8 were noted, as was Russian uncertainty on sinks. It was agreed that we will send the Russians some information on trading and related issues. We also promised to endeavor to send some technical experts to Moscow one or two days before the forthcoming CPG. A complete report on this meeting will be provided by State's Jack Schick.

Africa Lunch

We hosted seven African delegates to lunch on June 14. The included representatives from South Africa, Nigeria, Senegal, Egypt, Burkino Fasso (the chair of the African group), Uganda, and the Central African Republic. Aside from the reporting officer, State's Susan Wickwire and USAID's Ko Barrett provided support and expertise on two of the areas discussed - the mechanisms (especially the CDM) and capacity building. Reporting officer led with an explanation of our stand on Article 4.8/4.9.

In response, Burkino Faso and Nigeria both expressed appreciation for our explanation. They noted the importance of adaptation, technology transfer and capacity building as being key issues for Africa. These must be treated on an equal footing, they said. On sinks in the CDM, South Africa - speaking for the group -

indicated that Africa is still mulling over its position. It wants time to digest the IPCC Special Report on this topic.

The Africans discussed plans for a few workshops between now and COP-6 dealing with this and other issues, some of which are being supported by the USG (and by USAID in particular). Both Ms. Barrett and Ms. Wickwire acquitted themselves with passionate eloquence on their respective specialities – capacity building/adaptation and the mechanisms.

Meetings with the Dutch

As reported in the June 13 telcon, reporting officer spent one hour with Yvo De Boer that afternoon discussing various process related issues. On June 14, reporting officer and State's Climate Change Coordinator, Dan Bodansky, met with incoming COP-6 President, Minister Plonk, Yvo De Boer and other key staff members. Plonk outlined his views on a few key issues and made some recommendations that will be forwarded to the Department in another channel.

Status of the Negotiations

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

Convention Articles 4.8/4.9 (affects of climate change and impacts of response measures) and Protocol Articles 2.3 and 3.14: The discussions on this topic, the second one since the issue of the controversial and highly biased document by the co-chairs over the weekend, was quite brutal, but as Co-Chair Salamat indicated afterwards, "at least a discussion took place."

Annex II Parties (Annex I minus the economics in transition) met and coordinated their positions prior to this session. They noted that the current text is "not legitimate" but that they wanted to engage on the substance. Zimbabwe helpfully (sic) then started to negotiate the text, changing "would" to "shall" and related nonsense.

Salamat eventually led the discussion towards response measures, apparently fearing that this part of the 4.8/4.9 puzzle would not be addressed if he did not do so.

(Comment: We are concerned about the next draft text that we anticipate the co-chairs will release. Reporting officer told Salamat at a dinner on June 13 that we need to receive a document of elements for a draft decision that truly reflects the proposals and contributions of all Parties; otherwise, it would be better not to issue any text at all. At the same dinner, Kjellen told us that "we have to sensitive to his position, too." **End Comment.**

Technology Transfer: This issue was discussed in SBSTA and is detailed in Linda Moody's extensive report that appears in Update 13. Suffice it to note that some ten themes for decision were discussed, but in the end a more workable five were decided upon. There was somewhat of a brouhaha over Australia's insistence on using the 'CDM and technology transfer' as a theme. Mechanisms Chair Chow Kok Kee is

very concerned at the possible opening that a theme of this nature could give to Saudi Arabia's disruptive tendencies. Chair Dovland again avoided creating a formal contact group during the remaining three days of this session, although he promised to have one available by Lyon. He will name his prospective nominees by the week's end.

Kyoto Mechanisms: All will be quiet until this afternoon's meeting (June 14). Various contact groups on both JI and the CDM have been meeting between and among the EU and the umbrella group. We also held bilats with both India's V.J. Sharma and with Chairman Chow.

Compliance: Discussion of the new co-chairs' text was begun at the June 14 meeting, despite an effort by Saudi Arabia to abort the discussion. For the first time, the Russian Federation is participating (although, being new, not in an especially helpful manner). Saudi Arabia did tell co-chair Slade that he agreed the text provides a good basis for discussion. Another meeting is scheduled for June 14.

Policies and Measures (PAMs): This issue was discussed in the SBSTA plenary on June 13. The EU has changed the terminology for its proposed "international indicators". The new term of choice is "comparable quantifiers". As anticipated, the Chair appointed Switzerland to conduct consultations on a proposed decision recommendation. A second workshop is one of the possibilities being considered.

Articles 5/7/8 (on methodologies, reporting and review): Progress continues, but the Saudis are trying to thwart the process. They have called for a delay in presenting the decision on Article 5.1 on national systems to the SBI. They are also insisting that every aspect of Article 8 on review be completed before any decision on these issues is taken at COP-6. Annex I Parties and others do not believe this is necessary (a view undoubtedly shared by the Saudis who are merely acting obstructionist).

Land Use and Land Use Change and Forestry (LULUCF): The contact group is working off of a streamlined text that includes, inter alia, the formats for the August 1 submissions. There has been some discussion, as well, about criteria and guidelines. Whether or not to hold additional workshops on sinks (and especially its relationship to capacity building) between September and November remains an important point of debate, as well (as was emphasized to us by our African luncheon guests on June 14). African and other delegations continue to indicate their need for "more time" to digest the results of the IPCC Special Report.

Capacity Building: The situation is a wee bit confused. The group met on June 13 and began discussing a draft framework for a decision on the economies in transition. Chair Ashe then introduced a new text on this topic, perplexing Annex I delegates. Carrying much of the Annex I water on this was USAID's Ko Barrett. Along with our other Annex I partners, we insisted on talking about general principles to avoid being further bamboozled by Chairman Ashe.

Cross-Cutting Issues: No change from earlier reporting.

JUSCANZ, 13 June 2000
Jack Schick

The Norwegian chair was concerned to know the group's views on where to go from here after the Saudi-Nigerian disruption of the day before. The US led off by expressing disappointment that there was a fight that need not have happened had the Swedish and Iranian co-chairs of 4.8/4.9 not issued last Saturday a text so skewed toward the G 77. The Annex I countries will continue to comment conceptually but not treat the text as a negotiating document. It is important to keep the Mechanisms text as our priority but to look for a more cooperative environment in the 4.8/4.9 Contact Group. Australia agreed that we had all come to Bonn to discuss 4.8/4.9 but not to take decisions here. New Zealand reported that the UK would be making an intervention to that same effect.

Turning to the Mechanisms debate, Korea expressed concern that Chow's text seemed to have a restricted version of the CDM. He saw little possibility of a private sector role in the CDM with this text. Canada agreed, saying that it has industry representatives on its delegation whose reaction was similar to Korea's—we cannot use it, it has too many rules, too many barriers and so lacks incentive for the business community to participate. Norway was uncertain what Chow is looking for at this point—written comments from the Umbrella Group? However, Switzerland took a different tack, suggesting that the new text improved on the last version. The JI provision is overloaded too but how could it be otherwise when we were not looking for any rules there? But he commended Chow for being on the right path of “creeping acceptance.” New Zealand considered the current draft a far cry from a negotiating text. Wellington is looking for the Pacific Islands to use CDM but their small administrations simply do not have the capacity to deal with an overly-structured CDM.

On the new compliance text, Australia volunteered that the co-chairs had done a good job and looked forward to working through it today. The US was pleased with the progress in the Capacity Building Contact Group; the elements papers on EITs and on developing countries were useful. Canada agreed but was concerned that the EITs themselves are not well-organized. He also noted that the EU was not organized either on this issue.

Canada turned to the SUBIM meeting at mid-morning. The COP 6 agenda would be discussed: Pronk would be elected on the first day, but the Bureau would not change over until the second week. SUBIM Chair John Ashe of Antigua/Barbuda is looking for an unprecedented third term. The 4.2.a & b review of commitments is proposed to be dropped, which will make it harder to come back to later when we need it. The Secretariat now has 136 people in response to an increased work load requested by the COP and is now looking for more space. The German Government will make the refurbished former Bundestag building available but not until 2005 and refuses to subsidize more temporary space.

Enter Pronk's Emissary

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At the end of the meeting, Norway invited Ivo DeBoer, Dutch Environment Minister Pronk's point man on COP 6, to discuss The Netherlands proposals for the Warsaw Ministerial agenda on 29 June (Poland will chair but Pronk is providing the firepower). He suggested taking the reports on the status of work from the SUBSTA and SUBIM chairs the night before in order to devote the next day entirely to substance. He floated the idea of ministers going into break out groups for the discussions on the 29th to achieve some depth of discussion. He proposed four agenda items to which he was looking for JUSCANZ reactions: supplementarity "on which there has been no real discussion to date;" 3.14 because "even though we want it to go away, it is on the COP 6 agenda, and we need a rational way to deal with this issue;" how to move the CDM forward with a prompt start possibly with an interim Executive Board; and how and when do we begin negotiations on the second commitment period.

Australia opposed break out groups because it would be hard to get a sense of forward movement. Ministers will be needed to drive, push the process forward. Supplementarity is not a promising agenda item and does not set the right tone.

The US observed that supplementarity is not a consensus-building item, recalling the bitter exchange between Trittin and al-Saban at the last ministerial and in any event would not be addressed until very late in the process. Similarly, he viewed a 3.14 item as not promising either and suggested the agenda be limited to the last two suggested items. Two break out groups would be a mistake because it would hinder networking among ministers.

New Zealand was nonplused at having had no warning and was therefore without instructions to respond but thought ministers would want to consider following up on their previous meeting and on what has transpired in the interim. He also suspected they would want to advance the chances for the Kyoto Protocol's early entry into force and focus on emissions trading, compliance, and sinks issues.

Japan agreed that ministers need to address the issues important for moving the process forward or, in the worst case, those that could lead to failure of COP 6—"It may be useful to think the unthinkable" the better to defuse the landmines that could dash our hopes. He thought that supplementarity would be a difficult issue and could be "managed at 5 AM on 25 November. This one won't blow up in our face."

Canada suggested that COP 6 will not be the end of the road so that the fourth item—negotiations on the second commitment period—could wait. "It is not a ratification issue." Switzerland did not object to a short discussion of supplementarity; he considered break groups as problematic.

DeBoer defended his list by citing them all as tripwires for landmines that will need ministers' attention. In addition, he proposed to address the "disconnect" between ministers and the working level by hosting a two-day meeting in October at the officials level before the ministerial that month.



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Wednesday, 14 June 2000

HIGHLIGHTS FROM FCCC SB-12 TUESDAY, 13 JUNE 2000

The Subsidiary Body for Scientific and Technological Advice (SBSTA) convened in morning and afternoon sessions to consider the development and transfer of technologies, cooperation with relevant international organizations, policies and measures and methodological issues. The Subsidiary Body for Implementation (SBI) addressed arrangements for intergovernmental meetings and administrative and financial matters. The Joint Working Group on Compliance (JWG) discussed the Co-Chairs' text. Contact groups met to consider: administrative and financial matters; land use, land-use change and forestry (LULUCF); adverse effects; capacity building in countries with economies in transition; and guidelines under Protocol Articles 5 (methodological issues), 7 (communication of information) and 8 (review of information). The Friends of the Chair group on the technology transfer consultative process also convened.

SBSTA

TECHNOLOGY TRANSFER: Bert Metz, IPCC, outlined key conclusions of the IPCC Special Report on Technology Transfer. Chair Dovland said the Friends of the Chair group had begun to identify priority areas for a COP-6 decision.

Several delegates underscored the importance of capacity building for technology transfer. The EU and JAPAN stressed continuation of existing sources of funding. The EU, JAPAN, AUSTRALIA and CANADA underlined the CDM's role in advancing technology transfer to developing countries. CHINA, supported by several delegates, opposed any suggestion that the CDM could replace technology transfer under the FCCC. MAURITIUS suggested using specialized and professional bodies to monitor technology transfer projects.

Several developing countries supported the G-77/CHINA's call for the formation of a contact group at this session, while the US, AUSTRALIA, SWITZERLAND and CANADA preferred forming it at SB-13. The US, MALAYSIA and SWITZERLAND said the Special Report could provide guidance in continuing the work on implementing FCCC Article 4.5 (technology transfer).

On other matters, John Houghton, IPCC, presented a paper on the applicability of regional climate models at the scale of small island states, highlighting that despite progress in regional modeling, much uncertainty remains.

COOPERATION WITH INTERNATIONAL ORGANIZATIONS: Delegates heard reports from the FCCC Secretariat, IPCC, Global Climate Observing System (GCOS), WHO, the Ramsar Convention on Wetlands and UNDP. SWITZERLAND invited governments to contribute to funding the IPCC. A number

of delegates underlined the capacity building aspects of the GCOS regional workshops, and the need to maintain the political independence of the IPCC.

"BEST PRACTICE" IN POLICIES AND MEASURES: Delegates emphasized the importance of policies and measures (P&Ms) in ensuring implementation of Protocol commitments, and supported proposals for future workshops. The EU highlighted the importance of, *inter alia*, considering different national and sectoral circumstances when evaluating P&Ms, and quantifying the effectiveness of Annex I Parties' domestic action. SWITZERLAND, opposed by the G-77/CHINA, proposed that a contact group be established using the Chair's consolidated text as a basis for discussion.

