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Subsidiary Body for Scientific and Technological Advice (SBSTA) -  
Subsidiary Body for Implementation (SBI) -  
Ad Hoc Group on Article 13 (AG13) -

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**EIGHTH SESSION OF SBSTA AND SBI  
SIXTH SESSION OF AG13**

**JUNE 2-12, 1998**

***Bonn***

**DELEGATION REPORT**

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## TABLE OF CONTENTS

1. CANADIAN DELEGATION REPORTS
  - Reporting Telex on SBSTA-8, SBI-8 and AG13-6
  - Report from the Environmental Group Canadian delegation Member
  - Report from the Industry Canadian Delegation Member
2. REPORT OF THE SBI AND NON-PAPER FROM THE CO-CHAIRMEN OF THE CONTACT GROUP ON ARTICLE 4.8 AND 4.9
3. REPORT OF THE SBSTA AND SUGGESTED ELEMENTS FOR A WORK PROGRAMME ON MECHANISMS OF THE KYOTO PROTOCOL
4. REPORT OF THE AG13 AND MULTILATERAL CONSULTATIVE PROCESS TERMS OF REFERENCE
5. KEY CANADIAN INTERVENTIONS
  - MECHANISMS FOR COOPERATIVE IMPLEMENTATION
  - ANNEX 1 NATIONAL COMMUNICATIONS
  - FINANCIAL MECHANISM
  - ARTICLE 4.2 (A) & (B)
  - ARTICLE 4.2 (F)
  - NATIONAL COMMUNICATIONS FROM PARTIES NOT INCLUDED IN ANNEX 1
  - ARTICLE 4.8 AND 4.9 (IMPACTS ON OIL EXPORTERS AND VULNERABLE COUNTRIES)
  - CARBON SINKS
6. OTHER DOCUMENTS
  - G77 AND CHINA OPENING STATEMENT
  - G77 AND CHINA CLOSING STATEMENT
  - EU EMISSIONS TRADING STATEMENT
  - EU CDM STATEMENT
  - UMBRELLA GROUP STATEMENT ON FLEXIBILITY MECHANISMS
  - ARGENTINA STATEMENT
  - IPCC PRESENTATION TO JOINT SBSTA/SBI SESSION

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**CANADIAN DELEGATION REPORTS**

**GENERAL REPORT: CLIMATE CHANGE MTGS, BONN, JUNE 2-12 1998**

**8TH SESSION OF SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL  
ADVICE (SBSTA) AND SUBSIDIARY BODY FOR IMPLEMENTATION (SBI)  
6TH SESSION OF AD HOC GROUP ON ARTICLE 13 (AG13)]**

**OVERVIEW:**

The first formal climate change intergovernmental negotiations since the conclusion of the Kyoto Protocol took place 02-12 June in Bonn. Discussions on the substantive issues were slow and protracted, against the backdrop of negotiations dynamics that were not particularly conducive to progress. The G-77 arrived unprepared for indepth discussions on Kyoto Protocol priorities -- after a week of internal coordination efforts the developing country group managed only to produce an annotated list (albeit intelligent) of questions on the Kyoto "flexibility" mechanisms for implementation (IE. Emission Trading, Joint Implementation, and Clean Development Mechanism). Meanwhile the EU and non-EU OECD approached the meeting with a number of divergent views on the mechanisms.

The objectives of the Umbrella Group countries (including Canada) were aimed primarily at facilitating the timely definition of emissions trading provisions and the definition of a cooperative track to elaborate the provisions of the Kyoto-created Clean Development Mechanism (allowing credits for projects with developing countries). These did not dovetail with EU priorities which focussed on JI (joint implementation projects for credits amongst Annex I countries), and efforts to place quantifiable limits on the potential use of international mechanisms to meet commitments. These divisions exhibited themselves against the backdrop of developing country positions favouring the resolution of long outstanding convention issues and questions relating to addressing impacts of climate change measures rather than on an agenda that furthered the Kyoto provisions in any meaningful way.

2. On the positive side of the ledger, meeting resulted in a useful further clarification and understanding of positions. A key success for Canada was the acknowledgment sinks (credit for carbon absorption) could include other activities such as agriculture. This was secured through the further clarification of sinks into three categories -- land-use, land use change and forestry. The negotiation was also successful in ensuring a process for further elaborating positions on the mechanisms in advance of the November COP in Buenos Aires, specifically that all positions on emission trading would remain open for discussion at COP4. In addition, the issue of commitments of developing countries remains within the purview of the COP4 agenda.

3. Unfortunately minimal progress on other fronts led to a majority of agenda items being deferred to Buenos Aires in November for any substantive decision. Generally, Bonn discussions revealed that further preparatory work is required on

the part of Parties before issues are ripe for negotiation. While number of informal meetings remain to further elaborate issues and resolve differences, Parties will likely begin to reassess expectations for Buenos Aires, which is now expected to yield more modest results than previously envisaged.

4. While in the context of a modest outcome, Candel is well placed in the lead up to Buenos Aires having played a constructive and bridge-building role. This prominent role included: co-chairing of the contact group on the review of the adequacy of commitments in Article 4.2 a & b (developing country commitments); tabling a non-paper on international emissions trading on behalf of the Umbrella Group; formally presenting this paper's contents at a public briefing attended by delegates, industry representatives and ENGOs; and hosting a well attended presentation on "Carbon Sequestration Potential of Agricultural Sinks." Canada also continued to chair daily JUSCANZ (non-EU OECD) meetings, weekly bureau meetings, and periodic meetings of all Annex I Parties (through the Common Interest Group).

5. Key negotiation issues are listed below and details on the outcome and status of the negotiations with respect to individual issues are outlined in the attached Annex.

6. **KEY POST-KYOTO PRIORITIES:** Priority issues discussed included: the cooperative implementation mechanisms (emissions trading, joint implementation, and the Clean Development Mechanism); sinks; compliance; possible future developing country commitments; the terms of reference for a Multilateral Consultative Process (MCP) in accordance with Article 13 of the Convention (AG13); and Iceland's proposal regarding the impact of single projects on emissions in small economies.

7. **CONVENTION ISSUES:** Parties approved conclusions on a number of Convention issues including: co-operation with relevant international organizations; National Communications from Parties included in Annex I of the Convention; involvement of NGOs; a Brazilian paper on methodologies; education, training and public awareness; Conclusions were not reached on National Communications from Non-Annex I Parties of the Convention; the status of Turkey under the Convention; development and transfer of technologies; impacts on oil exporters and vulnerable countries; review and guidance to the financial mechanism; and the election of officers. These items were deferred to Buenos Aires for further discussion.

8. A number of administrative and financial matters were also discussed including the budget and arrangements for intergovernmental meetings. The new UN Scale to the FCCC (minimum 0.001 percent) will be recommended to the CoP. There was little substantive discussion on the Buenos Aires programme of work other than protracted discussions on whether voluntary commitments by non-Annex I countries should be included in the draft agenda and a decision that the high level segment of COP4 would be set for the 12th and 13th of November. A decision

was also adopted to defer consideration of a proposal for a change in the calendar of meetings and the meeting noted Jordan's formal offer to host COP5.

**9. Canadian delegation to Bonn included:**

**Jim Wall/ENVCDA (Head of Delegation)**

**Jennifer Irish/DFAIT (Alternate Head of Del).**

**Chris McDermott/ENVCDA (Delegation Secretary)**

**AGRIC - Dr. Wayne Lindwall, Les Haley, Heather Lingley (Advisor), DFAIT - Janice Fitchett, Alain Tellier,**

**ENVCDA - John Drexhage, Art Jaques, Joan Masterton, John Stone**

**FIN - Leigh Mazany**

**NRCAN - Jean Cooper, Dave Boulter, Martina Bosi**

**CDN EMB BONN - Ross Miller (Observer/Advisor)**

**BCNI - John Dillon (Industry Observer)**

**CEA - Pierre Guimond/CEA (Industry Observer)**

**WEST COAST LAW ASSOC.- Chris Rolfe (NGO Observer).**

**Report prepared by AGE/Fitchett in consultation with Candel**

**APPROVALS: J.L. Irish**

## **ANNEX**

### **KEY POST-KYOTO PRIORITIES**

**MECHANISMS FOR COOPERATIVE IMPLEMENTATION:** Formal plenary discussions regarding mechanisms for cooperative implementation were brief and mechanisms discussion quickly became mired in a contact group tasked with elaborating a framework work programme. In the end, Parties approved a conclusion which took note of the tabled submissions, and also approved, but did not negotiate, suggested skeletal elements for a work programme on the mechanisms. Inconclusive discussion revealed a limited constituency for bringing many issues to fruition by the Buenos Aires conference in November, beyond basic methodological and technical issues.

**INTERNATIONAL EMISSIONS TRADING:** Candel emphasized, early in the session, preference for agreement by CoP4 on a framework for reporting, verification and accountability. Shortly thereafter, Canada tabled a non-paper on international emissions trading (FCC/SB/1998/MISC.1/Add.1) on behalf of the so-called Umbrella Group. The paper outlined the Umbrella Group's views on most of the necessary elements for a market-based trading system and prompted a response by the EU which articulated their common view on the issue. Significantly, taken together these two papers demonstrated that there is Annex I wide agreement on such issues as monitoring and verification, the recording and reporting of trades, options for market mechanisms for exchange and the right of legal entities to trade - signalling areas where progress could be made at CoP 4. However, other areas of differences with the EU remain, and compared to the other flexibility instruments, developing countries most strongly oppose emissions trading. Their demonstrated willingness to engage in discussion on the issues is viewed, however, as a mild success under the circumstances.

**CLEAN DEVELOPMENT MECHANISM (CDM):** Thinking of most Parties is still embryonic and there was little formal discussion of the CDM in an open forum. Nevertheless, this early stage of discussion revealed a general willingness to work through the elaboration of the CDM constructively and few areas of potential conflict emerged with the exception of the need for a quantified cap, and differences of view on whether carbon sequestration (sinks) projects should be fully covered. JUSCANZ countries tended to favour a looser, facilitative mechanism that would largely facilitate private sector projects, backed up by strong auditing and verification provisions. Canada and other like-minded stressed that the timely definition of the CDM is critical to provide incentives for early private and public sector identification and participation in projects. Nevertheless, prospects for elaborating the mechanisms at the 1998 conference seem remote. Exchanges of view on the G-77 questions, and upcoming workshops, including a possible ministerial to be hosted by Canada provide the short-term vehicles to further develop critical mass of ideas.



**JOINT IMPLEMENTATION (JI):** Since the joint implementation provisions of the Protocol are already fairly elaborated, there was little discussion of its application. Nonetheless, it became clear that of all the implementation mechanisms, JI was the one favoured by the EU, as it expects to be able to benefit from emissions reductions from projects undertaken in neighbouring Eastern European economies, where they already have significant investments. JI is important for Canada, but projects through the CDM (which can start in the year 2000) and emissions trading are more pressing in our view. (G77 also supports early focus on the CDM). On the question of the treatment of projects initiated under the convention's Activities Implemented Jointly (AIJ, projects without credit), there was a general shared concern among Annex I countries that progress on JI and CDM not be held hostage to the completion of AIJ's pilot phase.

**SINKS:** While at first it appeared that no substantive discussions would take place until after the generation of a Special Report by the IPCC, a shorter track outcome more in keeping with Canadian objectives was achieved. Parties agreed to submit information related to Articles 3.3 and 3.4 (additional sink activities), and to hold a pre-CoP 4 workshop on Article 3.3 and to plan a post-CoP 4 workshop on Article 3.4 and issues arising from the first workshop. A key result of the conclusion for Canada was the acknowledgment that the land use change and forestry category really constitutes three categories -- land use, land-use change and forestry. Importantly, this acknowledges activities other than land-use change and forestry, i.e. agriculture. The conclusion requested that the IPCC prepare a special report on land use, land-use change and forestry which should address the methodological, scientific and technical issues related to Article 3. Issues not covered in this report were suggested for inclusion in the IPCC Third Assessment Report. The IPCC was also asked to examine the implications of carbon sequestration strategies on water, soil, bio-diversity, and the overall environment, economy and society.

