

**REPORTING TELEX OF THE SUBSIDIARY BODY MEETINGS ON CLIMATE CHANGE, MAY 31st - JUNE 11<sup>th</sup>, 1999, BONN**

**SUMMARY:** The 10<sup>th</sup> Meeting of the Subsidiary Bodies, held in Bonn from May 31 to June 11, 1999, featured modest progress on all key issues of concern to Canada. The first week of the meeting was characterized by slow progress on the Kyoto Mechanisms, due to the need for extensive coordination within the Group of 77 and China (G-77), as well as some disruption due to several "bomb threats". However, mid-way through the second week, the G-77 consultations bore fruit. While there was little substantive discussion, the joint meeting of the subsidiary bodies was at least able to go through a "first read" of the synthesis report on the Kyoto Mechanisms, and the chair was mandated to draft a second synthesis report which would be the basis of negotiations at the next session of the subsidiary bodies, to be held back-to-back with CoP5, at the end of October, 1999. The fact that the G-77 succeeded in submitting views on CDM, JI and IET and that they participated in initial discussions on the synthesis, demonstrates a growing interest on their part in the opportunities afforded by the mechanisms. From the point of view of the Annex I Parties, despite slow progress, the fact that all three mechanisms were addressed was a positive signal for moving forward and making parallel progress on the three mechanisms. As expected, the EU, presented their proposal on supplementarity, and made some references to it in the context of the deliberations on the mechanisms. However, the EU did not actively engage in debate on this issue at this session and the proposal did not affect the course of negotiations.

2. Limited progress was also achieved on other key issues. Momentum on land use and land-use change and forestry issues (LULUCF) was also successfully maintained with the focus on a workplan and activities leading up to CoP6. It was agreed that AOSIS and OPEC concerns on impacts and compensation (Article 4.8 and 4.9) would be addressed at a workshop in September. Similarly on technology transfer, work progressed with agreement to address the issue at regional workshops over the next year. Compliance discussions revolved primarily around the design and scope of the compliance regime and possible penalties or consequences, and will continue through the Joint Working Group on Compliance. Issues on revision of guidelines for non-Annex I National Communications remain largely unresolved, the G-77 continuing to insist that technical difficulties and financial constraints make revision difficult at this time, while Annex I Parties, led primarily by the EU, insisted that such a revision was necessary by CoP6. Concerns were also expressed at the small number of submissions on national communications received from non-Annex I Parties. Good progress was made in revising inventory guidelines for Annex I Communications, while guidelines on other issues, covering policies and measures, projections, financial and technology transfer, made very little headway. On budget matters, agreement was reached on a 18.4% increase for 2000-2001 biennium. This represents an increase of only 11.0% in terms of assessments, as 7.4% of the increase will be financed from a one-time drawdown on the sizeable carry-over from previous years.

3. Progress on other key issues and next steps are outlined below. In addition, a more detailed analysis of negotiating dynamics and views is available in a separate Annex for the reference of Canadian delegation members.