METHODS AND TOOLS TO EVALUATE IMPACTS AND ADAPTATION: The PHILIPPINES and the GAMBIA stressed focusing attention on new and effective adaptation technologies. The EU, and others, suggested organizing the workshop proposed by the Secretariat with IPCC, preferably after COP-6 and after the completion of the work of the IPCC Third Assessment Report. CHINA and AOSIS called for COP-6 resolutions supporting capacity building in developing countries.

On other methodological issues, the Secretariat reviewed recent meetings with the International Civil Aviation Organization and the International Maritime Organization, on GHG emissions from international transportation, noting that SBSTA-13 will address this issue.

On implementation of FCCC Article 6 (education, training and public awareness), the Secretariat reported that it had received only five national submissions. The CENTRAL AFRICAN REPUBLIC, with others, advocated that Article 6 be a separate SBSTA agenda item.

SBI

ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS: Many delegates thanked the French Government for its offer to host SB-13. The SBI endorsed MOROCCO's offer to host COP-7 in Marrakech.

On COP-6, the NETHERLANDS called for progress on all aspects of the Buenos Aires Plan of Action. Relaying a message from the incoming COP-6 President, he said the outcome of COP-6 must be environmentally credible and based on common but differentiated responsibilities. On the provisional agenda for COP-6, the US, RUSSIAN FEDERATION and SAUDI ARABIA said the proposed new sub-item on P&Ms should await SBSTA's consideration. SAUDI ARABIA urged full transparency and participation at COP-6, and INDONESIA called for full participation of developing countries before and during COP-6.

ADMINISTRATIVE AND FINANCIAL MATTERS: On Implementation of the Headquarters Agreement, FCCC Executive Secretary Cutajar raised several issues with regard to integration

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with the host country, including work/residency status and lack of office space. The G-77/CHINA expressed concern over this situation. GERMANY said it would do its utmost to improve the situation. MEXICO and COSTA RICA suggested a draft decision for COP-6 consideration urging GERMANY to strengthen cooperation with the Secretariat.

JOINT WORKING GROUP ON COMPLIANCE

Many delegates supported the Co-Chairs' text as the basis for the JWG's work. The EU, US, SWITZERLAND and SAMOA said some elements in the Annexes might need to be included in the text. On the title, the US favored a reference to "procedures and mechanisms related to compliance under the Kyoto Protocol," since there are other provisions in the Protocol dealing with compliance. The EU preferred "a compliance system for the Kyoto Protocol" in order to reflect a comprehensive approach to addressing compliance.

On Objective, a number of delegates supported inclusion of "enforcing" compliance. The G-77/CHINA favored simpler text referring to "compliance with the Kyoto Protocol." The RUSSIAN FEDERATION, opposed by the US, suggested referring to promoting achievement of the FCCC's ultimate objective. SAUDI ARABIA sought a reference to compliance with obligations contained in Protocol Articles 2 (P&Ms) and 3 (targets). AUSTRALIA suggested the compliance system focus on both Articles 3.1 and 4.1 (joint fulfillment). The EU favored a general reference to the Party's "obligations under the Kyoto Protocol." On Principles, AUSTRALIA, the RUSSIAN FEDERATION, the US, JAPAN and NEW ZEALAND preferred that these not be expressly provided for in the text.

CONTACT GROUPS

ADMINISTRATIVE AND FINANCIAL MATTERS: Chair Mahmoud Ould el Ghaouth (Mauritania) proposed a draft "Late Payment of Contributions: Response Options" to be transmitted to SB-13 as an initial draft text. IRAN, with GERMANY, BELGIUM and AUSTRALIA, called for in-depth consideration of the issue. IRAN opposed transmitting the text to SB-13. He said the cornerstone of the approach to late payment should be persuasion, not punishment, and that the matter should be addressed in the spirit of common but differentiated responsibilities. The NETHERLANDS, with CANADA, favored applying the same approach to all Parties, including an incentive scheme. He said the principle of common but differentiated responsibilities applied only in assessing the level of contribution.

LULUCE: Delegates discussed draft conclusions that, *inter alia*: included the format for 1 August submissions; requested Parties to address how their proposed additional activities relate to suggested criteria and guiding principles; and invited SBSTA to convene an additional inter-sessional meeting prior to COP-6. On the Special Report, delegates expressed diverging views on whether to add a phrase on the IPCC lead authors' input during the pre-sessional week and on the potential to continue this practice. On criteria and guiding principles, the EU suggested reference to the objectives, principles and relevant provisions of the FCCC and Protocol. The US and AUSTRALIA opposed inclusion of "relevant provisions," noting that this would imply requirements rather than guidance. On the proposed additional meeting, BOLIVIA stressed the need to ensure sufficient participation of non-Annex I Parties, and the G-77/CHINA called for regional workshops. AOSIS cautioned against progressing with draft decisions during the inter-sessional meeting/workshop.

ADVERSE EFFECTS: Stressing that this was simply a discussion to identify and develop further ideas and key elements as a basis for negotiation, Co-Chair Salamet sought substantive comments on the consolidated text.

On the adverse effects of climate change, many delegates endorsed the need to improve data and information gathering, and systematic observation and monitoring. Several Annex I Parties

supported an integrated and priority-based approach and emphasized the need for a set of guiding principles. The UK stressed the need to avoid maladaptation. The G-77/CHINA proposed adding, *inter alia*: the need for training in specialized fields; establishment of regional centers to facilitate a rapid response to natural disasters; and improved monitoring and forecasting of disease vectors. The US and CANADA stressed the needs of least developed countries.

On impacts of response measures, BRAZIL proposed a workshop to help further develop economic models. SAUDI ARABIA said the text should refer to actions by Annex I, not Annex II Parties. LIBYA proposed a reference to support for economic diversification in developing countries dependent on fossil fuel production. The US proposed text based on an iterative process, drawing on experiences. On text relating specifically to Protocol Article 3.14, the UNITED ARAB EMIRATES added reference to compensation, funding and insurance.

CAPACITY BUILDING: The countries with economies in transition (EITs) submitted amendments to the section on principles in the Chair's paper on capacity building in EITs, and noted that discussions on other section were ongoing. Participants sought the Chair's guidance on: how the contact group's work would proceed; whether discussions would proceed on the basis of the EIT submission or the Chair's paper; and how capacity needs emerging from other discussions would be included in the framework elaborated by the group. They discussed the submission, including: the principle that all needs are addressed in a coordinated manner, and the EITs' immediate needs.

ARTICLES 5, 7 & 8: Delegates discussed the revised Chairs' draft conclusions on Guidelines under Protocol Articles 5, 7 and 8. SAUDI ARABIA, for the G-77/CHINA, disagreed with the draft conclusions that propose forwarding guidelines for national systems under Article 5.1 (national systems) for consideration by SBI-13. He requested more time for consideration of the guidelines. Several delegates underscored the need to move forward as planned, noting that the guidelines have been under consideration for several months. In response to a request by Co-Chair Paciomik, the G-77/CHINA agreed to discuss, consult and provide feedback. Delegates then discussed minor changes to the remaining conclusions. The Secretariat highlighted the structure of a draft COP-6 decision, which would recommend the adoption of guidelines for national systems under Article 5.1 by COP/MOP-1.

TECHNOLOGY TRANSFER: The Friends of the Chair group agreed on five themes for action emerging from the consultative process: technology needs and needs assessment; technology information; enabling environments; capacity building; and mechanisms for technology transfer. They also began identifying the main areas for action under these themes.

THINGS TO LOOK FOR TODAY

SBI: SBI will convene at 11:00 am in Plenary I to consider Annex I and non-Annex I communications, and the financial mechanism.

COMPLIANCE: The JWG will convene at 10:00 am and at 7:00 pm in Plenary II to continue discussing the Co-Chairs' text.

LULUCE: This contact group will meet at 12:00 pm and at 8:00 pm to consider the Co-Chairs' draft conclusions.

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

ARTICLES 5, 7 & 8: This contact group will convene at 3:00 pm in the Reger Room and is expected to reconsider the revised Chairs' draft conclusions on guidelines under Articles 5, 7 and 8, as well as to consider Co-Chairs' text on proposed elements of draft guidelines under Article 8.

MECHANISMS: This meeting will take place in Plenary II from 5:00 pm to consider the Chairs' draft consolidated text.

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

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14 June 2000

To: See Recipients' List

From: USDEL/Bonn - Mark G. Hambley

Subject: Periodic Update No. 13 from SB12 (supplemental reporting)

This message transmits additional reporting on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message includes the following reports by USDEL members, principally covering events on Tuesday, June 13:

- (A) A report on the SBSTA meeting on June 13 prepared by Linda Moody;
- (B) Report on the June 13 SBI plenary prepared by State's Patrick Dunn;
- (C) A report on the June 13 LULUCF meeting (prepared by State's Adele Morris?);
and
- (D) Notes on the June 13 compliance meeting prepared by DOE's Linda Silverman.

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

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13 June 2000

Development and Transfer of Technologies (SBSTA agenda item 9)

Bert Metz, Co-Chair IPCC Working Group III, introduced the IPCC "Special Report on Methodological and Technological Issues in Technology Transfer," recently approved by the IPCC Plenary. The report was prepared in response to a request from SBSTA to help Parties implement Article 4.5 of the Convention. The IPCC Report takes a broad approach in addressing the issues of tech transfer and assessing the literature. It looks at the various processes that result in the development, application and diffusion of technology – with specific foci on environmentally sound technologies and applications for adaptation to and mitigation of climate change. It defines technology to include both hardware as well as software, such as knowledge and practices. The report was produced by more than 180 of the best experts in the field, coming from all relevant disciplines and all regions of the world. It underwent two rounds of extensive review: an expert and a combined government/expert review. The Special Report is considered the most comprehensive and thorough assessment of the scientific and technical literature currently available on the issue.

Parties considered the Chairman's Report on the "Status of the Consultative Process," which includes possible elements of a framework for effective actions to enhance implementation of Article 4.5; reports of regional workshops on Asia and the Pacific and on Latin America and the Caribbean; and the submissions from four Parties on this matter.

Guyana, speaking for the Group of 77, stated that tech transfer must be a continuous process and is very important to enable developing countries to implement their commitments under the Convention. They exhorted Parties to act now to show that they are serious about honoring their commitments under the Convention. For tech transfer to be meaningful, capacity building is needed before the technology is transferred, and proper funding, including low interest rates, was also required. Guyana stated that adaptation and coastal technologies are considered the highest priorities for tech transfer, and they suggested establishing a Contact Group on this topic under SBSTA. Selected additional views of G-77 members were:

- Argentina stated the need for continued information flow, including participation in conferences and international fora. It noted that tech transfer must be economically feasible, so it proposed that feasibility studies be undertaken.
- Botswana, supported by China, Trinidad and Tobago, and others, commented that CDM may be useful but that tech transfer should not just be market-driven; the public and private sectors each have a role, and there should be links to national and regional institutions. It noted the issue of access to capital and proposed a workshop on this topic. It alluded to the difficulties in discussions on Articles 4.8/4.9 and stated that in order to move forward in other areas (e.g., Mechanisms), we needed to move forward in this area.
- China agreed with the several points above, but also emphasized that elements in which concrete actions could be undertaken needed to be identified and consensus reached. It noted that the IPCC Special Report did not address the issue of

mechanisms for tech transfer, which are essential for its success, and the report lacked recommendations for Annex 1 country actions.

- Trinidad and Tobago emphasized education as critical, calling for climate change curriculum at all levels with special emphasis on development of adaptation assessment and implementation skills.

Among Annex I countries:

- Portugal, speaking for the European Union, applauded the consultative process, regional workshops, and IPCC Report. It noted that both the consultative process and IPCC Report indicate that there are no easy solutions. Portugal pointed to the need to tailor tech transfer to each country, the risk aversion of commercial banks, the importance of the private sector and role of CDM, the fact that governments cannot do it alone, and the need for national communications from both Annex I and non-Annex I Parties as a step in improving the information flow.
- The USG noted the valuable input from the regional workshops and commended the Climate Technology Initiative (which gave Parties an update on its program) and the Technology Cooperation Agreement Pilot Projects. It sought to mollify developing country concerns that Annex I countries may rely solely on CDM and the private sector by stating that tech transfer involves many actors: bilateral assistance, multilateral institutions, private sector, NGOs, academic institutions, etc. It noted that adaptation technologies in particular needed to be addressed. The USG suggested that Parties should review the information provided by the Secretariat, the regional workshops, and the IPCC in order to give the Chair guidance in preparing for COP-6, and it supported the creation of a Contact Group at SBSTA 13.
- Switzerland agreed with the USG that it would like to assess comments on the IPCC Report before SBSTA drafted a decision for COP-6, and it agreed to the formation of a Contact Group.
- Japan noted the importance of maintaining continuity and linkages to existing schemes and projects, carried out by developing countries and the GEF; the need to assess these schemes and projects in order to respond more effectively to specific needs of developing countries; the high priority needs of the least developed countries; importance of CDM to advance tech transfer; the suggestion to submit after this session of SBSTA views on a possible framework for implementing meaningful actions.
- Australia commended the consultative process and cooperative atmosphere. It suggested the capacity building elements of tech transfer should be considered in an integrated manner with capacity building discussions. It noted that a CDM adaptation fund will help and that the GEF was critical for transferring hard and soft technologies. Australia support the notion of a Contact Group, suggesting it be created at SBSTA 13.
- Canada was also complimentary of the consultative process and the regional workshops. It supported the USG point that tech transfer can take many forms and involves many actors. Canada has allocated \$100 million to tech transfer, noting that establishing an enabling environment takes attention.