**COMPLIANCE:** Corridor discussions on a regime, under Article 18, to determine and address non-compliance with the provisions of the Protocol and its various mechanisms, confirmed that limited thinking has been done so far on this matter since the Kyoto COP. As regards the preparation for COP 4, there seems to be a convergence of views, at least among Annex I Parties, that the actions to be taken in Buenos Aires should be limited to the creation of an *ad hoc* group on compliance. If this course of action were taken, Parties would still have to consider at COP 4 whether the decisions should include details as to the mandate of the group or if it should only provide a short and general mandate. Since at the first Common Interest Group (CIG), verification and monitoring issues had emerged as a possible route for finding common ground on mechanism irritants with the EU, Canada chaired a subsequent meeting dedicated to this issue. EU placed emphasis on the need for all compliance provisions in the Kyoto Protocol (Article 18) to be elaborated through a single, uniform monitoring and verification system. JUSCANZ countries stated their similar preference to avoid multiple non compliance review committees, but noted that substantive rules might need to be different for

differing mechanisms.

**POSSIBLE FUTURE DEVELOPING COUNTRY COMMITMENTS:** Canadian objectives entering the session were mainly to ensure that space would be created at the Buenos Aires conference for an initial discussion on two tracks: (a) possible track for voluntary commitments in the short-term (first commitment period beginning 2008) and (b) initial steps to launching a process for the possible inclusion of developing country commitments in the longer term (second commitment period to begin 2012). Objectives were met, but climate for meaningful engagement remains poor.

(a) Voluntary commitments: Item to cover voluntary commitments as proposed by Argentina remains on the agenda, but largely only because the Bonn meeting did not have the authority to remove it. This authority rests with the Executive Secretary of the convention in consultation with the host country and hence is likely to go through. Divisions were acute in the discussions of this item. Several countries clarified that commitments sought would be targets under business-as-usual projections, and there was general agreement that the Annex I expert group should examine possible criteria for "pledges". Ways to accommodate voluntary commitments in the absence of a provision in the protocol was identified as another set of issues requiring further examination amongst Annex I.

(b) Broader track: Hook was provided for discussions of a possible broader track by an agenda item requesting a review of the adequacy of commitments contained in Article 4.2 (a) and (b) of the Convention (Annex I commitments prior to the launch of the Berlin Mandate/Kyoto process). Review was mandated by the convention by the end of 1998, but of course has been rendered somewhat redundant by the conclusion of the Protocol with new commitments for 2008-2012. Nonetheless, agreement was reached early that commitments were inadequate and a working group was convened under Zimbabwe and Canada to negotiate an outcome for transmittal to Buenos Aires. As might be predicted, developed countries argued that the provisions themselves were inadequate, because without action by a broader range of Parties, the environmental objectives of the convention would not be met. Developing Countries on the other hand, argued that the commitments under the Articles were inadequate because developed countries were not implementing their existing commitments seriously and did not agree to any further actions until after 2008. Group also laid clear marker "that Cop 4 must not be distracted from carrying out the review mandated by the Convention through the introduction of extraneous matters such as the consideration of new commitments for Parties not included in Annex I". Canada and Zimbabwe co-chairs made best (and largely appreciated) efforts to facilitate a decision that would build on (albeit limited) common ground. Effort came remarkably close, but outcome was transformed into a set of conclusions which basically summarizes areas of convergence and divergence. Nonetheless, it ensures the potential for further engagement at Buenos Aires, to be facilitated both by the agreed conclusions and by a compilation of Parties' submissions to be received by the secretariat by mid-

August.

**IMPACT OF SINGLE PROJECTS ON EMISSIONS IN SMALL ECONOMIES:** Iceland is the sponsor of this item, which would enable small economies (representing less than .05% of 1990 Annex I emissions) essentially to exempt chemical process emissions from projects using clean or renewable energy and Best Environmental Practice. The proposal also qualifies that Parties may only use this provision if single projects cause a party to exceed its assigned amount. US and Australia expressed sympathy for Iceland's situation. Developing countries viewed this provision as a potential "loophole" to the Kyoto Protocol. Canada did not intervene on this item.

## **CONVENTION ISSUES**

**CO-OPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS:** On this agenda item parties approved a conclusion which invited the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to report their relevant work to the SBSTA. Parties also invited the IPCC to take into account comments made by Parties on the structure and content of the Third Assessment Report. The conclusion urged Parties to reverse the declining funding to observational networks of the climate system. Furthermore, the conclusion noted the role of UNEP as set out in the UNGASS statement to develop coherent interlinkages among conventions and invited UNEP to provide inputs to the CoP. Finally, Parties noted that the IPCC will provide the Convention process with scientific, technical and economic advice - including the use of economic instruments - as well as on matters relevant to related conventions like the Montreal Protocol, CBD, and CCD.

**NATIONAL COMMUNICATIONS FROM PARTIES INCLUDED IN ANNEX I OF THE CONVENTION:** Canada's objectives were to secure a process for the revision of the UNFCCC guidelines for the preparation of national communications and to support the secretariat's proposal regarding the scheduling of third and subsequent national communications. These objectives were reflected in two plenary interventions which emphasized Canada's support for the year 2001 as the milestone for the 3<sup>rd</sup> National Communication and recommended that the Secretariat initiate the revision process by preparing a list of problems and difficulties with the current UNFCCC guidelines based on the experience of in-depth reviews and the views received from Parties. This latter intervention was particularly successful as delegates agreed to have the secretariat survey Parties by August 31, 1998 for their views, taking into account the information required under Article 7 of the Kyoto Protocol, and organize a workshop on the same subject in 1999. It was concluded that the outputs of these undertakings, in the form of proposed clarifications, additions and/or amendments to the UNFCCC guidelines, would be submitted to CoP 5. As for the scheduling of the third and subsequent communications, delegates agreed to have parties submit their views

by September 1, 1998 for compilation into a miscellaneous document for consideration by the SBI at its ninth session.

**NATIONAL COMMUNICATIONS FROM NON-ANNEX I PARTIES OF THE CONVENTION:** Considerable engagement of developing countries was made as these countries articulated their experiences and needs for national reporting. Canada intervened to support a decision by CoP 4 on the establishment of a review process for non-Annex I communications. To assist in that regard, Canada welcomed an initiative by the United States and Malaysia to co-host an informal workshop in August in Kuala Lumpur to increase awareness of the guidelines for preparing national communications, methodologies and the review process itself. A conclusion was not reached by the contact group on this issue and further discussion was deferred to the next SBI session.

#### **METHODOLOGICAL ISSUES**

**EMISSIONS INVENTORIES:** Parties approved a conclusion that they provide to the secretariat, by August 15, 1998, their complete 1996 GHG Inventories and recommendations on possible approaches to resolving methodological issues related to those inventories, with the latter augmented by a workshop, the results from which would be submitted to SBSTA's tenth session in 1999. It was further agreed that a high priority should be attached to resolving methodological uncertainties arising from the Kyoto Protocol's inclusion of perfluorocarbons, sulphur hexafluoride, and hydrofluorocarbons.

**ROSTER OF EXPERTS:** Parties approved a conclusion that they provide to the secretariat, by July 1, 1998, their nominations for methodological experts to the roster, and that the roster should be reviewed at regular intervals, at least every five years.

**STATUS OF TURKEY UNDER THE CONVENTION:** Meeting considered Turkey's request to be removed from the Convention's list of Annex I countries. Question has become more complicated in the absence of Kyoto provisions covering voluntary commitments on the part of non-Annex I countries. Canada expressed its willingness to consider supporting Turkey's removal from Annex I providing that, at the same time, Turkey were prepared to make some sort of voluntary commitment in the spirit of the Protocol. Australia and EU interventions followed similar lines. Turkish reps seemed generally satisfied with this direction and Turkey is focussing its own domestic efforts on elaborating a national communication with projections to assist further engagement. The issue remains unresolved with Venezuelan coordinator undertaking to continue consultations at Buenos Aires towards consensus on a draft decision for COP4.

**DEVELOPMENT AND TRANSFER OF TECHNOLOGIES:** Long negotiations took place within a contact group on this topic, taking the form of a divided North-

South debate. In the end, Parties agreed on a report to be made to the COP, leaving open, for further discussion at SBSTA 9, the role of non-Annex I communications with respect to technology transfer and the question of technology information centres and enhancing support for national or regional centres. The conclusion noted the results of the expanded technology and technology needs survey and agreed that the identification of such needs at the country level is important for the diffusion, transfer and access to technologies particularly for developing countries.

In the contact group, the G-77/China also tabled a non-paper on the subject which called on non-Eastern European Annex I countries (i.e. Annex II) to provide developing country parties with a list of their privately/publicly owned climate friendly technologies. The non-paper also went one step further and revisited the thorny issue of technology transfer by defining a Technology Transfer Mechanism. Distinct from the CDM, the TTM called upon developed country parties to promote, facilitate, and finance the transfer of climate technologies and know-how to developing country parties on non-commercial, preferential terms. This paper was not discussed.

Parties agreed to request that the Secretariat organize a technology roundtable in conjunction with COP4, focussed on the analysis of barriers to the development and transfer of technology (in both Annex I and non-Annex I parties). Parties, as well as the business community and relevant NGOs, will be invited to participate. All Parties, including Canada, were favourable to building on the positive experience of the COP3 roundtable.

Canada favours an outcome that would focus on building on "existing" centres and that would not include text having financial resource implications. Consistent with Canada's preference, the Secretariat will be tasked with the preparation of a draft work program on the development and transfer of technology; and the chair of SBSTA will convene informal open-ended consultations.

All Parties are invited to submit their views by August 15 on 1) technology development and transfer, and capacity building and 2) tasks on technology transfer.

**IMPACTS ON OIL EXPORTERS AND VULNERABLE COUNTRIES:** Canada's overall objective in these areas was to ensure no compensation for OPEC countries whose oil revenues might diminish as a result of Annex I mitigation action. Canada was not supportive of the AOSIS proposal to include an adaptation fee for JI and IET but did, however, support that a portion of the administration fee for CDM projects in developing countries be focused to fund adaptation projects. The Secretariat had prepared a note recommending a process be undertaken to identify and determine actions necessary to meet the specific needs of developing country Parties, "arising from adverse effects of climate change and/or the impact of the implementation of response measures". The discussion in plenary and Canada's

intervention indicated that the proposed analytical framework was overly ambitious and failed to differentiate between the effects of climate change and the impacts of response measures. Furthermore, Canada indicated that Parties should be encouraged, not penalized, for undertaking mitigation actions to meet the objectives of the Convention.

Subsequent contact group discussions were long, intense and inconclusive. Group did agree on a preamble as well as a recognition that progress would best be achieved within a framework which separated discussion between the adverse effects of climate change and the impacts of the implementation of response measures. Remainder of a draft conclusion (not the subject of negotiation) will simply be referred to the Buenos Aires conference in brackets. Discussions will likely continue to be difficult.

**FINANCIAL MECHANISM:** The EU called for a conclusion to the GEF review by CoP 4 and China registered the importance of project cycle streamlining. Canada intervened by asking that guidance to the GEF focus on policies and program priorities. Canada also iterated that the GEF should be confirmed as the permanent financial mechanism to the Climate Change Convention. The contact group designated 4 Annex I and 4 non-Annex I representatives to propose draft decisions on the review and guidance to the GEF. Annex I countries expressed preference to combine the issues into one draft decision (tabled by EU) and requested that the review issue be discussed before outlining further guidance to be provided to the GEF. G77-China tabled separate draft decisions refusing to link the review issue with discussion of GEF guidance and proposing GEF remain designated as "interim". No consensus was reached and further deliberations were deferred to Buenos Aires. Parties are requested to submit views and comments to the Secretariat by August 15 to be compiled for SBI 9.

**INVOLVEMENT OF NGOS:** Canada used this agenda item as an opportunity to highlight our inclusive consultation process with NGOs, noting their presence on official delegations and their involvement in the policy development process for both our national implementation strategy and international climate change negotiations. Canada also expressed support for the position that NGOs be granted access to participate as silent observers in the deliberations of contact groups. The latter point prompted the chair to hold private consultations with NGOs throughout the session and culminated a conclusion which asked that NGO constituencies be allowed to participate in all future meeting of informal contact groups, pending chairman approval. Parties further agreed that the existing three NGO constituencies (environment, business, and local authorities) do not always provide a practical way to group stakeholder views and asked the secretariat to develop an improved set of NGO constituencies for consideration by SBI at its tenth session.

**BRAZILIAN PAPER ON METHODOLOGIES:** Parties approved a conclusion which noted that the part of the 1997 Brazil proposal which calls for a clean development fund was overtaken at CoP 3 by the establishment of the CDM. With respect to

the other part of the proposal, that which assigns responsibility for climate change mitigation on the relationship between historical emissions and temperature change, Parties recognized that there are a number of scientific and methodological issues outstanding and welcomed an offer by Brazil to hold a workshop on the subject and report back to SBSTA at its ninth session (BA). Note that while the Brazil proposal would postpone developing country responsibility until mid-next century, it does inject a basis for their ultimate assumption of responsibility for mitigation.