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The Chair concluded that the group would continue to work for the rest of the week as Friends of the Chair and that at SBSTA 13 a Contact Group on Tech Transfer would be created. He stated that Nigeria had been nominated as one Co-Chair of the future group and that he would take nominations for the other Co-Chair. At the latest Friday, he would announce the two prospective Contact Group Chairs.

Also as part of this session, the Chairman of IPCC Working Group I, Sir John Houghton, gave a paper, "The Applicability of Regional Climate Models at the Scale of Small Island States," in response to the request of SBSTA-11. He stated that the IPCC Second Assessment Report of 1996 described the use of climate models as the main tool available for projecting climate change. The most advanced simulate the climate over the whole globe and couple the circulations of the atmosphere and oceans. The horizontal resolution is limited by computer power and is typically in the range of 100-500 km. Processes that occur on smaller scales are taken into account through algorithmic techniques known as parametrizations. These models provide good descriptions of climate on global or sub-continental scales but cannot provide projections of likely climate change on scales smaller than the horizontal resolution. Current experiments with resolutions around 100 km are beginning to provide information on the regional scale, but results differ widely and model development is not yet at the stage when they can be employed with much confidence for regional or local scale projections where climate change impacts humans. The IPCC Working Groups I and II have set up a Task Force on Climate Impact Assessment to facilitate cooperation between the modeling and impacts communities. It is hoped that in the longer-term it will be possible to make available standard sets of regional scale climate data for impact assessments.

Cooperation with Relevant International Organizations (SBSTA agenda item 10)

Robert Watson, Chair of the IPCC, briefed the SBSTA on developments with IPCC. He noted that in the last two months, the IPCC has completed three special reports: (i) Methodological and Technological Issues in Technology Transfer; (ii) Emissions Scenarios; and (iii) Land-Use, Land-Use Change and Forestry, as well as a report on Good Practice and Uncertainty Management in National Greenhouse Gas Inventories. The preparation and peer-review of the Third Assessment Report (TAR) is well advanced, i.e., at the stage of the simultaneous expert/government review. The three working group reports of the TAR will be approved in January 2001 for WGI, February 2001 for WGII, and March 2001 for WGIII. The Synthesis Report will be adopted in September 2001. Watson requested governments to: 1) support your experts to participate in the IPCC process – some experts are finding it difficult to participate because of a lack of financial support; 2) continue to financially support the IPCC Trust Fund, which covers the costs of developing country experts; and 3) not to politicize the IPCC process by using it as a pre-negotiating forum. The credibility and integrity of the IPCC rests on its political independence and its ability to maintain high scientific and technical standards.

Alan Thomas, Director of the Global Climate Observing System (GCOS) Secretariat, briefed the SBSTA on: 1) developments in facilitating an intergovernmental process for systematic climate observations in response to COP-4 and COP-5; 2) efforts to determine the adequacy of the observing system; and 3) developments in activities of the Integrated Global Observing Strategy (IGOS) of which GCOS is a Partner. Canada hosted an informal meeting on Developing an Intergovernmental Mechanism or Process for GCOS in February 2000. The participants recognized the need for an intergovernmental *process* for implementing GCOS and to make use of existing intergovernmental mechanisms. It also urged GCOS to continue to engage the UNFCCC, encourage national coordination of climate observations across disciplines and domains; and increase the proportion of representatives from the governmental operational community on the GCOS Steering Committee. GCOS has initiated development of an implementation strategy, which will be considered by the GCOS Steering Committee in September. The strategy emphasizes the need to foster ownership by national governments in implementing GCOS by stressing the cost effectiveness of building on existing national systems that may be operated for other purposes, including basic research. The GCOS Secretariat has begun to organize regional workshops to identify the capacity building needs of developing countries. With the support of the WMO, UNEP, USA, and Australia, the first workshop covering the South Pacific region will be held in Samoa in August 2000. Further workshops are under development, including the second in Africa in the next 6-9 months. Thomas also explained that the activities of IGOS in the areas of the global carbon cycle and the oceans will benefit the work of the UNFCCC.

The World Health Organization reported on cooperative activities between the UNFCCC Secretariat and WHO Secretariat focusing on capacity building and research to decrease the health impacts of climate change. The impact of climate change on human health has been given increasing attention since it was first mentioned in the IPCC First Assessment Report in 1992. The Second Assessment Report designated a whole chapter to health. At the same time, WHO, WMO and UNEP jointly convened a Task Group to undertake the first comprehensive assessment of the health impacts of climate change. The IPCC Third Assessment Report, due in 2001, will acknowledge the fact that human health is influenced by 'upstream' environmental and social conditions. Better health, with secure and more equitable access to health services, as well as free information, will require expanded education and training and enhancing further tech transfer.

Nick Davidson, Deputy Secretary General of the Ramsar Convention on Wetlands, reported on progress on issues of wetlands and climate change. Since its inception in 1971, the Ramsar Convention has matured into a highly effective, action-based Convention that has assembled an impressive 'toolkit' which provides practical guidance on its implementation by governments, international organizations, and local stakeholders. The Ramsar COP last year identified linkages with the UNFCCC as a high priority in recognition that the goals of sustainable water and wetlands can no longer be achieved without taking climate change and its impacts into consideration, particularly with regard to the integrated management of river basins, development of global action for the management of peatlands, and increasing vulnerability of small island states. The Ramsar Bureau presented a paper to COP-5 last November and identified three broad

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areas of common interest: 1) predicting and monitoring the impacts of climate change on wetland areas; 2) the role of wetlands in adapting to, and mitigating the impacts of, climate change; and 3) the role of wetlands in reducing greenhouse gas emissions. The question remains how best to turn this proposed framework into tangible actions.

The U.N. Development Programme reported briefly, noting it helped build capacity in all aspects related to climate change. It stated its willingness to help with CDM when it is approved.

Interventions of the Parties were generally highly favorable to the activities of these cooperative international organizations and environmental conventions. All urged greater coordination, cooperation, and reporting at future meetings of SBSTA. Switzerland particularly urged governments to support the IPCC process and drew attention to the newly released WHO report, "Climate Change and Human Health: Impact and Adaptation." Australia, Canada, and the USG emphasized support for GCOS, its upcoming regional workshop, and the recommendations stemming from the meeting on an intergovernmental process for GCOS. Malaysia, China, and Indonesia all noted the decline in observing capacity in developing countries – the issue that brought GCOS issues to the attention of the UNFCCC.

Best Practices in Policies and Measures among Annex I Parties

The Chairman had developed a paper on the outcome of discussions at a workshop on 'best practices' held in Copenhagen, April 11-13. Parties were generally supportive of the workshop.

Portugal, on behalf of the European Community, advocated the need for policies and measures as essential for implementation of the Convention and Kyoto Protocol. Nonetheless, it is important to take into account different national and sectoral circumstances when evaluating policies and measures. Further exchange of information and experience should be carried out on an expert level, considering different sectors, activities, branches, industrial processes, and product groups, relying on transparent data and information. This exchange of information should include non-Annex I country specific issues and address the conditions of sustainable development in developing countries. The EU stresses the importance of quantifying the effectiveness of domestic action of Annex I Parties. It suggests that the UNFCCC organize a workshop on comparable quantifiers to assess policies and measures in implementing the Kyoto Protocol. The results of this initiative should lead to further strengthening future guidelines under Article 7 and should be instrumental in demonstrating progress by 2005. This information should be incorporated within the 4th National Communication of the Annex I Parties, using the appropriate quantifiers and benchmarks. It is proposed the SBSTA 13 adopt terms of reference for this workshop and that the workshop results be reported to COP-7.

- Poland, Slovenia, Korea, and the Czech Republic generally supported the EU proposal for another workshop.

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Japan, Canada, Australia, and the USG emphasized the primacy of national circumstances over any single 'best practices.' Because countries are unique, there is no universal best practice. The USG opposed using indicators to measure demonstrable progress in 2005 in meeting Kyoto targets and spoke out in favor of relying on emission inventories and the guidelines for the Third National Communication. The USG supports further information sharing, which could be through the mechanism of a workshop, but it cautioned against duplicating discussions in other fora.

- Canada reiterated the criticality of national circumstances with each country having its own challenges and opportunities. Canada gave great value to the marketplace of ideas. It indicated a workshop might be useful; if so, we should work on language this week.
- Australia supported the EU suggestion for focusing on different sectors ~ which it suggested could be the subject of next year's workshop. Australia seconded the USG view that inventories are key.

Argentina stated that best practices can have both positive and negative effects. Argentina regrets that there was only a small representation of G-77 countries at the April workshop. The G-77 thinks this is an important subject, but we should not be unduly hasty as it may lead to confusion. Argentina stated it didn't think there was enough understanding or consensus for a Contact Group. Perhaps after more analysis is undertaken, we could have informal consultations, but not a Contact Group. Argentina stated there is support for organizing a further workshop/discussion.

Methods and Tools to Evaluate Impacts and Adaptation

The Secretariat had prepared a progress report on methods and tools to evaluate impacts and adaptation. It noted it had developed a data base of decision support tools, which can be accessed on-line, and a format for inputting additional tools. The Chair did not open the floor to general discussion of impacts and adaptation, but welcomed comments on whether this subject should be addressed more comprehensively in the future.

The Philippines stated that impacts and adaptation are high priorities to developing countries and that funding authorities should be made aware of this. They commended the tool data base as highly informative and suggested that workshops on adaptation measures would also be helpful. Impacts and adaptation should be linked to capacity building issues and will require many resources.

Botswana, The Gambia, China, and Samoa concurred that there was insufficient understanding in how to use the tools for assessment purposes, so workshop(s) should be organized to assist in the use of methodologies and tools. Botswana and China noted the need for involvement of the science community and the need for more research to apply the tools to the circumstances of specific countries. China agreed with The Philippines that financial institutions should be support developing country work in this area.

Portugal for the EU noted it would be useful for Parties to share their experiences in using the various tools – which could best be done in cooperation with the IPCC, as well

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as the UNEP, UNDP, START. They suggested any workshop should not take place until after release of the IPCC WG-II Report, sometime after February 2001.

The USG and Canada supported the view that the Secretariat should explore holding a workshop in conjunction with the IPCC sometime after COP-6. They suggested the focus of the workshop should be on adaptation and the writing of national communications and that linkages to Articles 4.8, 4.9, and 3.14 should be considered for a more comprehensive, integrated approach. The USG, in response to a query in the Secretariat's paper, also stated a preference for the use of the roster of experts to evaluate methods and provide more information on their applicability, rather than to conduct a separate expert meeting for this purpose. The USG introduced the first USG assessment report, which was released today, on the possible effects of climate change on the U.S.

Samoa concurred that the subject at hand had direct relevance to Articles 4.8/4.9.

The Chair will prepare a summary of this discussion for review by interested Parties.

Other Matters (Bunker Fuels)
(SBSTA agenda item 8e)

The Chair stated that this item was not on the SBSTA-12 agenda, so Parties were instructed to restrict comments to the IMO and ICAO reports, which were distributed. There being no comments, the Chair closed this agenda item.

Other Matters (Education, Training, and Public Awareness)
(SBSTA agenda item 11)

The Chair stated that the GEF has provided little funding of projects in this area thus far. Five submissions from Parties from previous SBSTA sessions show the importance of Article 6. There was side event at SBSTA today and another planned for COP-6 to show national experiences, lessons learned, and best practices. The Chair proposed that the Secretariat could prepare a paper for the SBSTA-14.

Netherlands strongly endorsed the high relevance of this Article, for without public awareness there will never be sufficient political support. They stated that today's event highlighted the fact that while the importance of the issue is recognized, it generally gets little attention and that there was general consensus to strengthen the capacity of the system.

Botswana for the G-77 noted that it was drafting text on this subject, which will be put on the table tomorrow. It pointed out that there was also great interest in improving research and systematic observations and suggested that Articles 5 and 6 should be taken together.

- Support for this position was heard from Malaysia, China, and Kenya.

The Central African Republic wondered why this item should be put under 'Other Matters.' There is great difficulty in getting across the climate change message in

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developing countries. El Salvador, Morocco, and Malaysia concurred that Article 6 provided the backbone for the entire Convention. Malaysia further suggested that this item be placed on the SBSTA agenda with its own name.

Argentina called for the immediate implementation of Decision CP5. It commented that eight proposed regional education centers should be established, which could develop methodologies, inventories, national communication studies, adaptation, and managed systems. Argentina offers to host such a regional center for capacity building.

USG emphasized the importance of this item and gave more details of its own National Assessment, which greatly contributed to public awareness in the U.S.

The Chair will prepare draft conclusions in consultation with interested Parties and will present them to SBSTA on Thursday.

Roster of Experts

The Secretariat has received nominations from 38 Parties, some updates, via the new web site. Parties are requested to provide additional nominees.

Drafted by Linda Moodie/NOAA
13 June 2000

[Handwritten signature] *U*

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(U) SBI Plenary Session, Tuesday, June 13, 2000 10:00-12:00

The SBI Plenary Session of June 13 covered five agenda items: preparations for SB-13 (item 2 on the draft agenda), COP-7 preparations (item 5), COP-6 preparations (item 3), the proposed calendar of meetings (item 4), and Administrative and Financial matters, including the Headquarters Agreement (item 11). The item on SB-13 was introduced by the Executive Secretary, who thanked France for its offer to host the event in Lyon. Following brief remarks from France, Nigeria expressed the thanks of the G-77 and its hope that administrative issues, particularly including visa arrangements for delegates, would be handled efficiently. These remarks were echoed by the U.S, Russia, Burkina Faso (on behalf of the African Group), and Iran. Iran also inquired if the any conflict of timing could be expected with the U.N. Millenium Assembly Summit. The Executive Secretary indicated that meeting would take place at a very senior level, and thus would not interfere with SB-13 activities. The Chair closed the item by requesting the Secretariat conclude a host country agreement (HCA) with France for the SB-13 conference. Introducing the item on COP-7, the Chair noted Morocco's invitation to host the event. Morocco expressed its hope that the event would promote North-South and South-South cooperation on climate change. Interventions endorsing Morocco's offer came from Nigeria (on behalf of the G-77), Burkina Faso (on behalf of the Africa group), Portugal (on behalf of the EU), the U.S., and Russia.

Moving to the item on COP-6, the Executive Secretary noted that an HCA has been signed with the Netherlands, and that the provisional agenda for that event is being prepared. The E.S. suggested election of the President on the first day, with a one-week transition for the remainder of the board to ensure continuity. The E.S. also expressed its hope to see additional funds for participation by the LDCs in all COP events. The Netherlands called for progress on all aspects of the BAPA, with emphasis on environmental credibility, fairness, economic efficiency, and creative political solutions. Nigeria/G-77 endorsed these criteria, making reference to the (fairly negative) G-77 remarks in Monday's opening plenary. The U.S. noted that including PAMs best practices in the agenda must await the outcome of SB talks on this issue, and seconded the ES call for participation funds for LDCs. Burkina Faso (Africa group) requested that the agenda for the Ministers must contain enough substance to merit such high-level participation. Portugal/EU endorsed the draft agenda, while Japan noted that technical issues should be dealt with before the Ministerial, rather than left for the Ministers' attention. Russia endorsed the U.S. position, and called for care not to overload delegations with voluminous documents. Saudi Arabia stressed that the participation of Ministers is informal, and has "no bearing on the negotiations whatsoever."

The agenda item on calendar of meetings was brief, with only the U.S. noting a conflict with the proposed 2004 dates and requesting a one-week delay. The ES undertook to examine the matter. It is unlikely the ES will accommodate the U.S. request. The ES then introduced the final agenda item of the session, Financial Arrangements and the HQ Agreement, noting its urgent need for additional HQ office space, and calling on the German government, as host, to remedy the situation. Germany undertook to do its utmost to find a durable solution. Remarks noting the difficulty in obtaining visas and other arrangements for UNFCCC staff from the host country government were strongly endorsed by Nigeria, the U.S., Chile, Mexico, Russia, Costa Rica, and Sudan, each of whom called on the host country to assist in streamlining and improving issuance of work and residency permits and other necessary documentation and privileges.

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LULUCF June 14, 2000

The LULUCF contact group is working from draft text for a SBSTA 12 conclusion that was prepared by co-chairs. The text is streamlined, with paragraphs that thank the IPCC for the Special Report, present the formats for national data and information on Article 3.4 activities (which appear in detail in an appendix), address criteria and guiding principles, and call for intercessional work between SBSTA 13 and COP6.

The data formats met with few calls for revision by the main contact group, much to the relief of data format group participants.

On Monday and Tuesday, discussion on criteria and guiding principles on additional activities under Article 3.4 moved quickly towards a limited draft paragraph, despite the extensive list of criteria put forward by the EU last week. The new draft conclusion would require Parties, in preparing their August 1 submissions, to address how their proposals for additional activities relate to the objective and principles of the UNFCCC and the Kyoto Protocol. The EU added bracketed text adding that Parties also need to address the "commitments" of the Convention and Protocol. Various Parties, including the U.S., objected to such sweeping language, which would include requirements along with criteria. We return to discuss the bracketed text on Wednesday.

Some discussion addressed how SBSTA would characterize its consideration of criteria and principles this week. Is it initial consideration of criteria, or consideration of initial criteria? The U.S. has proposed the later as consistent with the SBSTA 11 conclusions, but the EU may support the former as it could imply a process for further consideration.

The Umbrella group generally supports the proposal by the EU and several African countries for LULUCF meetings between SBSTA 13 and COP6. There are two main ways these workshops or informal consultations could speed progress for COP6. First they would provide time for additional negotiation on the concrete proposals revealed in August 1 submissions, and second they could assist capacity building in developing countries, helping prevent delays due to limited G77 understanding of LULUCF issues.

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Compliance 6/13/00

The Joint Working Group on Compliance met on June 13 to discuss the new Chair's text, which came out the night before. After some initial attempts by Saudi Arabia to prevent discussion, discussion – not negotiation – of the text began.

In initial comments, most countries agreed that the text was a good start for discussion. Many Annex I countries agreed with the US view that procedures that were contained in the Annexes should be moved to the body of the text because of their import to the process. The U.S. also raised concerns about the bent of the text toward one branch, even though it referred to 2 branches. Saudi Arabia and the G-77 spokesperson (South Africa) wanted to make sure that future submissions would be allowed. Russian made it clear that it was very disappointed in not having a Russian translation of the text and that it would need this before it could agree to anything. Russia actively intervened to focus the work on incentives for fulfilling obligations rather than on punitive measures. Russia also tried to get references to the UNFCCC included in the objective. Australia reminded the group that the COP5 JWG decision allowed the Chair's draft at this session to be the basis of "negotiation" and that it was not necessary to only "discuss" the text.

Linda Silverman, DOE

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**Capacity Building Informal Group meeting on EITs
(Chairman Ashe-Antigua and Barbuda)-- 13 June 00**

On Saturday we received new Chairman's text on capacity building on both EITs and developing countries, and we were prepared to provide our comments on the EIT text at the Tuesday evening session as previously agreed. While a smooth session was anticipated, it soon became obvious that this was not to be the case.

When Parties were asked for their reactions to the chairman's text, the EITs made the first intervention as a group. Romania, on behalf of the group, indicated that they had generated their own text, and although Romania first indicated that they had not all agreed to the text, Russia stated that they would like to present it to the chair, and then did so - with no visible dissent from the group. To our knowledge, this action took all non-EIT Parties by surprise, and no one else in the room had copies of the document. We were then given a copy, as were the EU and Canada. A confusing interlude ensued where none were uncertain how to treat this text, which was essentially the chairman's text modified to the EITs liking. Thus the structure was similar but paragraph numbers and pieces of text were different.

Canada intervened and provided comments on the original text which noted the importance of the GEF CDI work as a part of this process, noting that the work won't be completed until September, and that we still need to do some work on this matter. Then Chairman Ashe requested that David Drake (by name) step outside to chat with him. The other GOC delegates followed, as did the GEF representatives in the room. We learned later that Ashe admonished David for being obstructionist, and that David argued back against Ashe pushing things so far so fast, (11/CP.5 calls for compilation of Parties submissions at SB 12, and elements of a draft framework for capacity building activities at SB 13.) When Canada returned the US intervened, and provided general comments on the original text. The EU did likewise. Confusion reigned about which text Parties were supposed to use and ultimately a 15-minute break was called so Parties could look at the new text, and all could receive copies.

After the break, the US asked the Chair how he saw this matter proceeding, and Ashe made it clear that his intention was to get text in place at SB 12 and to have this agreed upon by SB 13 (instead of the COP, as expected). The US received little or no support from other Umbrella countries, save a few interventions from Canada. (Japan and Norway were in the room but silent, and the other Umbrella partners were not present [Russia was present, but was working with the EITs]) The EU, with their sensitivities to the potential EU membership of the EITs, was in a quandry, not wishing to be obstructionist, but not wishing this to go forward either, and as a result, was rather quiet. The US persisted throughout the remaining time, asking procedural questions, and requesting clarification of points from the EITs, which the EITs answered, and time eventually ran out. The Chair agreed to accept additional text from Parties, due Thursday morning.

The group meets again Wednesday for capacity building for developing countries.

Submitted by OES/EGC:Barbara De Rosa-Joynt

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

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Commerce	David H. Festa	202 482-4636
DOD	Dan Benton	703 693-4507
DOD	Bruce Degrazia/K.Doxey	703 607-4237
DOD	Sherrri Goodman	703 693-7011
DOI	David Hayes	202 208-1873
DOJ	Jim Rubin	202 514-4231
DOT	Trilling/Mittelholtz	202 366-7618
Energy	Margot Anderson	202 586-3047
Energy	David Goldwyn	202 586-0861
Energy	Dan Reicher	202 586-9260
EPA	John Beale	202 564-1554
EPA	Dina Kruger	202 565-2077
EPA	Brian McLean	202 565-2141
EPA	Robert Perciaspepe	202 501-0986
EPA	Bill White	202 501-1480
Treasury	Robert Cumby	202 622-2633
Treasury	Todd Stern	202 622-0073
USAID	David Hales/Barrett	202 216-3174
WH	Roger Ballentine	202 456-1736
WH	Ian Bowles	202 456-2710
WH/CCTF	David Gardiner	202 395-2311
WH/CCTF	John Gibson	202 395-2342
WH/CEA	Robert Lawrence	202 395-6958
WH/CEQ	George Frampton	202 456-2710
WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

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cc:JA

15 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 14 from SB12 (supplemental reporting)

This message transmits additional reporting on events and activities during the Twelfth Meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change (SB12) that are meeting in Bonn during the June 5-16 timeframe. This message includes the following reports by USDEL members, plus the latest edition of ECO (produced by the NGO community):

- (A) A report on the June 14 compliance meeting prepared by L/OES Russell LaMotte;
- (B) Report on recent CTI activities prepared by DOE's Elmer Holt; and
- (C) A copy of the June 14 issue of ECO.

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6-14-2000 Joint Working Group on Compliance
Russ LaMotte

The group met for 5.5 hours today in morning and evening sessions, completing a first read of the co-chairs' draft text. The co-chairs made it clear that the group was not at this stage negotiating the text, but merely ensuring that all views had been properly reflected. The U.S. and others emphasized that our discussions this week would prepare the group to begin substantive negotiations at the next meeting. The co-chairs will work overnight to prepare a revised text based on comments, for review tomorrow by delegations along with the draft report.

The U.S. intervened where necessary to seek revisions that would preserve its preferred approach. Saudi Arabia proposed to exclude questions of non-Annex 1 Party compliance by referring those issues to the (not yet existing) Multilateral Consultative Process, while at the same time repeatedly suggesting to expand the scope of the regime to include Annex 1 compliance with all of Articles 2 and 3 (not just targets). The G-77 supported the idea of referring non-Annex 1 issues to the MCP.

The most difficult interventions came from Russia, which made it clear that it opposes any form of binding compliance procedure. (In a separate UG meeting to discuss Russia's concerns, he explained that aversion to binding consequences was strong in Moscow, and based in part on "the very bad experiences Russian has had with the Montreal Protocol on substances that deplete the ozone layer". We noted that many of the market mechanisms that could benefit Russia substantially – e.g. trading – would depend as a practical and a negotiating matter on a sound compliance regime. This had little apparent impact.) Many delegations appeared frustrated with Russia's interventions, which they viewed as obstructionist.

Also worth noting: the G77 asked the Secretariat to set out options for adopting the compliance regime, and explicitly referred to the Law of the Sea as a possible model. The chair asked Parties to share their views, if they had any, with the Secretariat.