**ARTICLE 6: EDUCATION, TRAINING AND PUBLIC AWARENESS:** Canada's objectives were to support further international initiatives on the implementation of Article 6 of the Convention while ensuring that such initiatives respect the principle of efficiency and give priority to deepening understanding of the Kyoto Protocol's mechanisms for cooperative implementation. These objectives were reflected in a formal intervention which stressed, in particular, that the UNFCCC ensure that it does not duplicate climate change awareness activities being undertaken by other international organizations and instead concentrate on how those existing communication channels can be utilized in spreading the message of climate change.

Canada's interventions were successful as the chairman's conclusion noted interest in the activities of UNEP in supporting public education and national outreach strategies, the need to ensure the availability of information on the mechanisms defined in the Kyoto Protocol, as well as cautious language on the role of the GEF in guiding funding decisions on the implementation of Article 6. The conclusion called for future public awareness workshops and also called on parties to report their activities on Article 6 when submitting national communications. Furthermore, Parties agreed to submit to the secretariat, by December 14, 1998, their views on promoting the implementation of Article 6 for compilation into a secretariat document.

#### **AD HOC GROUP ON ARTICLE 13 (ELABORATION OF THE MULTILATERAL CONSULTATIVE PROCESS)**

The group created to develop the terms of reference for a Multilateral Consultative Process (MCP) in accordance with Article 13 of the Convention (AG13) made substantive progress in that direction, although it was unable to conclude its task, as had been hoped. A contact group of the AG13, chaired by Canada, was able to bring the number of outstanding issues down to two: a) the size of the Multilateral Consultative Committee (MCC) created under the MCP; and b) the distribution among Parties of the Committee's seats.

Regarding the two outstanding issues, it was broadly recognized that the question of the number of seats could hardly be resolved first but that it should not be difficult to address once the other question (distribution) is dealt with. On distribution, the G-77, with the support of the EU, was adamant that a system of

"equitable geographic distribution", which they read as providing an equal number of seats for each of the five UN regional groups, has to be adopted for the MCP. Firmly opposed to this idea was the USA, with the support of other JUSCANZ countries, including Canada, indicating that such an approach would not reflect the nature of the Convention, which is built along the line of Annex I and non-Annex I Parties. The distribution of seats should thus be of one half to Annex I and the other half to non-Annex I Parties. Thus the draft text for an MCP is sent to the Buenos Aires COP with these two remaining issues in brackets.

**RULES OF PROCEDURES:** Informal consultations were held with a number of delegations with a view to determine if a compromise solution could be found on the two outstanding issues blocking the adoption of the Convention's rules of procedures. Reports on these discussions indicated that consensus was rather to the effect that there was no movement towards compromise on these questions and that time was not ripe to take up these discussions again.



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June 19, 1998

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Dear Ms Irish:

**RE: Environmental NGO Representative on Eighth Session of SBSTA  
and SBI; Sixth Session AG13**

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The following is my report on the Eighth Session of SBSTA and SBI. I have given both comments on what happened in Bonn as well as my perspective on where Canada should go from here. I will begin with a summary of my perspective on various issues discussed at Bonn and follow that with more detail on some of the substantive technical issues.

## Summary

The marked loss of momentum between Kyoto and the Eighth Session of SBSTA and SBI was disappointing. All negotiating blocs share some responsibility in this regard. To further progress it is essential for all parties to acknowledge and begin grappling with difficult issues. It should be recognized that rigid negotiating positions will prolong uncertainty – an outcome which is in no nation's interest.

- **Adequacy of Commitments.** The environmental community had hoped to see a recommendation coming from SBI that would lead to COP-4 being presented with information confirming the inadequacy of current commitments and lead to a process for considering the adequacy of commitments of all parties. Prior to Buenos Aires it is essential to explore ways of breaking the current impasse between Annex 1 Parties and G-77/China. Canada could for instance, explore the possibility of linking a review of

commitments of all parties with a mandate to determine equitable and practical principles of allocating allowable emissions.

- **Sinks.** There is a consensus within the environmental community that any inclusion of sinks should be based on sound science and consistent approaches to measurement, maintain the integrity of the Kyoto Protocol, and should not create any incentives for activities that would harm biodiversity. The decision to refer the sinks issue to an IPCC Special Report is a step in the right direction. However, I was disappointed that there was not clarification that Art. 3.3 only covers emissions/removals related to changes in land use to or from forestry. This is necessary to avoid the most egregious potential loophole in the Protocol. It would also aid in setting domestic policy.
- **Clean Development Mechanism.** The complete failure to discuss any substantive issues was extremely disappointing. In order to progress on this issue substantive proposals for how a CDM program could work are needed. In particular, a process for ensuring that certified emission reductions represent reductions that would not occur in the absence of the CDM is essential. My impression is that overcoming EU and G-77 skepticism regarding CDM will require proposals that acknowledge this issue and ensure that CDM does not reduce the environmental effectiveness of the Protocol.
- **Emissions Trading.** The environmental community had hoped that emissions trading would be elaborated in Bonn, with discussion of concrete proposals for ensuring that a trading program has integrity and does not reduce the environmental effectiveness of the Kyoto Protocol. My impression is that both John Drexhage and Murray Ward's presentation and the paper tabled by Canada on behalf of the Umbrella Group would have been better received if they added more to the draft rules discussed at Kyoto. More definition of a joint liability system and acknowledgement that trading in "hot air" units will reduce environmental effectiveness would have helped. For progress to occur at COP4, the focus of Canada and the Umbrella Group will likely need to shift to finding solutions that do not compromise environmental effectiveness of Kyoto but still allow a trading system to work effectively.

## Detailed Discussion of Substantive Issues

### Sinks

Environmentalists were pleased to see the reference of the sinks issue to a IPCC Special Report. However, there is ongoing concern that interim decisions might occur prior to receipt of the Special Report. Interim decisions could become permanent and could enshrine flawed science or methodology. I have a number of comments regarding the outcome of the sinks discussion:

Defining What Is In Art. 3.3. I was pleased to see a partial definition of what was included in Art 3.3 of the Protocol. I believe that it would have been useful to confirm

that reforestation, afforestation and deforestation involve a change in land use (my reasons for this interpretation are set out in the attached memo to Art Jaques.), and to ensure a balanced approach to inclusion of sinks (e.g. ensuring counting of emissions from harvesting in areas that were previously counted in the reforestation removals category). Definitions of "afforestation", "reforestation" and "deforestation" that go beyond clarifying that these concepts relate to changes in land use may be difficult without awaiting the IPCC Special Report. According to some of the experts I have spoken to, operational definitions of those terms could pre-suppose a certain methodological approach and thus be in conflict with the need for verifiability of changes in carbon stock. This may be the rationale behind EU resistance to defining the terms, but I am not convinced that it precludes broad brush definitions.

Agricultural Soils. Canada's presentation regarding soil sequestration underlined the benefits of soil sequestration, but what was less successful in dealing with the EU's and environmentalists' most salient concern regarding uncertainty in measurement and the concern that gains in sequestration levels may be reversed as a result of climate change. To move this issue forward Canada will need to concentrate on quantification and deal with the risk that reversals of sequestration levels may make nations unwilling to adopt tougher commitments in the future or impact on nations' ability to comply.

Inclusion of Sinks under 3.4 Although Canada has generally supported an inclusive approach to sinks, given the terms of the Kyoto Protocol, we will likely only succeed in including non-3.3 sinks in a manner that guards against Annex B Nations being able to count their substantial overall net sink from the LUCF category during the commitment period (during 1990 this was equal to 8% of gross emissions) while ignoring this sink in the 1990 baseline year. I expect the only way to do this is to count removals on a project basis or to count removals relative to a "business as usual" baseline.

Reversibility. There are a number of warnings from the scientific community that forests and soils could shift from being a net sink to a net source over the next few decades, thus reversing the accumulation of carbon in sinks. Canada should ensure that nations are responsible for any reversal in sequestration levels in carbon reservoirs they have counted under paragraphs 3.3 or 3.4. Further inclusion of sinks is also likely to be fiercely resisted if there is a perception that reversals of sequestration levels may make nations unwilling to adopt tougher commitments in the future or impact on nations' ability to comply. One means of dealing with these issues is to support a heavy discounting of credits from sequestration projects. Canada should ensure that the IPCC Special Report deals with the risks of sequestration reversals and the impacts reversals have on nations' ability or willingness to comply. Such a report would also help in setting domestic policy regarding sinks.

## Trading

West Coast Environmental Law has consistently supported international emissions trading provided the system of trading has integrity and does not compromise the environmental

effectiveness of the Kyoto Protocol. John Drexhage and Murray Ward provided helpful elaboration on their rationale for certain requirements; in particular John's reference to a mechanism for monitoring the rate of allowable emission sales against a reasonable compliance track was helpful. However, my impression is that both their presentation and the paper tabled by Canada on behalf of the Umbrella Group would have been better received if they added more to the draft article that was deleted and replaced by Article 17 at the last session of Kyoto. My perspective is that the Umbrella Group would have achieved more progress on international trading had they dealt constructively with issues such as liability and hot air.

### Liability

I was pleased to see the statement in the Umbrella Group's non-paper on trading that issues regarding allocation of risk need to be further explored. It is recognized by many environmental groups that a system of seller liability trading is ideal from an economic perspective when there is a very high probability that non-compliance will be discovered and when there is a mechanism to impose strong sanctions on non-compliers. However, neither of these preconditions are met in the context of the Kyoto Protocol. As a result, a system of "seller beware" trading could lead to trading allowing the environmental effects of non-compliance to multiply.

Joint buyer and seller responsibility for non-compliance is likely to provide the best guard against the environmental effects of non-compliance multiplying and spreading as a result of trading. While buyer liability will tend to reduce the attractiveness of purchasing international allowable emission units from other nations, the use of a "first in -- last out" approach to which units are invalidated could reduce uncertainty. Also brokers could maintain a pool of emission rights from different nations, maintain a buffer of units to ensure compliance and require indemnities from seller nations for any losses resulting from the sellers' non-compliance. In other words, given sufficiently rigorous reporting requirements, the market could cope with the uncertainty created in a buyer liability system in much the same way as it copes with uncertainty in securities markets.

The use of a limited buyer beware system -- the so-called "green-yellow-red light" system -- could also provide some protection against the environmental effects of non-compliance multiplying through trading. However, to be effective such a system would likely be both bureaucratic and lead to a situation where many trades occur under a "yellow light". As a result a simple buyer liability system may be preferable.

### Hot Air

Obviously, hot air continues to be an issue for environmentalists. Hot air trading not only reduces the environmental effectiveness of the Kyoto Protocol, it also sets a poor precedent for setting budgets of developing countries. The argument that Article 17 defined a certain type of trading which allows hot air is disingenuous, and out of keeping with the events of the final session at Kyoto and the language of the Protocol. Clearly

article 17 was intended to allow trading in principle with rules to be negotiated. Environmentalists will continue to urge Canada to consider proposals for limiting hot air trading.

### Cap on Trading.

While a cap on trading reduces the theoretical economic efficiency of a trading system, it is not clear that this is the case in a system that has considerable hot air. Moreover, a cap on trading sends an essential message to developing nations that the developed world does not see reductions in emissions as an unacceptable burden on their development. That demonstration of will is essential to securing meaningful commitments from G-77/China, and is in the best interest of the environment.

### **Clean Development Mechanism**

To be effective the CDM will need to set baselines for CDM projects in a way which guards against credit for non-additional projects while at the same time encouraging no-regrets projects that would not otherwise occur. Canada should work with other nations in proposing detailed approaches. Some approaches which merit further attention include:

- using a matrix of technologies that can in different circumstances be presumed to be improvements on business as usual. The matrix would need to be set by international institutions;
- setting baselines based on production levels and internationally agreed benchmarks of carbon efficiency that represent practices at the top end of standard energy efficiency practices in the developing world;
- setting national baselines (possibly using dynamic baselines tied to economic growth) which can be subdivided into sectoral and/or project baselines by national government.

The latter approach has the advantage that it would be most conducive to the sorts of sectoral policy reforms that are likely to yield the greatest benefits. However, it would likely be perceived (quite rightly) as a backdoor means of establishing developing nation commitments.

In designing the institutional framework for CDM, it must be recognized that emission reduction credit trading places very high demands on regulatory agencies (in this case, operational entities and the Executive Board) and requires that such agencies be able to make independent judgments. The Executive Board must be independent and have a strong mandate. To ensure financial additionality it should also be independent of the GEF or the World Bank. Similarly, care should be taken in choice of operational entities. Operational entities must be able to make difficult judgments without fear of economic repercussions or political interference.

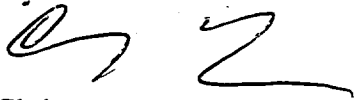
Other issues that need to be addressed in the context of CDM included discounting for uncertainty and ensuring that environmentally dangerous projects, such as nuclear power, are excluded from consideration.

**Conclusion**

I hope the above perspective is useful. I would be happy to discuss any of the above with you in greater detail.

Yours truly,

**WEST COAST ENVIRONMENTAL LAW ASSOCIATION**



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**Barrister and Solicitor**

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**Encl.**

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REPORT OF THE INDUSTRY REPRESENTATIVES ON THE CANADIAN DELEGATION  
Eighth Meeting of Subsidiary Bodies  
United Nations Framework Convention on Climate Change  
June 2 - 12, 1998, Bonn

- The Bonn sessions ended on Friday June 12, 1998 after approving a series of papers that will be the basis of a draft agenda for discussion at the fourth Conference of the Parties (COP-4) to be held in November in Buenos Aires, Argentina. This particular meeting of the subsidiary bodies failed to address the jumbled and inter-linked basket of issues left in the wake of Kyoto. The basket of issues will need to be dealt with at the ninth meeting of the subsidiary bodies in Buenos Aires just prior to COP-4. If the FCC Secretariat performs a small miracle during the summer and produces a coherent agenda for laying out the issues, ministers could make decisions at COP-4. Decisions taken at COP-4 will indicate next steps for a program of work for fleshing out the flexibility mechanisms and the other matters related to operationalizing the Protocol.
- The main task at the eighth meeting of the subsidiary bodies of the Framework Convention on Climate change (FCC) was to determine how to proceed with the identification and definition of next steps in the process. Because ministers in Kyoto did not fully deal with some important political matters, the challenge in Bonn was twofold. First, the session had to work through the politics of issues and sort out what could be dealt with at the technical level. Only then could the issues be laid out in a comprehensive package for COP-4. Second, the meetings had to come to a landing on the allocation of work between the two subsidiary bodies and the sequencing of that work.
- The Bonn sessions were aimed at the further elaboration of key features of the Protocol, with emphasis on guidelines for International Emissions Trading (IET), Joint Implementation (JI - projects with Annex 1 countries) and the Clean Development Mechanism (CDM). In addition to being very active in pursuing objectives related to the above, Canada wanted to ensure new developments in the international negotiations do not preclude or constrain domestic options and that the development methodologies for the coverage of the six gases and sinks moves ahead.
- Canada earned some praise from delegates for the skilful co-chairing of a difficult contact group looking at the adequacy of commitments under Article 4.2 (a) & (b) of the Convention. Developing nations were very nervous at the opening of a discussion that could lead to their taking on some commitments to reduce emissions. Canada also did well on the issue of sinks and land use changes. In terms of the flexibility mechanisms, Canada played a very positive and supportive role but there was little progress in the end.

### Observations

The written word in the UN process is paramount and considerable time is spent discussing and drafting text for reports. This session saw the arrival of "non-notes of non-chairmen" to bring closure to particularly acrimonious discussions on interpreting the Kyoto Protocol, developing agenda for future meetings and proposing work programs to determine how and by when the actual work to flesh out the flexibility mechanisms will be carried out. With no hard deadlines in the process at the moment, the pressure to get on with the business at hand is low. At the close of the Bonn sessions, it was clear that EU and G-77 were not going to allow progress to occur too quickly on key issues.

Canada and other countries with similar interests wanted to see their priorities move forward expeditiously. This established combative situations with other groups of Parties with different priorities and interests. At one point in the discussions, it became clear that the European Union (EU) would maintain its opposition to IET and to the CDM even though they had been agreed to in Kyoto. Canada, the US, Australia and others were asking for thoughtful debate of the "flex-mecs" (flexibility mechanisms) in order to hear good ideas and fully explore the issues and understand the concerns. The debate did not occur in the plenary sessions or in the open contact group meetings.

However, there was a semblance of an exchange of views with G-77 and EU in the many workshops held parallel to the meetings. The G-77 wants CDM early and wants the rules to be set in their favour. Both the CDM and EIT mechanisms are seen by a few powerful EU countries as nothing more than loopholes to allow the US and others to avoid reducing their domestic emissions. While this is the official stance of the EU, individual countries indicated privately that they support IET and CDM but cannot say so until EU ministers formally approve a new position. In the meantime, their strategy is one of the lowest common denominator.

The EU ministers of the Environment were scheduled to meet the week after the Bonn meetings to discuss a new proposal for allocating burden sharing among members of the EU bubble. This meant that because of the scheduling of the meetings of their ministers, the EU negotiators arrived in Bonn the way they arrived in Kyoto and numerous meetings before that, without up-dated negotiating instructions. Progress is blocked or frustrated by the EU keeping all options open and never closing of issues just in case EU ministers need room to fit their decision into the negotiations.

The G-77 plus China are under pressure to eventually take on reduction commitments and to take on voluntary commitments soon. Developing countries appeared to not want to be subjected to the Kyoto Protocol's precedent to allocating emission reduction



targets. They even dusted off their pre-Kyoto preference for reductions based on a per-capita emissions entitlement argument. In short, the EU and the G-77 frustrated progress on the flexibility mechanisms by denying the outcomes of COP-3 or by trying to re-write the Kyoto Protocol. The G-77 linked all items. If developed countries in one Contact Group (government only in small drafting teams) appeared to be stonewalling the G-77 agenda, the G-77 would provide the same treatment in the Contact Group where the subject matter was priority for developed countries.

The difficult position of the US became even more apparent as the second week wore on. Given that it agreed in Kyoto to a reduction target requiring considerable effort to achieve and has linked its ability to achieve its target to the flexibility mechanisms, EIT is the dominant priority. It seemed for a while that Parties would make special efforts to deny the US any progress in fleshing out the flexibility mechanisms. This of course places the US negotiators in an uncomfortable position vis-a-vis congressional staffers who now regularly attend the negotiations and know that without the full array of flexibility mechanisms, the US Senate will be unlikely to ratify the Protocol.

Canadian objectives for this round of meetings were worked out in the immediate post-Kyoto period and were guided in part by a number of meetings involving ministers and officials of the JUSSCANNZ (non-EU OECD countries) group of countries. A new alliance emerged from Kyoto and includes the US, Canada, Norway, Australia, New Zealand, Iceland and Russia, hereafter known as the Umbrella Group (Article 4 of the Protocol). When the members of the Umbrella Group arrived in Bonn for the meetings, they had already worked out the stance they would take vis- -vis the EU and the G-77 plus China. The clash of alliances played out in protracted debate in all contact groups and it is safe to assume that alliances will also play out at COP-4.

#### **Land Use Change and Forestry (LUCF)**

The issue of sinks was debated at length during the two weeks and only made progress in the last few days of the session thanks largely to the efforts of a strong Canadian team. Representatives from Environment Canada, Forestry Canada and Agriculture Canada were on hand for the Bonn session and greatly influenced the information base negotiators had to make decisions. After making a presentation on the science related to soils, Canada became to be seen as a credible source of information. The EU had arranged to have scientists address the soils issue from a world-wide perspective and the presentation corroborated the Canadian information. Added to this was data from the US. The mood in the contact group changed from being sceptical to one of confidence.

Under the heading of Land Use Change and Forestry (LUCF) officials met much as they did in Kyoto. They were among the hardest working officials at the meetings. A surprisingly robust text was agreed to in the end but not before the progress Canada hoped to achieve suffered momentary setbacks. The session agreed to an interpretation of Article 3.3 of the Protocol and to have the FCC Secretariat organize a pre-COP-4 workshop to deal with the data availability and the implications in relation to Article 3.3 and input provided by Parties. The outputs from this workshop would be reported to SBSTA at its ninth meeting in Buenos Aires.

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**REPORT OF THE SBI**



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SUBSIDIARY BODY FOR IMPLEMENTATION  
Eighth session  
Bonn, 2-12 June 1998

**REPORT OF THE SUBSIDIARY BODY FOR IMPLEMENTATION  
ON ITS EIGHTH SESSION, BONN, 2-12 JUNE 1998**

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. OPENING OF THE SESSION (Agenda item 1) .....	1 - 4	5
II. ORGANIZATIONAL MATTERS (Agenda item 2) .....	5 - 21	5
A. Adoption of the agenda .....	5 - 7	5
B. Election of officers other than the Chairman .....	8 - 11	7
C. Organization of the work of the session .....	12 - 15	8
D. Allocation of work - issues arising from decision 1/CP.3 paragraph 6 .....	16 - 19	8
E. Organization of the work of future sessions .....	16 - 19	8
F. Attendance .....	20	9

	<u>Paragraphs</u>	<u>Page</u>
G. Documentation .....	21	9
III. NATIONAL COMMUNICATIONS .....	22 - 28	9
(Agenda item 3)		
A. Communications from Parties included in Annex I to the Convention .....	22 - 24	9
B. Communications from Parties not included in Annex I to the Convention .....	25 - 28	11
IV. FINANCIAL MECHANISM .....	29 - 32	12
(Agenda item 4)		
A. Review process referred to in decision 9/CP.1 .....	29 - 32	12
B. Guidance to the Global Environment Facility .....	29 - 32	12
V. SECOND REVIEW OF THE ADEQUACY OF ARTICLE 4, SUBPARAGRAPHS 2 (a) AND (b) .....	33 - 36	13
(Agenda item 5)		
VI. REVIEW OF INFORMATION AND POSSIBLE DECISIONS UNDER ARTICLE 4, SUBPARAGRAPH 2 (f) OF THE CONVENTION .....	37 - 40	14
(Agenda item 6)		
VII. IMPLEMENTATION OF ARTICLE 4, PARAGRAPHS 8 AND 9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL) ..	41 - 44	15
(Agenda item 7)		
VIII. MECHANISMS .....	45 - 49	16
(Agenda item 8)		
A. Activities implemented jointly under the pilot phase .....	45 - 49	16
B. Joint implementation - decision 1/CP.3, paragraph 5 (c) .	45 - 49	16
C. Clean development mechanism - decision 1/CP.3, paragraph 5 (e) .....	45 - 49	16

	<u>Paragraphs</u>	<u>Page</u>
D. Emissions trading - decision 1/CP.3, paragraph 5 (b) . . .	45 - 49	16
IX. ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS . . . . . (Agenda item 9)	50 - 68	17
A. Arrangements for the fourth session of the Conference of the Parties . . . . .	50 - 55	17
B. Calendar of meetings . . . . .	56 - 60	18
C. Date and venue of the fifth session of the Conference of the Parties . . . . .	61 - 64	19
D. Volume of documentation . . . . .	65 - 68	20
X. ADMINISTRATIVE AND FINANCIAL MATTERS . . . . . (Agenda item 10)	69 - 77	21
A. Programme budget for the biennium 1998-1999 . . . . .	72 - 73	21
B. Financial performance in the biennium 1996-1997 . . . . .	74	22
C. Financial procedures . . . . .	75 - 76	22
D. Administrative arrangements . . . . .	77	22
XI. INVOLVEMENT OF NON-GOVERNMENTAL ORGANIZATIONS . . . . . (Agenda item 11)	78 - 83	23
XII. REPORT ON THE SESSION . . . . . (Agenda item 12)	84 - 85	24
XIII. CLOSURE OF THE SESSION . . . . .	86 - 87	24

Paragraphs    Page

Annexes

I.	List of documents before the Subsidiary Body for Implementation at its eighth session .....	25
II.	Non-paper from the co-Chairmen of the contact group on item 7 convened during the eighth session of the SBI .....	29



## I. OPENING OF THE SESSION (Agenda item 1)

1. The eighth session of the Subsidiary Body for Implementation (SBI) was held at the Hotel Maritim, Bonn, from 2 to 12 June 1998.
2. At the 1<sup>st</sup> meeting, on 2 June 1998, the Chairman of the SBI, Mr. Bakary Kanté (Senegal), opened the session and welcomed all delegates and observers. In welcoming participants, he recalled that the current session was the first session of the SBI since the Conference of the Parties (COP) had adopted the Kyoto Protocol to the United Nations Framework Convention on Climate Change, at its third session in Kyoto. The Chairman stressed that at this session the SBI had two full weeks in which to complete its work; delegates thus had a considerable opportunity that would not be available during the meetings scheduled in combination with COP 4. He expressed the hope that delegates would assist him in bringing the session to a successful conclusion.
3. Also at the 1<sup>st</sup> meeting, on 2 June, the Executive Secretary welcomed all participants to the session. He emphasized that the SBI at its eighth session would have the opportunity to make progress and lighten the load which all Parties would have to face in their negotiations at COP 4. To help achieve this, he called upon all Parties to demonstrate flexibility so as to enable the necessary sequencing and coordination between the SBI and the Subsidiary Body for Scientific and Technological Advice (SBSTA) in the consideration of agenda items. He also outlined to delegates the new structure of the secretariat and noted with satisfaction that the number of signatories to the Kyoto Protocol was 37 as at 2 June.
4. At the 2<sup>nd</sup> meeting, which was held jointly with the SBSTA on 2 June, statements were made by Her Excellency María Julia Alsogaray, Secretary of Natural Resources and Sustainable Development, Argentina, Mr. Klaus Töpfer, Executive Director, United Nations Environment Programme and the Executive Secretary (for summaries of these statements, see FCCC/SBSTA/1998/6, paras. 5-7).