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US Leads CTI Event Entitled "Africa and the CTI" – On Wednesday, 14 June, the US, as Chair of the multilateral activity known as the Climate Technology Initiative (CTI), conducted an event with some of the other CTI countries highlighting CTI's recent capacity building and technology activities in Africa. Principal topics were lessons learned from the CTI GHG mitigation technology training course for North Africa and Southern Mediterranean Countries conducted during May in Italy and the ongoing Cooperative Technology Implementation Plan (CTIP) with the Southern African Development Community (SADC). The 2-hour program was principally devoted to discussions led by country representatives who had participated in the activities. Specifically, two Libyan delegates spoke on the training course and 5 of the 14 SADC countries commented on the CTIP work and its expected outcomes. During the discussion period, Thailand, who has been invited to participate in a CTIP technology assessment, raised several constructive points. Both of CTI's Vice Chairs were in attendance, Maria Dalla Costa of Italy and Koji Nakui of Japan.

CTI Makes Intervention to SBSTA 12 – On Tuesday, June 13, an intervention on behalf of the Chair of the Climate Technology Initiative, Abraham Haspel of the US, was made to the Twelfth Session of SBSTA by Mr. Koji Nakui of Japan, Vice Chair of the CTI. The intervention focused on CTI's very active program of capacity building and related technology transfer enhancing activities, as well as the close cooperative relationship with the UNFCCC Secretariat in support of such efforts as the ongoing consultative process initiated at COP4. This mutually beneficial relationship with CTI was formally recognized by the Chair of SBSTA, Mr. Harald Dovland in his remarks to the SBSTA and in several of the documents related to technology transfer prepared by the UNFCCC Secretariat over the last several months.

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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 the climate negotiations in Bonn, June 2000.

Indigenous Peoples and the Kyoto Protocol

Hector Huertas, Esq. and Edwin Vásquez, Coordinators on Climate Change of Indigenous Peoples of Meso-America and the Amazon Basin respectively.

For millennia, the indigenous peoples have developed our cosmovision and intrinsic relationship with Mother Earth. This relationship has allowed us to develop our cultures and, to sustainably conserve and protect the biodiversity so necessary for the survival of the planet.

Alerted to the discussions on the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol (KP) and especially the Clean Development Mechanism (CDM), indigenous peoples met to discuss climate change issues and concluded in

Switzerland in the Declaration of Geneva and in Ecuador in the Declaration of Quito that there has not been Indigenous Peoples' participation despite the fact that the measures adopted affect the Indigenous Peoples of both the developing and developed countries.

Indigenous Peoples are very concerned about the process and negotiations of the UNFCCC and the adoption and implementation of the KP that seek to reduce the emissions of GHG emissions. The present negotiations on the KP including the elaboration on the CDM, the lessons from the AJI, and the roles of sinks in the KP do not take into consideration the possible effects on the Indigenous Peoples of the world.

We wish Parties to recognize that the discus-

sions of the Contact Groups, Subsidiary Bodies Meetings and COPs of the UNFCCC and the KP are occurring without adequate participation of Indigenous Peoples. This is contrary to international precedents such as the Draft Declaration on the Rights of Indigenous Peoples, Convention 169 of the ILO, the Rio de Janeiro Declaration, the Convention on Biodiversity, Agenda 21 and instruments of the United Nations including the Sustainable Development Commission, the Human Rights Commission, the Inter-Governmental Panel and Forum on Forests. These declarations, agendas, conventions and instruments establish the right to consultation and participation of Indigenous Peoples in the drafting and approval of international or national measures that might affect us.

The adverse effects of Climate Change such as severe floods, droughts and storms hit Indigenous Peoples particularly hard and exacerbate our vulnerability to disease, crop failure, hunger and death. We consider that it is unjust that discussions proceed without our consultation or equal participation on the use of our forests and territories as part of the flexible mechanisms for the reduction of emissions. This is particularly disconcerting as such measures proposed by the CDM directly affects our

-continued on back page enL 1



"The only solution I can see is to hold a series of long and costly negotiations in exotic locations, in order to put off finding a solution."

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Compliments to the Chef

Co-Chairs' compliance "geeks" were waiting with baited breath Monday evening for the Co-Chairs' new draft text on the Protocol compliance system. They weren't disappointed. The Co-Chairs and secretariat's efforts over a very long weekend paid off in a clear, readable text. We commend the Co-Chairs for producing a draft that should give Parties a logical and orderly basis for beginning their crucial negotiations to provide a sound, efficient and strong system.

Of course, all the key controversies remain. Therefore, we especially welcome the many words of support for the completion of rules by COP6. *Eco* wanted to point out some of the highlights of the text, as well as point out a few items that should be clarified:

- Highlights include:
 - *Expedited Procedure*—The Paper includes the important aspect of ensuring that eligibility checks can be done in an expedited manner.
 - *True-Up Period* — While not yet present in detail, *Eco* welcomes this time period for Parties to bring themselves back into compliance through either purchasing tons on the market or voluntarily paying into a compliance fund.
 - *Inclusion of the compliance fund in both the true-up and the consequences time period*: As described in past *Eco* articles, this fund could provide a mechanism to make the climate whole. It could also address the important principle of equity by distributing the projects funded in a geographically balanced way. For example, if the CDM did not produce projects in certain regions, the Fund could concentrate its efforts there.
 - *List of binding consequences*. The text includes a thorough list, however it should not be seen as a list of choices that Parties could choose from but rather a bundle of options that could form a comprehensive, strong system.

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- *Compliance Action Plan*. A new concept brought forth this session by the European Union, the plan does provide innovative interesting elements for the system. The proposal is silent, however, on when the overage is actually cured — by writing a plan or by achieving and demonstrating the overage? Obviously the latter is the right answer. Text should be written to clarify this point.
- *Financial penalties*. Although this is not flushed out in any detail, *Eco* welcomes this inclusion. Any Party that wishes to participate in, emissions trading should support financial penalties for the certainty it brings to the market. In fact any market in order to function needs a regulatory framework set by its political surrounding. Financial penalties would achieve this objective for the Kyoto Protocol.
- *Article 4 issues*: A new section has been added on Article 4. What might the purpose of this be?
- *"Restoration"* — This new brand name for "borrowing" does not solve any of the problems that have been pointed out by *Eco* over the years.
- *Missing Elements*
 - *Public participation*. The Annexes on procedures for the facilitative and enforcement branches include some excellent proposals that will enhance transparency and the ability of NGOs and civil society to contribute to effective compliance. The main body of the text needs to reflect these proposals by explicitly giving NGOs the right to make unsolicited submissions of relevant information to the compliance body. Adequate public notice at all important stages of the compliance process should be specifically provided for.
 - *Review of the adequacy of the system*. We recommend that Parties insert text setting a specific date or dates for review of the adequacy of the compliance system. A commitment now to undertake thorough review, especially of the adequacy of the consequences to non-compliance, will be essential for generating confidence that inadequate procedures and mechanisms during the first budget period will not become "business as usual" for subsequent periods. This would also recognize the emerging nature of the system, and assist Parties as they embark into new territory.
 - *Trade sanctions*. Countervailing commercial measures against non-complying Parties are not included and should be.

Thanks again to the Co-Chairs and secretariat for a job well done. Now, delegates, it's your turn to complete the task.

Sinking Even Lower

It seems from the debate on the draft decision on LULUCF methodological issues that several delegations are sinking fast. A few of their colleagues tried to throw a lifeline, but to no avail.

At issue were criteria and guiding principles to be used by Parties in their proposals for additional activities under Article 3.4 in their August 1 submissions on LULUCF. Some Parties — notably Australia — seemed perplexed by the suggestion that the primary emphasis should be on fossil fuel emission reductions. Brazil made the issue clear, however, by pointing out that Parties with a large land mass could get a permanent new entitlement to emit high levels of GHGs. Brazil also noted the inherent inequity caused by the unequal geographical distribution of sinks.

The EU tried to insert the word "commitments" to remind Parties that they should not water down their targets, for example, by seeking credit for their business-as-usual sinks. Parties would be required to explain how their proposed additional sink activities relate to the overall objective, principles, and commitments of the Convention and Protocol. Unfortunately, the word "commitment" has been scrubbed. It seems that some Parties suffer from commitment phobia. The final decision should make clear to Parties that information is needed on how proposal 3.4 options would affect their assigned amounts.

Almost as dismaying was watching Parties play fast and loose with such critical notions as sustainable development and the goals of other multilateral environmental agreements. It seems that some Parties are worried that keeping an eye out for biodiversity, protecting water and ecosystems, and other environmental objectives might be bad for the climate. We find this strategy risky. Regardless of where Parties stand on the role of sinks in the Protocol, they should respect environmental objectives and ensure that the goals of sustainable development are met. Because of the extreme negative environmental and socioeconomic impacts that could result from some sink projects, compliance with sustainable development and multilateral environmental agreements such as Ramsar, Biodiversity and Desertification must be maintained.

Parties have come to a flawed compromise on the preliminary data they must provide in their August 1 submissions on Articles 3.3 and 3.4. Tables annexed to the draft decision require Parties to report only on their "preferred proposals." Thus, it will be impossible to compare the impacts of different definitions and activities across Parties. Ideally, these tables would have Parties all reporting on the same sets of options. The draft decision does allow Parties to provide data and information on options that are not on their preferred list. We urge them to do so.

U-3

8

Doing it in Public

Public participation on the dilemma of climate change is essential to both the short and long-term viability of the Kyoto Protocol. Therefore it is key to understand what public participation IS, and what it definitely IS NOT.

Public participation IS?

- 1) The right of the public and public interest groups to have timely access to relevant information.
- 2) The right of the public and public interest groups to participate in and influence environmental decision-making.

What public participation IS NOT?

- 1) While greatly appreciated by some, information made available via the web only reaches a small percentage of the world's population.
- 2) The possibility of public comment prior to any relevant information being made available.
- 3) Attendance at the NGO party (sorry)

Involving local communities in environmental decision-making is an established international norm, enshrined in Principle 10 of the 1992 Rio Declaration and more recently, in the Aarhus Convention.

Building these principles into the mechanisms should not be seen as a burden. Instead, public participation will enhance CDM and JI projects by promoting transparency and accountability, essential elements of good governance that can help ensure that the mecha-

nisms deliver on the objectives of real emission reductions and sustainable development.

We already know thanks to several decades of development experience that projects that ignore stakeholders are far less likely to succeed than those that are participatory. The reality is that projects that internalize environmental and social costs have been proven to be cost-effective in the long run.

The issue of public awareness, including public participation in the Convention, has not yet been seriously addressed by Parties. We cannot afford to continue this empty lip service as the mechanisms rules are written.

Highlighted below are several opportunities to make the CTM reflect a more open, transparent and participatory CDM and JI process. Public participation will need to play a major role in CDM and JI through project design, validation and registration, and verification in particular.

On Project Design, Para. 101 (i) entitled "Other information" includes "comments by local stakeholders" and description of their involvement. While good in principle, at this stage it is unclear upon what information "comments by local stakeholders" would be based. Unless project developers present project proposals directly to local stakeholders, there is no assurance that the communities most directly impacted by the project will be aware of the existence of the project. The project design

document should include a section that describes the project's impact on local populations, their involvement in the project design and/or implementation, and how the project addresses potentially adverse local social, economic or environmental impacts.

Regarding Validation and Registration, Para. 49 (d) includes the requirement that "objections by stakeholders have been considered" in order for operations entities to validate a project. This provision is insufficient. Yet again, it is unclear upon what information such "objections by stakeholders" would be based, since no documentation has been made available at this point. In addition, the validating body should do more than just "consider" the objections of stakeholders: projects that are opposed by local stakeholders (which are significantly and adversely affected by project activities, and not compensated,) should not be validated. Para. 78 restricts "who" can submit comments/briefs to the EB regarding registration. Restricting this right only to Parties is contrary to the most basic principles of public participation and is unacceptable to civil society.

Para. 87 (g) regarding verification implies, but does not ensure public access to verification information in stating the verifying OE shall "provide a verification report to the project participants and to the EB. The EB shall publish the report".

US – Sunny Side Up!

Ever wanted to visit the sunny beaches of southern Florida, how about Everglades National Park? Better book your tickets, changes are coming.

Global warming has been front-page news in the United States this week. Most importantly, a comprehensive report on global warming impacts in the United States shows that pollution from cars, trucks and power plants are putting US national treasures at great risk. The report makes abundantly clear why the US must reduce its own greenhouse gas emissions and stop pushing for "full flexibility" positions that weaken the Kyoto Protocol.

Climate Change and America, the first national impacts report, uses state-of-the-art computer models to generate climate change scenarios. Over 300 experts peer reviewed part or all of the report, which went through three levels of review over four years. The report combines national, regional and sectoral analyses. In other words, the US Global Change Research Program has established a solid basis on which to assess the risks of climate

change to the US.

What will the America of tomorrow look like? The models indicate that average temperatures will rise 5-10 degrees Fahrenheit over the next 100 years. Such high temperatures, coupled with changes in precipitation, are likely to disrupt agriculture and ecosystems nationwide and degrade the American landscape. Vulnerable ecosystems in all regions are identified in the report.

- Alpine meadows in the Rocky Mountains are likely to face extreme stress and may disappear entirely;
- The Northeast could lose its famous sugar maples and the tourist-luring colors of autumn;
- Sea-level rise, along with increased storm frequency, could swamp beaches along the East Coast;
- Some barrier islands will disappear entirely;
- Glaciers in the high-elevation West and Alaska will melt; and
- In many areas, tree mortality will rise due to (insufficient soil) moisture and increased in-

sect attack.

Urban areas will also suffer. New York City would see at least as many heat waves as Miami or Houston. Farmers would experience more extreme weather events which could bring about crop losses. The ski industry and winter tourism could lose income from decreased snowpack.

With this report, we now have a worrying picture of impacts in the US. To make matters worse, as the IPCC has also found, threshold effects are likely to make ecosystems respond in unexpected ways. Anticipated impacts on vulnerable communities and ecosystems clearly make this report a wake-up call.

Where do we go from here? Clearly not with presidential candidate Gore's vague plan to reduce pollution from major sources, released yesterday. Much stronger and cost-effective solutions have already been proposed that would move forward on these problems. The US should implement common sense domestic reductions immediately and ensure that the Kyoto Protocol remains strong.

PAM Power

It was disappointing to see how, last Friday, Venezuela claimed to be representing the G77 when, with the help of Saudi Arabia, it tried to halt progress on policies and measures. They repeated the exercise yesterday. Everybody agrees in theory that PAMs should be the main instrument of the Convention and its Protocol to stop dangerous climate change, however, this kind of intervention serves only to muddy the waters.

COP-6 is supposed to simply deliver a follow-up process on how Annex I countries' demonstrable progress by 2005 will be assessed; exchange information for the benefit of all Parties, and start promoting technology transfer to developing countries. Why, then, is Venezuela trying to stop the process? It seems unlikely that all G77 Parties backed this line. Indeed, perhaps there is a hidden agenda at work here: a certain well-known Saudi delegate was overheard telling the USA that he had done their "dirty work" for them. And why is it that umbrella group delegates usually react to the very mention of PAMs as if they were about to cause an outbreak of plague?

So what is a "post-COP-6 PAM process" all about?

There are several different but interrelated issues to be resolved.

First, there is a need for information sharing – for all Parties to be able to look at each other's policies and measures to reduce greenhouse gases emissions. The Copenhagen workshop was a first step, and a useful one. Additional, sectoral workshops for all Parties should

be part of such future exchange of information.

However, this on its own is not nearly enough. There is also effectiveness, comparability and transferability. The effects of PAMs need to be measurable and assessed regularly, as this is essential to determine progress towards achieving the commitments under Article 3. Annex I country emissions have risen substantially since 1990. Agreed international indicators will be needed to show that changes by 2005, as required under Article 3.2, have actually been achieved. As long ago as 1997, Japan requested that the MOP "shall at its first session, decide on indicators regarding the policies and measures (...) in order to achieve the quantified objective (...)". To be ready in time, this process needs to begin now.

Finally, there is coordination. We believe that there is substantial scope for "enhancing the effectiveness of PAMs" (2.1.(b)) through coordination of such measures. For some Parties, co-ordination is tantamount to invasion, so we congratulate the EU for trying to keep it on the agenda. The Kyoto Protocol can only fulfil its function if it encourages Parties to act domestically. Coordination of measures is one way of doing that.

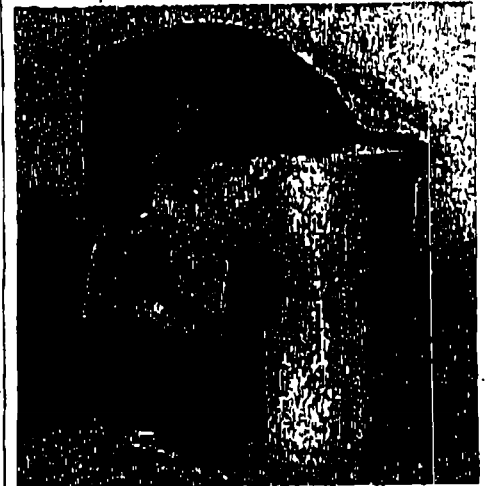
PAMs cannot be ditched just like that. It is time for SBSTA to work on a draft decision. Last week, Parties delivered their submissions – these should form the core. Indicators to assess the effectiveness of PAMs should obviously be included. The EU must not cave in on this issue, as it will clearly be of benefit to all Parties!

–Indigenous peoples, from front page
traditional territories and nationally and internationally recognized rights. Furthermore, it is also unfair that rigorous emissions reduction measures are not approved for the countries that historically have polluted the planet and should compensate our communities for the adverse effects of climate change.

Indigenous Peoples have suffered the adverse effects of supposed-sustainable development projects foreign to our customs and traditions of conservation which have altered our livelihood and caused involuntary displacement from our territories and sometimes, even the extermination of our cultures. This suffering is caused by the implementation of measures approved without our previous, informed and free consultation and consent. We advocate for participative dialogue and against the adoption of measures for GHG reductions and carbon sequestration that result in the destruction of

our forests, rivers, ecosystems and the violation of our peoples' historic internationally-recognized rights.

Indigenous Peoples believe in a constructive and participative dialogue and we urge the Parties of the UNFCCC to consider our request for special accreditation as peoples interested in participating in the present and future discussions of the SBs and the COPs. Furthermore, we urge the Parties to create a working group of indigenous peoples and governments which would discuss and make recommendations to the SBs and the COPs on issues related to Indigenous Peoples. The process must allow us to present our points of view for consideration to the Parties in the UNFCCC and KP as we do in the discussions on the Convention on Biodiversity and in the Inter-sessional Working Group on the Declaration on the Rights of Indigenous Peoples of the Human Rights Commission of the United Nations.



Australia seeks inspiration for interventions on sinks

Ludwig

If Ludwig didn't know better, he might come to the conclusion that there was a fossil fuel agent in the Secretariat, what with the words "deforestation" and "United States of America" disappearing from documents yesterday, and one of the Spanish translations being, shall we say, idiocyncratic. Fortunately Ludwig's long experience leads him to subscribe to the f***-up, rather than the conspiracy theory of human affairs.

On a completely unconnected note (after all, what could f***-ups have to do with the nuclear industry?), what a delight to hear that finally there is some common ground between AOSIS and Saudi Arabia, in that they are both opposed to nuclear power. So let British deputy premier John Prescott take note that if he really wishes to sell reactors to China, he might have to take on the combined forces of both Ambassador Slade and Dr Al-Saban...

Finally, "only in the UNFCCC" dept: where else would a meeting spend 45 minutes discussing whether to take a 15-minute break, as the Contact Group on Mechanisms managed to do yesterday?

THANKS

The Climate Action Network would like to thank DGXI of the European Commission, who generously provided funding for Eco at both COP4 and COP5, however, as the contribution has always been approved and supplied long after the event, we have never been able to credit them at the appropriate time. With resources contributed by the German Forum for Environment and Development and APC Networks.

CS

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South Calls for Co-operation

The fundamental goal of the Convention and the Kyoto Protocol is to stop global climate change, which is caused by emissions from industrial countries. Despite this fact, certain developed countries, have made their own actions under the Kyoto Protocol contingent upon participation by developing countries. In reality, developing countries are already fighting climate change, and will continue to do more in the future, but cooperation from Annex I countries and an end to the bickering and finger-pointing is required.

Acting as global facilitators, the Global South Leadership Initiative of Palangi Indonesia and the Indonesian Ministry for the Environment provided a forum to bring together 40 representatives from governmental, non-governmental, and academic institutions. The Global South Consultation on Climate Change was opened by the Indonesian Vice President H.E. Ms. Megawati Soekarnoputri who called for cooperation by saying "We are not free riders in this process... environmentalism is not new to us. We fully support the notion of 'only one Earth'... [But] environmental damage caused by poverty must be differentiated from damage caused by those who possess the greater capa-

bility of preventing it."

Elaborating on the Indonesian commitment to environmental protection, the Minister of Indonesia, H.E. Dr. A. Sonny Keraf noted, "As a developing country, Indonesia has no obligation to have a binding quantitative emissions limit, there are many benefits that come from doing good for the atmosphere."

The Chair of the G-77 and China, H.E. Dr. Alhaji Hassan Adamu, submitted a supporting statement saying, "There are numerous examples of actions we have taken and continue to take to prevent greenhouse gas emissions."

By the end of the conference, the participants had produced a communique that calls for an end to the historical conflict between the industrialized and developing nations that has characterized the political climate of the climate change negotiations.

A pre-consultation meeting occurred in Jakarta just before the formal Global South Consultation. Organized by the Climate of Trust Project - an initiative aimed at facilitating the North-South dialog and at giving developing countries views on climate more visibility and voice in the North - the pre-consultation meet-

ing focused on the first results of a research project showing current activities, policies and measures that developing countries are implementing in order to meet their development needs while slowing climate change. The Climate of Trust project is a partnership among BCAS (Bangladesh), ENDA (Senegal) Fundacion Bariloche, (Argentina), Pelangi (Indonesia) and National Environmental Trust (US).

The Climate of Trust Initiative and the Global South Leadership Initiative will be co-hosting a panel discussion and a reception on Thursday, June 15 at 6pm in the Maritim hotel to release the communique and further discuss the results of the meeting and the report.

Speaking at the event will be Dr. Chow Kok Kee - Chairman of the Working Group on Mechanisms and a Delegate from Malaysia; Professor Daniel Mudiyarso - Deputy Minister for the Environment and Head of the Delegation from Indonesia; Dr. Agus Sari, a Delegate from Indonesia; Dr. Nicolas Di Sbrojavacca, Fundacion Bariloche; Dr. Atiq Rahman, Bangladesh Studies for Advanced Studies; Boni Biagini, Climate of Trust and a Delegate from Brazil to be announced.

Chernobyl Deployment Mechanism?

You would think that the nuclear industry has received ample subsidies over the years without now letting them hijack the CDM. Apparently not. The efforts of the western nuclear states to include nuclear power in the CDM continue unabated. They are determined to make the Clean Development Mechanisms the Chernobyl Deployment Mechanism - a new subsidy for their ailing nuclear industries.

The state-owned or state-supported nuclear industries of countries like the US, Japan, France, UK and Canada are desperate to get contracts for new reactors. With nuclear construction effectively halted in most western markets, developing countries are the key to their survival. But getting signatures on the dotted line is proving hard, due mainly to the high-cost of nuclear plants. This is why the CDM steps in. The value of carbon credits generated under the CDM could be used to reduce the up-front costs of a new reactor and potentially make them more affordable. The International Atomic Energy Agency (IAEA) recently went so far as to say that without CDM credits developing countries would not build nuclear plants.

But while the economic motivation is clear,

the political motivation of some of the key players is not. In particular, it is extremely hard to understand why UK environment minister, John Prescott is pushing hard to make nuclear eligible for the CDM. Prescott has a relatively good record on environmental matters, but on this issue he has seriously gone astray. The man who once protested about British Nuclear Fuels' (BNFL) discharges is now leading efforts to turn the CDM into a subsidy for BNFL's efforts to sell nuclear reactors to China. BNFL has recently acquired the nuclear division of Westinghouse, a company which is in the front rank of those vying for the contracts with Beijing. China has made it clear that it wants nuclear in the CDM and that this will influence how many reactors it builds. If the UK votes against giving China CDM credits, BNFL's commercial prospects in China will be doomed. Prescott, of course, is hiding all of this behind the assertion that to exclude nuclear power from the CDM would be "neo-colonial." The reverse is true. Foisting nuclear power on developing countries is fine example of that neo-colonial practice of "technology dumping."

The case of France, soon to take the Euro-

pean Presidency, is also worrying. The promise of an early decision by the government on its position on this issue is becoming more remote. But the French have already, albeit unintentionally, made an important contribution: they claim in an official planning handbook (*Les couts de reference*) that nuclear is "the cheapest option." So how could nukes in the CDM meet the additionality test if - according to the technology's leading proponent - the nuclear option is so competitive on a business-as-usual? One way out for French nuclear fans would be for DGEMP or EDF officials to come before the SBSTA and admit that nuclear is in fact way more expensive than they have been claiming...and that in fact, they have been cooking the books for so many years. Not very popular an option we admit.

Still need convincing that nuclear has no place in the CDM? Then come to today's special event on "Nuclear power, the Kyoto mechanisms and associated risks for developing countries and EIT's," as well as tomorrow's event "Nuclear power is a solution to climate change. The real cost of nuclear power - Japan's case"

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From Hambley, Zimmer No. 104

TELEFAX

Date: Thursday, 15 June 2000

UNCLASSIFIED

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

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

SUBJECT: : Reporting on Bilaterals in Bonn: The Latins

Attached is Barbara De Rosa Joynts Reporting on some bilateral contacts during the Bonn meetings. It is being dispatched only to the Department and should be sent to others as desired.

For Linda: Please distribute this to Susan Gordon and Holly Kaufman), OES/EGC, PCI (Jonathan Margolis), and G—Nigel Purvis. Thanks.