## II. ORGANIZATIONAL MATTERS (Agenda item 2)

### A. Adoption of the agenda (Agenda item 2 (a))

5. At its 1<sup>st</sup> meeting, on 2 June, the SBI considered the provisional agenda contained in document FCCC/SBI/1998/1.
6. Statements were made by representatives of nine Parties, including one speaking on behalf of the Group of 77 and China.

7. The SBI agreed to amend provisional agenda items 7 and 8 to read, respectively, "Implementation of Article 4, paragraphs 8 and 9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)", and "Mechanisms", and adopted the following agenda:

1. Opening of the session.
2. Organizational matters:
  - (a) Adoption of the agenda;
  - (b) Election of officers other than the Chairman;
  - (c) Organization of the work of the session;
  - (d) Allocation of work - issues arising from decision 1/CP.3,<sup>1</sup> paragraph 6;
  - (e) Organization of the work of future sessions.
3. National communications:
  - (a) Communications from Parties included in Annex I to the Convention;
  - (b) Communications from Parties not included in Annex I to the Convention.
4. Financial mechanism:
  - (a) Review process referred to in decision 9/CP.1;<sup>2</sup>
  - (b) Guidance to the Global Environment Facility.
5. Second review of the adequacy of Article 4, subparagraphs 2 (a) and (b).
6. Review of information and possible decisions under Article 4, subparagraph 2 (f) of the Convention.
7. Implementation of Article 4, paragraphs 8 and 9 of the Convention (decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol).

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<sup>1</sup> For the full text of decisions adopted by the Conference of the Parties at its third session, see document FCCC/CP/1997/7/Add.1.

<sup>2</sup> For the full text of decisions adopted by the Conference of the Parties at its first session, see document FCCC/CP/1995/7/Add.1.

8. Mechanisms:
  - (a) Activities implemented jointly under the pilot phase;
  - (b) Joint implementation<sup>3</sup> - decision 1/CP.3, paragraph 5 (c);
  - (c) Clean development mechanism - decision 1/CP.3, paragraph 5 (e);
  - (d) Emissions trading - decision 1/CP.3, paragraph 5 (b).
9. Arrangements for intergovernmental meetings:
  - (a) Arrangements for the fourth session of the Conference of the Parties;
  - (b) Calendar of meetings;
  - (c) Date and venue of the fifth session of the Conference of the Parties;
  - (d) Volume of documentation.
10. Administrative and financial matters:
  - (a) Programme budget for the biennium 1998-1999;
  - (b) Financial performance in the biennium 1996-1997;
  - (c) Financial procedures;
  - (d) Administrative arrangements.
11. Involvement of non-governmental organizations.
12. Report on the session.

**B. Election of officers other than the Chairman**  
(Agenda item 2 (b))

8. The SBI considered this sub-item at its 1<sup>st</sup> and 12<sup>th</sup> meetings, on 2 and 12 June, respectively.
9. Statements were made by representatives of nine Parties, including one speaking on behalf of the Group of 77 and China.
10. At the 3<sup>rd</sup> meeting, the Chairman informed the SBI that he was conducting consultations with the regional groups on this matter, in close cooperation with the Chairman of the SBSTA.
11. At the 12<sup>th</sup> meeting, the Chairman reported with regret that, despite his best efforts, it had not proved possible to reach consensus among the regional groups and elect the remaining

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<sup>3</sup> This sub-item relates to Article 6 of the Kyoto Protocol and paragraph 5 (c) of decision 1/CP.3. The term "joint implementation" is used for convenience.

officers of the SBI. He expressed the hope that the regional groups would consult among themselves prior to COP 4 so that the officers of the SBI could be elected at that time.

**C. Organization of the work of the session**  
(Agenda item 2 (c))

12. The SBI considered this sub-item at its 1<sup>st</sup> meeting, on 2 June. It had before it document FCCC/SB/1998/3.

13. Statements were made by representatives of two Parties.

14. The Chairman drew the attention of the SBI to the tentative schedule of meetings contained in document FCCC/SB/1998/3, noting that the schedule was intended to be used as a guide, and might need to be modified to reflect the pace of progress.

15. The Chairman informed the SBI that applications for accreditation to the sessions of the subsidiary bodies had recently been received from nine non-governmental organizations. These applications had been screened by the secretariat on the basis of the provisions of Article 7.6 of the Convention and in accordance with the procedures established by the COP for the admission of organizations as observers. The SBI agreed to grant these organizations access to the current session of the SBI, pending formal action on their accreditation by the COP at its fourth session.

**D. Allocation of work - issues arising from decision 1/CP.3, paragraph 6**

**E. Organization of the work of future sessions**  
(Agenda items 2 (d) and 2 (e))

**1. Proceedings**

16. The SBI considered these sub-items in an integrated manner at its 1<sup>st</sup> and 13<sup>th</sup> meetings, on 2 and 12 June, respectively. It had before it document FCCC/SB/1998/1.

17. A statement was made by representatives of two Parties, including one speaking on behalf of the Group of 77 and China.

18. At its 1<sup>st</sup> meeting, on 2 June, the SBI agreed that this issue would be considered in an informal contact group, jointly established with the SBSTA. This informal contact group was chaired by Mr. José Romero (Switzerland).

## 2. Conclusions

19. At its 13<sup>th</sup> meeting, which was held jointly with the SBSTA, having considered a joint proposal by the Chairmen on the basis of inputs from the joint informal contact group, the SBI adopted the following conclusions:

(a) The SBI and the SBSTA decided to defer consideration of these items until their ninth sessions;

(b) The SBI and the SBSTA invited the Chairmen, if they considered it would be useful, to formulate points which might provide a basis for deliberations at their ninth sessions.

### F. Attendance

20. The eighth session of the SBI was attended by representatives of 126 Parties and by observers from 6 States not parties to the Convention. It was also attended by representatives of 7 United Nations secretariat units and bodies, 5 specialized agencies and related organizations, 3 intergovernmental organizations and 115 non-governmental organizations.<sup>4</sup>

### G. Documentation

21. The documents before the SBI at its eighth session are listed in annex I below.

## III. NATIONAL COMMUNICATIONS

(Agenda item 3)

### A. Communications from Parties included in Annex I to the Convention

(Agenda item 3 (a))

#### 1. Proceedings

22. The SBI considered this sub-item at its 1<sup>st</sup> and 9<sup>th</sup> meetings, on 2 and 8 June, respectively. It had before it two documents presented by the secretariat (FCCC/SBI/1998/INF.1 and FCCC/SBI/1998/INF.2).

23. Statements were made by representatives of 10 Parties, including one speaking on behalf of the European Community and its member States.

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<sup>4</sup> For the full list of participants, see document FCCC/1998/INF.1.

## 2. Conclusions

24. At its 9<sup>th</sup> meeting, on 8 June, the SBI, having considered a proposal by the Chairman, as well as views expressed by delegations, adopted the following conclusions:

(a) The SBI took note of the documents prepared by the secretariat on the progress made in the process of review of the first and second national communications from Annex I Parties, noting the completion of the review of first national communications. The SBI also noted the schedule of in-depth reviews of the second national communications and encouraged those Parties which had not yet done so, to finalize with the secretariat dates of in-depth review visits;

(b) The SBI noted with appreciation the initiative of some Annex II Parties aimed at enlarging the participation of experts from non-Annex I Parties in in-depth reviews, and invited other Parties to take similar action;

(c) The SBI urged Annex I Parties that had not already done so, to submit their annual national greenhouse gas (GHG) inventories, which were due on 15 April 1998, as soon as possible. The SBI further requested Parties to submit their national GHG inventories in accordance with the Intergovernmental Panel on Climate Change (IPCC) reporting format and in electronic format so as to facilitate the processing and dissemination by the secretariat of this information. The SBI noted that the secretariat would provide a report to the SBI at its ninth session, in English only, based on national greenhouse gas inventories submitted by 30 September 1998;

(d) The SBI noted that the secretariat would complete the compilation and synthesis of second national communications on the basis of national communications received by 30 June 1998 for consideration by the Conference of the Parties at its fourth session. The SBI expressed concern at the late submission of national communications by some Annex I Parties, and urged those Parties which had not yet submitted communications to do so as soon as possible;

(e) The SBI initiated the discussion on the scheduling of submission of third and subsequent national communications by Annex I Parties and agreed with the thrust of the proposals in document FCCC/SBI/1998/INF.1. The SBI further invited Parties to submit by 1 September 1998 their views on subsequent national communications with the aim of compiling submissions of Parties in a miscellaneous document for consideration by the SBI at its ninth session.

**B. Communications from Parties not included in Annex I to the Convention**  
(Agenda item 3 (b))

1. Proceedings

25. The SBI considered this sub-item at its 5<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> meetings, on 4, 10, 11 and 12 June. The SBI had before it documents FCCC/SBI/1998/INF.3 and Add.1, and FCCC/SBI/1998/MISC.1 and FCCC/SBI/1998/MISC.2.

26. Statements were made by representatives of 28 Parties, including one speaking on behalf of the Group of 77 and China, and one speaking on behalf of the European Community and its member States.

27. At its 5<sup>th</sup> meeting, the SBI agreed to a proposal by the Chairman that this item should be taken up in informal contact group discussions in conjunction with item 4 of the agenda, Financial mechanism. The informal contact group was co-chaired by Mr. John Ashe (Antigua and Barbuda) and Mr. Daniel Reifsnyder (United States of America).

2. Conclusions

28. At its 12<sup>th</sup> meeting, on 12 June, the SBI, having considered a proposal by the Chairman, adopted the following conclusions:

(a) The SBI took note of the views expressed by Parties on communications from Parties not included in Annex I to the Convention and the observations by the secretariat on these communications as contained in documents FCCC/SBI/1998/INF.3 and Add.1;

(b) The SBI also took note of a proposal to hold a workshop before its ninth session in Kuala Lumpur, Malaysia, with the aim of assisting deliberations on the process for considering non-Annex I Party communications; and

(c) The SBI decided to continue its discussion on this matter at its ninth session.

**IV. FINANCIAL MECHANISM**  
(Agenda item 4)

- A. Review process referred to in decision 9/CP.1**  
**B. Guidance to the Global Environment Facility**  
(Agenda items 4 (a) and 4 (b))

**1. Proceedings**

29. The SBI considered these sub-items at its 5<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> meetings, on 4, 10, 11 and 12 June, respectively. It had before it documents FCCC/SBI/1998/MISC.1 and FCCC/SBI/1998/INF.3.

30. Statements were made by representatives of 12 Parties, including one speaking on behalf of the Group of 77 and China, and one speaking on behalf of the European Community and its member States.

31. At its 5<sup>th</sup> meeting, the SBI agreed to a proposal by the Chairman that this item should be taken up in informal contact group discussions in conjunction with item 3 (b) of the agenda, Communications from Parties not included in Annex I to the Convention. The informal contact group was co-chaired by Mr. John Ashe (Antigua and Barbuda) and Mr. Daniel Reifsnyder (United States of America).

**2. Conclusions**

32. At its 12<sup>th</sup> meeting, on 12 June, the SBI, having considered a proposal by the Chairman, adopted the following conclusions:

(a) The SBI took note of the views expressed by Parties on the review of the financial mechanism and the provision of additional guidance to the Global Environment Facility as contained in documents FCCC/SBI/1998/MISC.4 and Add.1;

(b) The SBI concluded that further deliberations on these matters are needed, and decided to continue its discussions at its ninth session; and

(c) The SBI invited Parties to submit to the secretariat further views or comments, if any, on these matters by 15 August 1998. It requested the secretariat to compile and make available such views and comments at the ninth session of the SBI.