MGH

Miscellaneous reporting on some WHA bilats by OBS/EGC Barbara De Rosa-Joynt

Argentina – Last week, the GOA was not present. Monday morning I spoke at length to the GOA rep, Fabian Gaoli, one of the few members of the technical team still with the government, who arrived Sunday. (He is and was a contractor with the government.) Fabian is one of three GOA reps, including a previous member of the team (not one that we had interacted with) and a new climate person.

Fabian said that the Argentine government still supports the existence of the target, and advised me that there is some consideration being made for re-constituting the team, perhaps even under the leadership of Vicente Barros again. At present, the existing climate team is centered in the Argentine JI office, and he believes that the office will stay where it is in the Ministry of Social Works. Moreover, he does not believe that the idea for Norma Cadoppi of the Chief of Cabinet's office to be involved is in play. Fabian advised me that it is expected that this office will continue to have the responsibility for approving JI (and eventually CDM) projects, and will also generate the national plan for how to implement the target, and conduct further inventory work and other technical work. He stated that the GOA intends to make a "clarification" of the target announcement at COP-6, where they will explain potentially confusing elements such as the inclusion of the square root function in the equation. It is not clear how many team members they will bring back. A few Argentine interventions from the floor in various fora have noted the existence of their target effort, and have characterized it as a "voluntary effort."

The Like Minded Group – The LMG calls themselves GRILA, and they have been meeting regularly to discuss matters of interest. They are preparing additional group submissions for this session, and have been talking with the Africans about potential collaboration, though it seems unlikely for this session. I understand they are still trying to pull together a joint Latin-African meeting outside the sessions, potentially about CDM, with funding from UNDP or UNEP, and possibly at the ministerial level.

I spoke with them about our proposed ministerial meeting, and clarified our interest in GRILA vice CONCAUSA. I asked them to take the idea home and advise us of their reaction. The initial reaction was that this is an exciting idea, and potentially a good opportunity for some of them to push for involvement of their ministers on this issue. In a corridor conversation, Nicaragua, the SICA (regional Central American group) representative, pushed hard for a Central American host for the meeting, noting that Guatemala will be leading the group at that time and would be in a good position to host. Later, Honduras advised me that its minister was very interested in hosting, and that we (post?) would receive an official letter regarding this interest shortly. He indicated that he had consulted with some of his GRILA counterparts in this regard. I indicated our pleasure at having volunteers to host already, and encouraged him to talk to Nicaragua about Guatemala's potential to host as well, noting that multiple offers of hosting is a positive indication of interest. We should consider whether we are interested in seeking back-to-back sessions of these two groups – where we potentially participate in both, or if we would prefer (regardless of hypothetical sequential timing) to simply interact with GRILA. It is clear that our revised message did not get through in Panama, and this is their way of staying out in front on this. I think we should focus on a Central American host both to soothe their feelings and because I don't think we'll find a strong, engaged host in South America.

Latin American Bilat Lunch 13 June 00

A well attended lunch was hosted by Ambassador Hambley for representatives of the Latin American delegations. Participants in the lunch included: Argentina, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Nicaragua (representing SICA, the Central American coordinating entity), Panama, and Uruguay. Ambassador Hambley clarified USG policy on 4.8 and 4.9 to start the lunch. DOE's Bill Breed and OES/EGC's Barbara De Rosa-Joynt also participated in the session. Bill provided a short briefing to the group on USG sinks policy, and a lively exchange ensued, with countries posing questions to Bill and to each other, and stating their own positions.

Mexico – indicated interest in exploring the potential to consider sinks in two pieces – above and below ground. He suggested that we begin with vegetation, etc., above ground, and seek agreement on that for which the science is more certain, and work toward the below ground sinks at a future time. He noted the need to involve local people in CDM efforts, as the poorest people are the most likely to live in forested areas, and the most likely to compromise those lands as a result of their poverty. He did respond to the 4.8 & 4.9 statement with a question to clarify which parts of the 4.8 and 4.9 discussion the US did not like, and Ambassador Hambley provided additional detail.

Honduras – wanted to link CDM with LULUCF issues. He stated that non-Annex I countries should have the same right to use the mechanisms to their advantage as the Annex I countries, and noted that this was the way to do it for developing countries. He indicated the need to address sinks now, as he does not believe they will be of use in the second budget period.

Uruguay – agreed with Mexico about splitting sinks and about the need to engage local populations in climate change efforts. He also cited the pieces of assistance the GOU has received from the GEF, the World Bank, and other entities for its inventory, national communication, and other technical work. Uruguay noted that it has been granted funding for its second national communication.

Argentina – stated its support for sinks in the CDM, and queried the group about how Article 12 plays into the sinks issue. He indicated that the GOA is considering forests not just as sinks but also as a mitigation tool. The Argentine II office is the locus of all climate change work, and six out of the current eight projects in Argentina are sinks projects. He also spoke briefly about the change in government in Argentina, and said that the new government supports the idea of the target proposal. He noted that one reason to propose a target is because one wants access to all the mechanisms.

Costa Rica – Said its position is similar to Mexico's, and expressed interest in Mexico's idea for exploring above ground sinks as a first step. He noted that, as a practical matter, there is too little time to address below ground sinks before COP-6. He stated that there is total parallelism between what is going to inventories and what goes to the CDM. To ignore that is to go against the spirit and the letter of the Protocol and the Convention. He stated that the mechanisms need to be negotiated simultaneously for many reasons, but especially because of the interrelated nature of the mechanisms.

Ecuador – Indicated that emissions avoidance is an interesting way to address sinks questions. He invited ideas from the group about the best way to operationalize this approach. Like Colombia, he prefers an approach to sinks that involves the local people. To do otherwise is to set oneself up for defeat.

Panama – Capacity has been developed in preparing for the first national communication of Panama, due out this fall. During this work, many gaps in information were noticed with regard to the LULUCF sector. Want to explore sinks thoroughly and also look at adaptation possibilities. He noted the problems that Panama is having with the Hantavirus outbreak, which has evidently been going on for some time, and is possibly a result of shifting disease vectors. Panama also inquired about US views on share of the credits resulting from CDM projects.

Nicaragua – Spoke on behalf of SICA, the Central American coordinating entity, stating that it is his role to facilitate Central American participation in the Protocol. He is interested in enhancing countries' capacity to measure what we have and how to capture it. He supports activities that allow Central American countries to benefit from the Protocol while enhancing their sustainable development goals. He cited the CONCAUSA agreement as an important one, and noted that climate change was now being discussed in that forum. Nicaragua noted the need to keep all options opened, and cautioned against the danger of picking the low fruit (which the group decided to refer to as mangoes). The group agreed that while one did not want to pick them all, some would rot on the tree if not picked at the right time.

Colombia – Favors sinks and all types of projects therein. He followed the themes of the GOC presentation last Saturday, which touts sinks as a centerpiece of sustainable development policy, and alleviation of poverty. He cited the win-win benefits of helping people work their way out of poverty while simultaneously protecting watersheds and biodiversity. Sinks have been very successful as JI projects, and he noted the equity issue of Annex I countries being able to use sinks in JI, but non-Annex I countries not being able to use them in the CDM. He stated the concern of many that without sinks in the CDM, all the large projects will go to India and China.

Chile – The GOC representative inquired about forest definitions, and then had a sidebar with Bill Breed on this matter to discuss the issue in more detail while the conversation continued at the table.

Submitted by OES/EGC:Barbara De Rosa-Joynt



THE ROYAL
INSTITUTE OF
INTERNATIONAL AFFAIRS

14 June 2000

HE Mark Hambley
Special Representative to the Commission on Sustainable Development
Department of State for Oceans & International Environmental and Scientific Affairs (OES)
Washington DC 20520
USA

Fax: 001 202 647 0217

Dear Ambassador

I am writing to confirm final details for our forthcoming conference *The Kyoto Protocol: the End of the Beginning?* on 19 & 20 June 2000 at Chatham House, 10 St James's Square, London SW1Y 4LE, t: (+44) 171 957 5700, f: (+44) 171-957 5710.

I attach a copy of the latest timed programme for your information together with a delegate list. When you arrive at Chatham House, please come to the registration desk located in the Neill Malcolm Rooms on the ground floor where you will be given your badge and documents. Refreshments and lunch will be served in the Neill Malcolm Rooms on the ground floor.

To contact me and other members of staff, during the conference, please contact the registration desk on 0171 314 3605.

I confirm that a 35mm/overhead/powerpoint projector will be available during your presentation. If you will be using powerpoint, please make sure that you arrive at Chatham House in time to run through your presentation with the engineer during a break beforehand. We have our own laptop computer, so you are welcome to either send your presentation in advance or bring along your presentation on disc. The software available on our portable is compatible with all current and past versions of Microsoft office, however if you have Office 2000, please convert file to Office 97.

If you require any further information please do not hesitate to contact me. I look forward to meeting you at the conference.

Yours sincerely

Annette Connolly
Conference Co-ordinator
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The Kyoto Protocol The End of the Beginning?

Chatham House, London - 19 & 20 June, 2000

Day One, Monday 19 June, 2000

09.00 Opening remarks from the chair
John Mitchell
Chairman, Energy and Environmental Programme
The Royal Institute of International Affairs

• *Keynote Address*

09.00 *The road to COP-6 and beyond*
The Rt Hon Michael Meacher MP
Minister for the Environment, UK

Session One The Long Term Context
--

09.30 *Scientific developments: Insights from IPCC Third Assessment Report*
Sir John Houghton CBE DSC FRS
Co-Chair
IPCC

09.50 *Longer term policies for developed countries - the Royal Commission Report*
Professor Sir Tom Blundell
Chairman
Royal Commission on Environmental Pollution

10.10 *Questions*

10.40 *Coffee*

Session Two COP-6 and Beyond: the international process and industrialised country perspectives
--

11.00 *The track from Bonn to The Hague*
Claire Parker
Co-ordinator, Implementation Programme
United Nations Framework Convention on Climate Change
(UNFCCC)

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

<u>Organization</u>	<u>Name</u>	<u>Fax</u>
State/OES	David Sandalow	202 647-0217
State/OES	Ken Brill	202 647-0217
State/OES	Brooks Yeager	202 647-0217
State/OES	Povenmire/Hobgood	202 647-0217
State/L/OES	Sue Biniatz/Evan Bloom	202 736-7115
OES/EGC	Dan Balzer et.al.	202 647-1091
State/OES	Susan Gordon/H.Kaufman	202 647-3970
State/H/OES	Chris Mann	202 647-9667
State/G	Nigel Purvis	202 647-0753
Commerce	Dana Palmer	202 408-9674
Commerce	David H. Festa	202 482-4636
DOD	Dan Benton	703 693-4507
DOD	Bruce Degrazia/K.Doxey	703 607-4237
DOD	Sherri Goodman	703 693-7011
DOI	David Hayes	202 208-1873
DOJ	Jim Rubin	202 514-4231
DOT	Trilling/Mittelholtz	202 366-7618
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Energy	David Goldwyn	202 586-0861
Energy	Dan Reicher	202 586-9260
EPA	John Beale	202 564-1554
EPA	Dina Kruger	202 565-2077
EPA	Brian McLean	202 565-2141
EPA	Robert Perciaspepe	202 501-0986
EPA	Bill White	202 501-1480
Treasury	Robert Cumby	202 622-2633
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WH/CCTF	John Gibson	202 395-2342
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WH/OSTP	Rosina Bierbaum	202 456-6025
WH/OVP	Michael Orfini	202 456-9500

#15

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cc: JA

15 June 2000

To: See Recipients' List
From: USDEL/Bonn - Mark G. Hambley
Subject: Periodic Update No. 15 from SB12 (Wednesday/Thursday, June 14-15)

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

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

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

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

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15 June 2000

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

Atmospherics and General Comment

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

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

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

Umbrella Heads of Delegation Meeting

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

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

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Status of the Negotiations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cross-Cutting Issues: No change from earlier reporting.

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

Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

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HIGHLIGHTS FROM FCCC SB-12 WEDNESDAY, 14 JUNE 2000

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

SBI

NATIONAL COMMUNICATIONS: Delegates adopted the draft conclusions on national communications of Annex I Parties. They also adopted conclusions on the report of the first meeting of the Consultative Group on Experts and on the provision of financial support for non-Annex I Party national communications.

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

On additional guidance to the GEF on support to the IPCC, the EU said that, whereas FCCC Parties should send signals to the GEF that the proposed IPCC project could benefit the process, it was not appropriate for them to prejudge the GEF Council's decision-making. He proposed replacing "approval" with "consideration" in the draft conclusions. SBI adopted the draft conclusions, as amended.