**V. SECOND REVIEW OF THE ADEQUACY OF ARTICLE 4,  
SUBPARAGRAPHS 2 (a) AND (b)**  
(Agenda item 5)

**1. Proceedings**

33. The SBI considered this item at its 4<sup>th</sup>, 7<sup>th</sup>, 10<sup>th</sup> and 12<sup>th</sup> meetings, on 3, 5, 10 and 12 June, respectively. It had before it document FCCC/SBI/1998/2.

34. Statements were made by representatives of 25 Parties, including one speaking on behalf of the Group of 77 and China, and one speaking on behalf of the European Community and its member States.

35. At its 7<sup>th</sup> meeting, on 5 June, the SBI established an informal contact group to consider this issue, co-chaired by Ms. Jennifer Irish (Canada) and Ms. Margaret Mukahanana (Zimbabwe).

**2. Conclusions**

36. At its 12<sup>th</sup> meeting, on 12 June, on the basis of a proposal by the Chairman, the SBI adopted the following conclusions:

(a) The SBI reiterated the conclusions reached by the Conference of the Parties at its first session (decision 1/CP.1) that subparagraphs 2 (a) and (b) of Article 4 of the Convention are not adequate for the fulfilment of the objective of the Convention;

(b) The SBI recognized that the Kyoto Protocol is an important step;

(c) The representative of the Group of 77 and China speaking on behalf of the Group stated the view that pending entry into force of the Kyoto Protocol, concrete measures should be implemented by Annex I Parties towards achieving the aim of returning to the 1990 level of anthropogenic emissions of greenhouse gases and that no new commitments for non-Annex I Parties should be introduced. Some other Parties expressed the view that action by Annex I Parties alone would not be sufficient to meet the objective of the Convention as set out in its Article 2;

(d) The SBI recommended that the second review of the adequacy of Article 4.2(a) and (b) should be carried out by the Conference of the Parties at its fourth session. Some Parties stated that such a review must consider action related to the adequacy of Article 4, subparagraphs 2 (a) and (b), which includes action by all Parties necessary to meet the objective of the Convention. The representative of the Group of 77 and China speaking on behalf of the Group stated that the Conference, at its fourth session, must not be distracted from carrying out that review as mandated by the Convention by the introduction of any extraneous matters such as the consideration of new commitments for Parties not included in Annex I;

(e) The SBI considered the timing of future reviews. The representative of the Group of 77 and China speaking on behalf of the Group was of the view that the third review should be carried out at the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, taking into account the timing mentioned in Article 9.2 of the Kyoto Protocol; subsequent reviews would take place in the year preceding the termination of each successive commitment period under the Kyoto Protocol. Some Parties were of the view that the timing of future reviews should be determined by the Conference of the Parties at its future sessions; and

(f) The SBI decided to consider this issue further at its ninth session and invited Parties to submit views on this item by 15 August 1998. It requested the secretariat to compile these views and make them available for its ninth session.

## **VI. REVIEW OF INFORMATION AND POSSIBLE DECISIONS UNDER ARTICLE 4, SUBPARAGRAPH 2 (f) OF THE CONVENTION**

(Agenda item 6)

### **1. Proceedings**

37. The SBI considered this item at its 4<sup>th</sup>, 10<sup>th</sup> and 12<sup>th</sup> meetings, on 3, 10 and 12 June, respectively. It had before it for information documents FCCC/CP/1997/7 and FCCC/CP/1997/MISC.3.

38. Statements were made by representatives of 12 Parties, including one by the representative of an observer State not party to the Convention.

39. At its 4<sup>th</sup> meeting, on 3 June, the SBI requested Mr. Luis Herrera Marcano (Venezuela) to conduct informal consultations on this matter.

### **2. Conclusions**

40. At its 12<sup>th</sup> meeting, on 12 June, the SBI invited Mr. Luis Herrera Marcano (Venezuela) to continue his informal consultations during the ninth session of the SBI on the request by Turkey to be deleted from the lists in Annexes I and II to the Convention, with a view to seeking a consensus decision that could be recommended to the Conference of the Parties at its fourth session for consideration and definitive action.

**VII. IMPLEMENTATION OF ARTICLE 4, PARAGRAPHS 8 AND 9 OF  
THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3  
AND 3.14 OF THE KYOTO PROTOCOL)**  
(Agenda item 7)

1. Proceedings

41. The SBI considered this item at its 6<sup>th</sup>, 8<sup>th</sup> and 12<sup>th</sup> meetings, on 4, 8 and 12 June, respectively. It had before it a note by the secretariat circulated as document FCCC/SBI/1998/CRP.1.
42. Statements were made by representatives of 20 Parties, including one speaking on behalf of the Group of 77 and China, and one speaking on behalf of the European Community and its member States.
43. At its 6<sup>th</sup> meeting, on 4 June, the SBI established an informal contact group to consider this issue, co-chaired by Mr. Tibor Faragó (Hungary) and Mr. Mohammed Reza Salamat (Iran).

2. Conclusions

44. At its 12<sup>th</sup> meeting, on 12 June, the SBI adopted the following conclusions:
- (a) The SBI decided, in response to a request by the Conference of the Parties in its decision 3/CP.3, to undertake a process to identify and determine action necessary to meet the specific needs of developing country Parties, specified under Article 4, paragraphs 8 and 9, of the Convention, arising from adverse effects of climate change and/or the impact of the implementation of response measures;
- (b) The SBI noted that Articles 2.3 and 3.14 of the Protocol are also relevant to the consideration of the implementation of Article 4, paragraphs 8 and 9, of the Convention and, in accordance with decision 1/CP.3, paragraph 6, decided to adopt a joint approach to considering these issues as reflected by the amendment made to item 7 of the provisional agenda;
- (c) The SBI also noted that part I of annex II to this report contains text that had been discussed and agreed with brackets by the contact group which was convened to report on this item during the current session. The SBI noted further that part II of this annex contains text that the contact group did not have time to consider; and
- (d) The SBI decided to continue its consideration of this item at its ninth session, by convening a contact group, with a view to preparing a recommendation for a draft decision for adoption by the COP at its fourth session. In so doing, the SBI agreed to use the text contained in annex II as a basis for discussion.

**VIII. MECHANISMS**  
(Agenda items 8 (a) to 8 (d))

- A. Activities implemented jointly under the pilot phase**
- B. Joint implementation - decision 1/CP.3, paragraph 5 (c)**
- C. Clean development mechanism - decision 1/CP.3, paragraph 5 (e)**
- D. Emissions trading - decision 1/CP.3, paragraph 5 (b)**

**1. Proceedings**

45. This item, including its four sub-items, was considered by the SBI at its 2<sup>nd</sup>, 3<sup>rd</sup>, 9<sup>th</sup> and 13<sup>th</sup> meetings, which were held jointly with the SBSTA, on 2, 3, 8 and 12 June, respectively. The subsidiary bodies had before them the following documents: FCCC/SB/1998/2, FCCC/SBSTA/1998/INF.3; FCCC/SB/1998/MISC.1 and Add.1 and Add.1/Rev.1, Add.3 and Add.3/Rev.1 and Add.5 and 6; and FCCC/SB/1998/MISC.2 and Add.1.

46. Statements were made by representatives of 39 Parties, including one speaking on behalf of the African Group, one speaking on behalf of the Alliance of Small Island States, one speaking on behalf of the European Community and its member States and another speaking on behalf of the Group of 77 and China.

47. At the 2<sup>nd</sup> meeting, which was held jointly with the SBSTA on 2 June, statements were made by Her Excellency Maria Julia Alsogaray, Secretary of Natural Resources and Sustainable Development, Argentina, Mr. Klaus Töpfer, Executive Director, UNEP and the Executive Secretary (for summaries of these statements, see FCCC/SBSTA/1998/6, paras. 5-7).

48. At their 3<sup>rd</sup> meetings, on 3 June, the SBI and SBSTA established a joint informal contact group to consider this issue, co-chaired by Mr. Luiz Gylvan Meira Filho (Brazil) and Mr. Yvo de Boer (Netherlands).

**2. Conclusions**

49. At its 13<sup>th</sup> meeting, which was held jointly with the SBSTA, having considered a joint proposal by the Chairmen on the basis of inputs from the joint contact group, the SBI adopted the following conclusions:

(a) The SBI and the SBSTA recalled decision 1/CP.3, in particular paragraph 5 (b), (c) and (e) on guidance to the secretariat on preparatory work, needed for consideration by the Conference of the Parties at its fourth session;

(b) The SBI and the SBSTA further recalled paragraph 6 of the same decision concerning the allocation of preparatory work for COP/MOP 1;

(c) The SBI and the SBSTA took note of documents FCCC/SB/1998/2; FCCC/SB/1998/MISC.1 and Add.1 and Add.1/Rev.1, Add.3 and Add.3/Rev.1 and Add.5 and 6; and FCCC/SB/1998/MISC.2 and Add.1;

(d) The SBI and the SBSTA further took note of the Suggested Elements for a Work Programme on Mechanisms of the Kyoto Protocol (see annex II to the report of the SBSTA on its eighth session, in FCCC/SBSTA/1998/6); and

(e) The SBI and the SBSTA invited Parties to submit views on the mechanisms referred to in decision 1/CP.3, paragraph 5 (b), (c) and (e).<sup>5</sup>

## **IX. ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS** (Agenda item 9)

### **A. Arrangements for the fourth session of the Conference of the Parties** (Agenda item 9 (a))

#### **1. Proceedings**

50. The SBI considered this sub-item at its 7<sup>th</sup>, 8<sup>th</sup> and 11<sup>th</sup> meetings on 5, 8 and 11 June, respectively. It had before it document FCCC/SBI/1998/3.

51. Statements were made by representatives of 18 Parties, including one speaking on behalf of the European Community and its member States and one speaking on behalf of the Group of 77 and China.

52. At the 7<sup>th</sup> meeting, on 5 June, the Executive Secretary reported that the secretariat was working closely with the Government of Argentina in preparing for the Conference of the Parties at its fourth session. While the host country agreement had not yet been signed, it was hoped to be concluded shortly. A representative of the host Government noted that the Government was working hard to ensure the success of the event, and that it was looking forward to welcoming all participants to Buenos Aires.

53. At the 7<sup>th</sup> and 8<sup>th</sup> meetings, views were put forward regarding the list of possible elements for a provisional agenda for COP 4, as annexed to document FCCC/SBI/1998/3. Some Parties proposed alternative texts for provisional agenda item 4 "Implementation of the Convention", sub-item 4 (c) "Development and transfer of technologies", and for sub-item 4 (h)

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<sup>5</sup> Submissions received by 10 September 1998 will be compiled into a miscellaneous document before COP 4. Submissions received after this date will be issued in an addendum but will not be available until after the start of COP 4.

“Matters relating to implementation: scientific and methodological aspects of proposal by Brazil”. Views were expressed for and against the inclusion of provisional item 6 “Voluntary commitments by non-Annex I Parties”, the inclusion of which had been requested by a Party.

54. Also at the 8<sup>th</sup> meeting, suggestions were made as to possible areas of focus for the high-level segment of the Conference (see FCCC/SBI/1998/MISC.3).

## 2. Conclusions

55. At its 11<sup>th</sup> meeting, on 11 June, the SBI, on the recommendation of the Chairman, adopted the following conclusions:

(a) The SBI encouraged the secretariat and the host Government to continue their efforts to finalize logistical arrangements for the fourth session of the Conference of the Parties, and to conclude the host country agreement as soon as possible;

(b) The SBI requested the Executive Secretary to take note of the points raised during the meeting when preparing the provisional agenda for COP 4, in accordance with rule 9 of the draft rules of procedure of the Conference of the Parties and its subsidiary bodies being applied; and

(c) The SBI recommended that an inaugural ceremony should be scheduled for the afternoon of 11 November 1998, and that statements by ministers and other heads of delegation of Parties should be made during the high-level segment on 12 and 13 November. Statements by representatives of observer States and observer organizations would be made to the plenary earlier in the session. It also recommended that all heads of delegation should be accorded equal treatment, that all drafts and proposals be circulated with sufficient time for consideration and discussion, and that the high-level segment should be conducted in a transparent manner.

### **B. Calendar of meetings**

(Agenda item 9 (b))

#### Proceedings

56. The SBI considered this sub-item at its 7<sup>th</sup>, 8<sup>th</sup> and 12<sup>th</sup> meetings on 5, 8 and 12 June, respectively. It had before it document FCCC/SBI/1998/3.

57. Statements were made by representatives of four Parties, including one speaking on behalf of the European Community and its member States.