JOINT WORKING GROUP ON COMPLIANCE

The JWG continued its consideration of the Co-Chairs' Text on Scope of Application, CHINA, supported by SAUDI ARABIA and opposed by ARGENTINA and CHILE, suggested listing the Annex I Parties' commitments to which the compliance system would apply, and said issues of compliance with other commitments would be dealt with under the Multilateral Consultative Process. On Establishment, Structure and Functions, the US, with AUSTRALIA, said the text should emphasize the two-branch structure. CANADA specified that the outcomes of the facilitative branch would not be limited to outcomes of a non-mandatory nature. On Structure, SAUDI ARABIA, with SAMOA, said members should equally represent the five UN regional groups. NEW ZEALAND sought greater representation of Annex I Parties. On Functions, many delegates opposed a screening func-

tion. The US urged automatic application of mandatory outcomes. SAUDI ARABIA suggested that the compliance body determine mandatory outcomes or consequences only for Annex I Parties.

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

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

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

This issue of the Earth Negotiations Bulletin © enb@iisd.org is written and edited by Angela Charle angela@iisd.org, Jon Hankes jon.hankes@iisec.lu.se, Lavanya Sujamani lavanya@iisd.org, Melena Sell melena@iisd.org, Chris Spence chris@iisd.org and Julienne Voinov edrickzohler@gmail.com. The Digital Editors are Andrei Henry andrei@iisd.org and Ken Tong ken@iisd.org. The Editor is Pamela S. Chaeck, Ph.D. pam@iisd.org and the Managing Director is Langston James "Kimo" Gorea VI kimo@iisd.org. The Sustaining Donors of the Bulletin are the Netherlands Ministry of Foreign Affairs, the Government of Canada through CIDA and DFAIT, the United States (through USAID), the Swiss Agency for Environment, Forests and Landscapes (SAEFL), the United Kingdom Department for International Development (DFID) and the European Commission (DG-ENV). General Support for the Bulletin during 2000 is provided by the German Federal Ministry of Environment (BMU) and the German Federal Ministry of Development Cooperation (BMZ), the Danish Ministry of Foreign Affairs, the Ministry of Environment of Austria, the Ministry of Foreign Affairs and Environment of Norway, the Ministries of Foreign Affairs and Environment of Finland, the Government of Australia, and BP Amoco. Logistical support has been provided at this meeting by the UNFCCC Secretariat. The Bulletin can be contacted by e-mail at enb@iisd.org and at tel: +1-212-644-0204; fax: +1-212-644-0206. IISD can be contacted by e-mail at info@iisd.ca and at 161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba R3B 0Y4, Canada. The opinions expressed in the Earth Negotiations Bulletin are those of the authors and do not necessarily reflect the views of IISD and other funders. Excerpts from the Earth Negotiations Bulletin may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this material in commercial publications, contact the Managing Editor. Electronic versions of the Bulletin are sent to e-mail distribution lists and can be found on the Linkages WWW server at <http://www.iisd.ca/linkages/>. The satellite image was taken above Bonn ©2000 The Living Earth, Inc. <http://livingearth.com>. For information on the Earth Negotiations Bulletin, send e-mail to the Managing Director at kimo@iisd.org.

Thursday, 15 June 2000

CONTACT GROUPS AND INFORMAL CONSULTATIONS

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

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

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

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

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

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

MECHANISMS: Delegates considered the draft consolidated text on mechanisms. Deliberations focused on the nature of discussions necessary at this stage. While AUSTRALIA, POLAND, CANADA and the US favored bracketing text, the G-77/CHINA and SAUDI ARABIA stressed that this was not a negotiation and suggested instead that Parties focus only on "inclusions" to the text. Delegates considered Part One of the Consolidated Text on Mechanisms relating to II and indicated areas where specific written

proposals would be submitted and text added. Participants differed on the need for, *inter alia*, the Executive Board, sinks in II, share of proceeds, and the appendix on complementarity.

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

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

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

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

IN THE CORRIDORS

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

THINGS TO LOOK FOR TODAY

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

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

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

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

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

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

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

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

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

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16 June 2000

To: See Recipients' List

From: USDEL/Bonn - Mark G. Hambley

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

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

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

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

This is the last Update from Bonn in this series.

16 June 2000

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

Atmospherics and General Comment

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

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

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

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

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

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

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

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

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

Status of the Negotiations

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

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JUSCANZ
15 June 2000
Jack Schick

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

- Norway observed that the present membership comprises only OECD countries, but he had heard that Israel was considering a voluntary emissions target to be announced at COP 6. Japan counseled against bringing in too diverse points of view around the table. Iceland was not clear whether the decision in New York was intended to apply to other bodies. Australia insisted it could not decide on the spot but needed to consult in Canberra.
- Switzerland straddled the fence in saying that JUSCANZ had begun as an OECD caucus but had also originally been open to new members. Similarly, Canada reminded that this group is a "changing animal," beginning as Australia, Canada, and the US, and then later adding others.

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

More on DeBoer

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

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

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

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

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

PURPOSE OF MEETING

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

GENERAL CONCLUSIONS

1. The FOC group approved the draft conclusions on 9(a) after spending a significant amount of time on paragraph no. 2 regarding expressing appreciation for the countries that sponsored the consultative workshops. At issue was the fact that they were linked to the CTI workshops, which China felt to be unacceptable, given the fact that during the CTI workshops, CDM was mentioned as a possible vehicle for technology transfer (TT). This was resolved by keeping reference to CTI in the conclusion but striking a phrase on "collaborative process" and changing "valuable" to "useful."
2. With respect to the table, the group began with the section on "Capacity Building," since other themes (technology needs assessments, technology information, and enabling environments) had been covered yesterday. The U.S. made the point that capacity building is a general topic and is being discussed elsewhere, so we should keep this in mind as we discuss it in the context of technology transfer. There was no major disagreement on this and the group moved on.
3. The remainder of the meeting was spent discussing a list of categories to be included under the title of "general overall approach" that would presumably provide some sort of an introduction in any future negotiating text, and the last theme in the table entitled "mechanisms."
4. With respect to the general approach list, several Parties made suggestions for additional items to be included, such as:
 - Equitable transfer of technologies (Ghana)
 - Fast track implementation (Guyana)
 - Win-win approach and key role of governments (Korea)
5. With respect to the mechanisms theme, the US introduced the notion that the items listed in the "what" column such as donor co-ordination, technical assistance, demonstration projects, etc. should be moved to the "how column." Many countries agreed with this assessment, as did the Chair.

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

IN SUPPORT OF INCLUDING CDM UNDER MECHANISMS COLUMN

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

AGAINST THE INCLUSION OF CDM IN THE MECHANISMS COLUMN

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

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

NEXT STEPS

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

SBSTA PLENARY

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



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HIGHLIGHTS FROM FCCC SB-12 THURSDAY, 15 JUNE 2000

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

JOINT WORKING GROUP ON COMPLIANCE

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

CONTACT GROUPS AND INFORMAL CONSULTATIONS

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

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

ARTICLES 5, 7 & 8: The group continued consideration of the six parts of the Co-Chairs' Proposed Elements of Draft Guidelines under Article 8 of the Kyoto Protocol, starting with the General Approach to Review. The US stated that there could be overlap between annual reviews, since the process might take more than a year. NEW ZEALAND said the text should specify to whom

the final compilation and accounting would be reported/transmitted. The EU suggested an additional option that the pre-commitment reviews could be initiated when a Party makes a voluntary submission within a mandatory deadline. AUSTRALIA said the review of national registries could occur more frequently than on an annual basis. SWITZERLAND said the guidelines should establish criteria for the selection of experts not nominated by governments.

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

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

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

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

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

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Friday, 16 June 2000

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

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

POLICIES AND MEASURES: In an informal meeting chaired by José Romero (Switzerland), delegates considered revised draft conclusions on policies and measures (P&Ms). During the deliberations, the EU and JUSCANZ members reiterated their respective positions on the timing and nature of further activities on P&Ms. Participants agreed to replace text recommending that the work on P&Ms continue, in particular through a workshop in 2001, with the recommendation that the issue be considered further at SBSTA-13. The text proposed by the EU and CHINA on Terms of Reference for a workshop on P&Ms was adopted.

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

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

The G-77/CHINA proposed additional amendments to the Chair's text that stress the need for: capacity building to contribute to sustainable development; partnership with, and assistance from, developed countries; and proper guidance from intergovernmental organizations, such as the GEF, UNDP, and World Bank, to ensure that access to resources is transparent, with clear and less cumbersome procedures. Supported by CHINA, he urged moving forward toward concrete actions by COP-6. UGANDA sought clarification of what is meant by "centers of excellence," noting that this could

be interpreted differently. The US stressed that capacity building should be results-based and designed to produce clearly identified results. The EU suggested inviting the GEF and UNDP to report on the CDI at SB-13 and requesting other organizations to report on their capacity building activities. Chair Ashe welcomed further submissions by 30 June, after which the Secretariat would prepare a draft framework on capacity building.

SBSTA

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

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

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

IN THE CORRIDORS

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

THINGS TO LOOK FOR TODAY

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

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

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

Surveys of Consumers

University of Michigan

Monitoring trends for 50 years



Subject: Preliminary results from the June 2000 survey.

From: Richard Curtin, Director

Consumer confidence dropped in early June due to rising gas prices and higher interest rates. The June decline was concentrated among residents of the Midwest, where the recent rise in gasoline prices has been the largest. It is hardly surprising that the added burden on consumers' budgets had an immediate impact, although given the size of the gas price increases, the falloff in financial assessments was rather small—the U.S. average retail gas price rose 45% from mid-June 1999 to mid-June 2000. More surprising, consumers did not expect the runup in gas price to harm their future financial prospects, nor did consumers anticipate a higher overall inflation rate during the year ahead. While the runup in gas prices was expected to be temporary, no such quick reversal in interest rate trends was anticipated by consumers: the consensus view was that interest rates will continue to increase during the year ahead. The anticipated increases in interest rates further weakened the outlook for home sales, and the combination of higher gas prices and higher interest rates weakened prospects for vehicles sales.

The data indicate the responsiveness of consumers to rising interest rates as well as a remarkable degree of resilience. Reacting to a growing range of concerns, the Sentiment Index among households with incomes above \$50,000 posted its fifth consecutive monthly decline in June, with the cumulative loss since January totaling about 9%. Nonetheless, the prevailing level of consumer confidence remains quite high and the decline from the cyclical peak rather small—even after the half-year slide, the Sentiment Index among high income households was nearly identical to the average recorded in each of the prior three years.

Consumers' assessments of their current financial situation weakened in early June due to slower income growth and rising gasoline prices. Net references to income gains fell by 10 percentage points, with one-in-five households reporting that their finances had worsened in early June. Despite the sharp slowdown in income growth reported in early June, consumers did not anticipate smaller income gains for the year as a whole, as consumers continued to view prospects for the year ahead quite favorably. Moreover, consumers expected the overall inflation rate to ease, anticipating an inflation rate of 2.9% for the year ahead in early June, down from 3.0% in May and 3.2% in April. Consumers did not expect inflation to change much over the longer term, anticipating an annual inflation rate of 2.9% over the next five years in early June, unchanged from May.

Higher interest rates were increasingly expected to slow the pace of economic growth, although very few consumers expected the slowdown would eventually lead to an economy-wide downturn. Two-thirds of all consumers still anticipated good times financially during the year ahead, and the majority still expected the expansion to continue for at least another five years. What did change in early June was that consumers thought that the slowdown would be sufficient to cause the unemployment rate to edge upward during the year ahead. The shift, however, was small—higher unemployment was expected by 25%, up from 20%.

Home buying attitudes posted further declines in early June due to both higher mortgage rates and higher home prices. Fewer consumers voiced favorable views of mortgage rates than anytime during the past ten years, and perceptions of home prices were the least favorable in twenty years. Overall, home buying attitudes were the least favorable since the 1990-91 recession. Vehicle buying attitudes were significantly lower in early June than a year earlier, but the extent of the overall decline has been relatively small, remaining well above the depressed levels recorded in 1995 following the last round of interest rate hikes.

	June 1999	July 1999	Aug 1999	Sept 1999	Oct 1999	Nov 1999	Dec 1999	Jan 2000	Feb 2000	Mar 2000	Apr 2000	May 2000	June Prelim
Index of Consumer Sentiment	107.3	106.0	104.5	107.2	103.2	107.2	105.4	112.0	111.3	107.1	109.2	110.7	106.8
Current Economic Conditions	118.9	116.5	114.1	115.9	112.7	116.8	112.2	117.3	116.8	115.4	117.8	119.9	115.6
Index of Consumer Expectations	99.8	99.2	98.4	101.5	97.1	101.0	101.1	108.6	107.8	101.7	103.7	104.8	101.1
Index Components													
Personal Finances—Current	133	132	132	132	127	138	133	135	132	135	130	138	130
Personal Finances—Expected	133	135	139	135	133	138	132	141	138	136	137	137	136
Economic Outlook—12 Months	147	147	140	150	140	146	150	165	161	146	152	153	146
Economic Outlook—5 Years	122	118	118	124	118	123	125	133	136	128	130	133	125
Buying Conditions—Durables	176	171	165	169	166	166	158	169	172	165	176	173	170

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