58. At the 7<sup>th</sup> meeting, on 5 June, the Executive Secretary presented the SBI with an oral update on this item. He recalled that a calendar of meetings for the period 1998-1999 had been adopted by the COP at its third session (see FCCC/CP/1998/7/Add.1, section III, para. 4). He

also recalled that the General Assembly at its fifty-second session had adopted a resolution requesting that Parties should avoid scheduling meetings in parallel with the General Assembly as of the biennium 2000-2001 (see resolution 52/445 of 18 December 1997).

59. One Party requested that the SBI should adopt a calendar of meetings based on three meetings each year, consisting of two one-week sessional periods and one two-week sessional period, the latter of which would include a meeting of the COP. The Executive Secretary informed the SBI that such alteration to the calendar of meetings would have serious impacts on the programme budget and programme of work in the current biennium, and would also entail a greater need for resources in the Trust Fund for Participation. He noted that changes to the calendar would have to be considered in the light of the availability of United Nations conference services and of meeting facilities in Bonn.

## 2. Conclusions

60. At its 12<sup>th</sup> meeting, on 12 June, the SBI, on the recommendation of the Chairman, after conducting consultations on this sub-item, adopted the following conclusions:

(a) The SBI took note of General Assembly resolution 52/445, and recommended that the calendar of meetings of the UNFCCC should continue to be based on a 12-month calendar, and

(b) The SBI decided to return to the issue of the calendar of meetings for the year 2000 and beyond at its ninth session and prepare a relevant draft decision for consideration and adoption by the COP at its fourth session. It noted that the calendar approved by the Conference of the Parties at its third session (see paragraph 58 above) would apply in 1999.

## C. Date and venue of the fifth session of the Conference of the Parties (Agenda item 9 (c))

### 1. Proceedings

61. The SBI considered this sub-item at its 7<sup>th</sup>, 8<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> meetings, on 5, 8, 11 and 12 June respectively. It had before it document FCCC/SBI/1998/3.

62. Statements were made by representatives of three Parties.

63. At the 7<sup>th</sup> meeting, on 5 June, the Executive Secretary informed the SBI that an offer to host the fifth session of the COP (COP 5) had been received from the Hashemite Kingdom of Jordan. At the 11<sup>th</sup> meeting, on 11 June, the representative of the Hashemite Kingdom of Jordan confirmed the transmission of the offer, and expressed the hope that the Conference of the Parties would be in a position to accept it.

## 2. Conclusions

64. At its 12<sup>th</sup> meeting, on 12 June, the SBI, on the recommendation of the Chairman, adopted the following conclusions:

(a) The SBI took note of the generous offer of Jordan and decided to complete its consideration of offers to host COP 5 at its ninth session;

(b) The SBI invited any other Party considering making an offer to host COP 5 to communicate such proposal to the secretariat not later than 30 September 1998.

### D. Volume of documentation (Agenda item 9 (d))

#### 1. Proceedings

65. The SBI considered this sub-item at its 8<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> meetings, on 8, 11 and 12 June respectively.

66. At the 8<sup>th</sup> meeting, on 8 June, the secretariat presented the SBI with an oral report on this sub-item.

67. Also at the 8<sup>th</sup> meeting, on 8 June, a Party recommended that the secretariat should seek to develop and implement a new document distribution system, in collaboration with the United Nations Office at Geneva, through which Parties may specify as to whether they would prefer to receive documents only through electronic mail or the World Wide Web, or if they would prefer to continue to receive printed versions.

#### 2. Conclusions

68. At its 12<sup>th</sup> meeting, on 12 June, the SBI, on the recommendation of the Chairman, adopted the following conclusions:

(a) The SBI took note of the effort by the secretariat to improve the dissemination of official documentation through electronic media, including the World Wide Web; and

(b) The SBI requested the secretariat to continue to improve the electronic dissemination of official documents to Parties, subject to the availability of funds, and to make arrangements for provision of official documents in all United Nations languages in electronic format.



**X. ADMINISTRATIVE AND FINANCIAL MATTERS**  
(Agenda item 10)

- A. Programme budget for the biennium 1998-1999**
- B. Financial performance in the biennium 1996-1997**
- C. Financial procedures**
- D. Administrative arrangements**  
(Agenda items 10 (a) to 10 (d))

1. Proceedings

69. The SBI, at its 6<sup>th</sup> meeting, on 4 June, considered the information contained in documents FCCC/SBI/1998/4 and FCCC/SBI/1998/INF.4, and the oral updates provided by the secretariat.

70. Statements were made by representatives of six Parties, including one speaking on behalf of the European Community and its member States.

2. Conclusions

71. At its 12<sup>th</sup> meeting, on 12 June, the SBI, on the recommendation of the Chairman, requested the secretariat to incorporate the following conclusions into a draft omnibus decision on administrative and financial matters to be considered by the Conference of the Parties at its fourth session:

**A. Programme budget for the biennium 1998-1999**

72. The SBI endorsed the Executive Secretary's proposed deployment of the post-Kyoto contingency resources as outlined in document FCCC/SBI/1998/4, paragraphs 7-10, in particular the increase in the number of additional posts from three to four. The SBI also authorized the Executive Secretary to allocate core budget resources to the Resources Planning and Coordination Programme, pending the conclusion of negotiations on increased allocations from the overhead payments made to the United Nations, and to transfer, as necessary and within the 15 per cent limit, funds from the budget approved for established posts to temporary assistance.

73. The SBI urged Parties to pay all outstanding contributions to the core budget as soon as possible, as well as to make timely voluntary contributions to the trust funds for participation and for supplementary activities.

**B. Financial performance in the biennium 1996-1997**

74. The SBI took note of the contributions received for the 1996-1997 biennium under the various sources of funding, and requested the Executive Secretary to report to COP 4, through the SBI at its ninth session, on the actual expenditures for 1996-1997, including audited financial statements and the reports from the internal and external auditors.

**C. Financial procedures**

75. Following the General Assembly resolution to revise the United Nations scale of assessment (resolution 52/215 of 22 December 1997), the SBI revisited the modality to be used in determining the indicative scale of contributions to the core budget of the Convention, on the basis of the alternatives suggested by the Executive Secretary. The SBI decided to recommend to COP 4 that the scale of contributions should be based on the new United Nations scale of assessment and should follow the principle that all Parties should contribute to the Convention budget. To this end, the SBI also decided to recommend to COP 4 that it should adjust the financial procedures (as contained in decision 15/CP.1, annex I, paragraph 7 (a) of document FCCC/CP/1995/7/Add.1) to read as follows: "Contributions made each year by Parties on the basis of the indicative scale adopted by consensus by the Conference of the Parties, and based on such a scale of assessments of the United Nations as may be adopted from time to time by the General Assembly, adjusted so as to ensure that no Party contributes less than 0.001 per cent of the total; that no one contribution exceeds 25 per cent of the total; and that no contribution from a least developed country Party exceeds 0.01 per cent."

76. The SBI authorized the Executive Secretary to use this new indicative scale of contributions as a basis for the notification to Parties of their 1999 contributions. This notification should also reflect any credits or debits arising from the application of the new scale to contributions for 1998.

**D. Administrative arrangements**

77. After taking note of the Executive Secretary's oral report on this sub-item, the SBI requested the Executive Secretary to continue discussions with the United Nations regarding administrative arrangements for the Convention, with a view to bringing them to a successful conclusion, and to inform the Conference of the Parties through the SBI, as appropriate, of any significant developments.

**XI. INVOLVEMENT OF NON-GOVERNMENTAL ORGANIZATIONS**  
(Agenda item 11)

1. Proceedings

78. The SBI considered this item at its 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> meetings, on 4, 8 and 12 June, respectively. It had before it document FCCC/SBI/1998/5. Documents previously issued on this agenda item were also available (FCCC/SBI/1997/14 and Add.1, and FCCC/SBI/1997/MISC.7). These documents were introduced by the Executive Secretary.

79. Statements were made by representatives of 11 Parties, including one representative speaking on behalf of the European Community and its member States, and representatives of two non-governmental organizations, representing the environmental and the business and industry constituencies, respectively.

80. Parties stressed the importance of the role of non-governmental organizations (NGOs) at the meetings of the Convention bodies, and in the implementation of the Convention. Representatives of non-governmental organizations emphasized their willingness to contribute to the Convention process. The SBI welcomed the practice of the Chairmen of the subsidiary bodies of meeting the different NGO constituencies.

2. Conclusions

81. The SBI, having considered a proposal by the Chairman, adopted the following conclusions:

(a) The SBI took note that the current arrangements for the accreditation of non-governmental organizations were satisfactory, and that no change in the accreditation procedures was required;

(b) The SBI noted that the existing three recognized constituencies: (i) environmental, (ii) business and industry, and (iii) local authorities, did not always provide a practical way of grouping the non-governmental organizations. The SBI concluded that a new framework could be based on elements provided by the Executive Secretary in document FCCC/SBI/1997/14/Add.1, paragraphs 5 and 6, as well as on the list of major groups in Agenda 21. In this regard, the SBI requested the secretariat to continue consultations with representatives of different non-governmental organizations to arrive at an improved set of constituencies, possibly to be confirmed by the SBI at its tenth session;

(c) The SBI recognized that non-governmental organizations, if they were to be effectively involved in the implementation of the Convention, must be well informed about the Convention process. The SBI welcomed the proposals of the secretariat for improving the

availability of documentation and information to non-governmental organizations, and encouraged the secretariat to proceed with those activities, within the available resources;

(d) The SBI noted that representatives of non-governmental organizations (NGO) may be allowed to participate in informal contact groups, unless the Parties object.

82. The Chairman indicated his understanding, with respect to paragraph 81 (d) above, that this provided for the possible participation of NGOs as *observers* in *open-ended* contact groups (emphasis added). Different views were expressed on the manner in which participation would be determined.

83. The SBI requested the secretariat to prepare, for consideration at its ninth session, a draft decision on the modalities for participation of representatives of NGOs in contact groups for a decision by the COP at its fourth session.

## **XII. REPORT ON THE SESSION**

(Agenda item 12)

84. At its 12<sup>th</sup> meeting, on 12 June, the SBI approved the draft report on the work of its eighth session, as contained in document FCCC/SBI/1998/L.1, and as orally amended.

85. At the same meeting, the SBI authorized the Chairman, with the assistance of the secretariat, to complete the report on the session.

## **XIII. CLOSURE OF THE SESSION**

86. At its 13<sup>th</sup> meeting, which was held jointly with the SBSTA on 12 June, closing statements were made by four Parties, including one speaking on behalf of the Group of 77 and China.

87. After thanking all participants for their constructive cooperation, the Chairman declared the session closed.

Annex I

List of documents before the Subsidiary Body for Implementation  
at its eighth session

Documents prepared for the session

FCCC/SBI/1998/1	Provisional agenda and annotations
FCCC/SBI/1998/2	Second review of the adequacy of Article 4, subparagraphs 2 (a) and (b)
FCCC/SBI/1998/3	Arrangements for intergovernmental meetings
FCCC/SBI/1998/4	Administrative and financial matters
FCCC/SBI/1998/5	Involvement of non-governmental organizations. Mechanisms for consultation
FCCC/SBI/1998/INF.1	National communications. Communications from Parties included in Annex I to the Convention. In-depth reviews of first and second national communications and scheduling for future communications
FCCC/SBI/1998/INF.2	National communications. Communications from Parties included in Annex I to the Convention. Nomination of experts for participation in in-depth reviews
FCCC/SBI/1998/INF.3 and Add.1	Communications from Parties not included in Annex I to the Convention. Secretariat activities to facilitate the provision of financial and technical support
FCCC/SBI/1998/INF.4	Administrative and financial matters. Status report on receipt of contributions from Parties
FCCC/SBI/1998/MISC.1	Information on relevant action by the Global Environment Facility

FCCC/SBI/1998/MISC.2	National communications from Parties not included in Annex I to the Convention. Process for consideration of national communications from non-Annex I Parties: comments by Parties on the draft compilation of the co-Chairmen. Submissions by Parties
FCCC/SBI/1998/MISC.3	Group of 77 and China position paper on preparations for COP 4 (proposed provisional agenda)
FCCC/SBI/1998/MISC.4 and Add.1 and Rev.1	Proposals on financial mechanism
FCCC/SBI/1998/MISC.5	Second review of the adequacy of Article 4, subparagraphs 2 (a) and (b). Position paper and draft decision submitted by the Group of 77 and China
FCCC/SB/1998/1	Allocation of preparatory work to the subsidiary bodies for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. Note by the Chairmen
FCCC/SB/1998/2	Mechanisms for cooperative implementation
FCCC/SB/1998/3	Organization and proposed schedules of work of the sessions: additional information
FCCC/SB/1998/MISC.1 and Add.1 and Rev.1 and Add.2 and Add.3 and Rev.1 and Add.4-6	Preparatory work needed for the fourth session of the Conference of the Parties on the items listed in decision 1/CP.3, paragraph 5. Submissions by Parties
FCCC/SB/1998/MISC.2 and Add.1	Mechanisms for cooperative implementation. Responses to questionnaire relating to cooperative implementation mechanisms. Submissions by intergovernmental bodies and non-governmental bodies
FCCC/SB/1998/MISC.3	Provisional list of participants
FCCC/SB/1998/MISC.4	Position papers on matters before the eighth sessions of the subsidiary bodies submitted by the Group of 77 and China. Submission by the Group of 77 and China
FCCC/SBI/1998/L.1	Draft report of the Subsidiary Body for Implementation on its eighth session

FCCC/SBI/1998/CRP.1	Implementation of Article 4, paragraphs 8 and 9, of the Convention (Decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)
FCCC/SBI/1998/CRP.2	National Communications. Communications from Parties included in Annex I to the Convention
FCCC/SBI/1998/CRP.3	Involvement of non-governmental organizations
FCCC/SBI/1998/CRP.4	Second review of the adequacy of Article 4, subparagraphs 2 (a) and (b)
FCCC/SB/1998/CRP.1	Allocation of work - issues arising from decision 1/CP.3, paragraph 6
FCCC/SB/1998/CRP.2	Mechanisms

**Other documents for the session**

FCCC/CP/1997/7	Report of the Conference of the Parties on its third session, held at Kyoto from 1 to 11 December 1997. Part One: Proceedings
FCCC/CP/1997/7/Add.1	Report of the Conference of the Parties on its third session, held at Kyoto from 1 to 11 December 1997. Part Two: Action taken by the Conference of the Parties at its third session
FCCC/CP/1997/MISC.3	Review of information and possible decisions under Article 4.2(f): submission by Turkey
FCCC/CP/1996/15/Add.1	Report of the Conference of the Parties on its second session, held at Geneva from 8 to 19 July 1996. Part Two: Action taken by the Conference of the Parties at its second session
FCCC/SBI/1997/6	Report of the Subsidiary Body for Implementation on the work of its fifth session, Bonn, 25 February - 7 March 1997 Mechanisms for consultations with non-governmental organizations
FCCC/SBI/1997/14	
FCCC/SBI/1997/14/Add.1	Mechanisms for consultations with non-governmental organizations. Addendum. The participation of

non-governmental organizations in the Convention process.  
Note by the Executive Secretary

FCCC/SBI/1997/19

National communications: Communications from Parties included in Annex I to the Convention. First compilation and synthesis of second national communications from Annex I Parties

FCCC/SBI/1997/19/Add.1

National communications: Communications from Parties included in Annex I to the Convention. First compilation and synthesis of second national communications from Annex I Parties. Addendum

FCCC/SBI/1997/MISC.7

Mechanisms for consultations with non-governmental organizations. Compilation of submissions

**Documents available for reference only**

FCCC/CP/1995/7/Add.1

Report of the Conference of the Parties on its first session, held at Berlin from 28 March to 7 April 1995. Part Two: Action taken by the Conference of the Parties at its first session

FCCC/SBI/1997/8

Financial and technical cooperation. Financial mechanism: Review process referred to in decision 9/CP.1. Synthesis report

FCCC/SBI/1997/21

Report of the Subsidiary Body for Implementation on the work of its seventh session, Bonn, 20 - 29 October 1997

FCCC/SBI/1997/MISC.3  
and Add.1

Financial mechanism: Review process referred to in decision 9/CP.1

FCCC/SBI/1997/MISC.9

Financial mechanism: Review process referred to in decision 9/CP.1. Compilation of submissions by Parties



Annex II

**Non-paper from the co-Chairmen of the contact group on item 7 convened during the eighth session of the SBI**

**Part I**

**Implementation of Article 4, paragraphs 8 and 9, of the Convention  
(Decision 3/CP.3 and Articles 2.3 and 3.14 of the Kyoto Protocol)**

The Conference of the Parties,

*Recalling* its decision 3/CP.3 on Article 4, paragraphs 8 and 9 of the United Nations Framework Convention on Climate Change,

*Recalling also* the provisions of Article 4, paragraphs 8 and 9, of the United Nations Framework Convention on Climate Change,

*[Recalling further* the provisions of Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol,]

*Welcoming* with appreciation the relevant work, completed and under way, of the Intergovernmental Panel on Climate Change, in particular its First and Second Assessment Reports, recent Special Report on the Regional Impacts of Climate Change and forthcoming Third Assessment Report and work on the impact of the implementation of response measures, [including, for example, the informal roundtable convened during the fourth session of the AGBM and the IPCC Oslo workshop on the economic impacts of Annex I actions on all countries,]

1. Decides to adopt the following basic elements for further analysis:
  - (a) the identification of adverse effects of climate change and impacts of the implementation of response measures;
  - (b) the identification of the way in which the adverse effects of climate change and impacts of the implementation of response measures relate to developing countries;
  - (c) the identification of the specific needs and concerns of developing country Parties arising from such adverse effects and impacts;
  - (d) [the identification][[the consideration] of actions necessary [under the Convention], including actions related to funding, insurance, and the transfer of technology, to

meet the specific needs and concerns of developed country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures;

2. *Notes* that considerable uncertainties persist associated with the assessment of the adverse effects of climate change particularly at the regional, sub-regional and national levels;

3. *Notes* further that [very] considerable uncertainties exist regarding the impact of the implementation of response measures;

4. [*Notes* also the difficulty in distinguishing between natural and human-induced climate change, particularly at the regional, sub-regional and national levels;]

[5. *Requests* the SBSTA to provide technical, technological, methodological and scientific information relevant to the implementation of Article 4.8 and 4.9 of the Convention [and][, in order to assist the COP/MOP in its consideration of the matter at its first session,] [Articles 2.3 and 3.14 of the Protocol]; including, *inter alia*, from the IPCC TAR and communications from Parties under Article 12 of the Convention, related to [the identification and] the assessment of the vulnerability to the adverse effects of climate change and the impact of the implementation of response measures;]

[5. *Requests* the SBSTA to provide technical, technological, methodological and scientific information relevant to the implementation of Article 4.8 and 4.9 of the Convention [and][, in order to assist the COP/MOP in its consideration of the matter at its first session,] [Articles 2.3 and 3.14 of the Protocol]; including, *inter alia*, from the IPCC TAR and communications from Parties under Article 12 of the Convention, related to [the identification and] the adverse effects of climate change and related vulnerability assessment, and the impact of the implementation of response measures;]

6. *Requests* the secretariat to assist the SBSTA with further work under paragraph 5 above, including if necessary by drawing on the roster of experts and to facilitate the organization of expert meetings.

## Part II

[7. *Recalls* that, by paragraph 5 of the guidelines for the preparation of initial communications by Parties not included in Annex I to the Convention contained in the Annex to its decision 10/CP.2, Parties may present information on their specific needs and concerns arising from the adverse effects of climate change and/or the impact of the implementation of response measures, and urges non Annex I Parties to provide such information in their initial communications;]

[8. *Recalls* further that, by paragraph 15 of these guidelines, non Annex I Parties should communicate a general description of steps taken or envisaged by the Party to implement

the Convention, which should seek to include, as appropriate, *inter alia*: policy options for adequate monitoring systems and response strategies for climate change impacts on terrestrial and marine ecosystems; and policy frameworks for implementing adaptation measures and response; and *urges* non Annex I Parties to include this information in their initial communications and to submit these communications as early as possible, as this information is of prime importance in assessing adverse effects to climate change for developing country Parties;]

[9. Invites Parties to submit information to the secretariat on the adverse effects of climate change and/or the impact of the implementation of response measures six week before the tenth session of the SBI, on issues to be identified at the ninth session of the SBI, and to submit information periodically thereafter, the topics and schedule of which will be specified by the SBI at it future sessions.]

Needs and concerns of developing country Parties arising from adverse effects of climate change and/or the impact of the implementation of response measures

[10. Notes the needs expressed by some non-Annex I Parties in their initial communications and by participants of workshops on the adverse effects of climate change, adaptation and/or vulnerability assessment for studies to focus more on adaptation, for the development of more detailed and reliable regional scenarios of climate to be used in assessments, for the development of additional data, for assessments to account better for baseline socio-economic changes and integrated impacts of climate change, and for building capacity to carry out vulnerability and adaptation assessments; and *draws* these needs to the attention of the IPCC;]

[11. Notes further that additional studies and research are required to improve understanding and the identification of the adverse effects of climate change and the impact of the implementation of response measures;]

Actions

(i) Funding

[12. Notes that Article 4.4 of the Convention commits developed country Parties and other Parties included in Annex II to assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects, but that no similar provision exist in the Convention that would obligate Annex I or Annex II Parties to compensate countries that could be affected by the implementation of the response measures;]

[13. *Notes* the provision under Article 12 of the Protocol by which a share of the proceeds from certified project activities will be used to assist developing country Parties that are

particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as well as the importance of further work to elaborate modalities for the implementation of this provision;]

(ii) Transfer of technology

[14. *Notes* with appreciation the relevant activities of the secretariat related to the transfer of technology;]

[15. Encourages Parties to examine the potential, through the transfer of technology, for assisting developing country Parties whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products in diversifying exports;]

[16. *Requests* Parties to undertake action related to the transfer of technology on adaptation measures already identified, including the development of infrastructure development;]

(iii) Insurance

[17. *Notes* with appreciation the information contained in the IPCC SAR;]

[18. *Notes* further that there is nevertheless a lack of information and studies, and that there is a need for further analytical work;]

[19. *Requests* the SBI to consider any additional information that may be contained in the IPCC TAR;]

(d) Other

[20. *Requests* the SBI to review policies and measures by Annex I Parties that adversely affect developing countries, including to the removal of subsidies and the restructuring of taxes.]

Process

[21. *Requests* the SBI to continue its consideration of this issue at its ninth and subsequent sessions;]

[22. *Decides* to establish a joint SBI/SBSTA ad hoc working group to consider further actions, to analyze reports on adverse effects of climate change and the impact of the

implementation of response measures on developing countries, and recommend action for consideration by the SBI;]

[23. *Decides* to organize an expert meeting on the issue of implementation of Article 4.8 and 4.9 of the Convention and of Article 2.3 and 3.14 of the Protocol;]

[24. *Decides* to include this item in the agenda of all future meetings of the Conference of the Parties.]

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**REPORT OF THE SBSTA**



SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE  
Eighth session  
Bonn, 2-12 June 1998

**REPORT OF THE SUBSIDIARY BODY FOR SCIENTIFIC AND  
TECHNOLOGICAL ADVICE ON ITS EIGHTH SESSION  
BONN, 2-12 JUNE 1998**

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. OPENING OF THE SESSION (Agenda item 1) .....	1 - 7	4
II. ORGANIZATIONAL MATTERS (Agenda item 2) .....	8 - 22	6
A. Adoption of the agenda .....	8 - 10	6
B. Election of officers other than the Chairman .....	11 - 13	7
C. Organization of the work of the session .....	14 - 16	7
D. Allocation of work - issues arising from decision 1/CP.3, paragraph 6 .....	17 - 20	8
E. Organization of the work of future sessions .....	17 - 20	8



	<u>Paragraphs</u>	<u>Page</u>
F. Attendance .....	21	9
G. Documentation .....	22	9
III. COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS .....	23 - 27	9
(Agenda item 3)		
IV. NATIONAL COMMUNICATIONS .....	28 - 33	11
(Agenda item 4)		
A. Communications from Parties included in Annex I to the Convention .....	28 - 30	11
B. Communications from Parties not included in Annex I to the Convention: methodological aspects of consideration process .....	31 - 33	12
V. ARTICLE 6 OF THE CONVENTION: EDUCATION, TRAINING AND PUBLIC AWARENESS .....	34 - 37	13
(Agenda item 5)		
VI. METHODOLOGICAL ISSUES .....	38 - 53	15
(Agenda item 6)		
A. Emissions inventories .....	38 - 40	15
B. Land-use change and forestry - decision 1/CP.3, paragraph 5 (a) .....	41 - 45	16
C. Impact of single projects on emissions in the commitment period - decision 1/CP.3, paragraph 5 (d) ..	46 - 48	18
D. Scientific and methodological aspects of the proposal by Brazil .....	49 - 51	19
E. Other matters, including matters referred to the SBSTA by the SBI .....	52 - 53	19

	<u>Paragraphs</u>	<u>Page</u>
VII. DEVELOPMENT AND TRANSFER OF TECHNOLOGIES (Agenda item 7)	54 - 58	20
VIII. MECHANISMS .....	59 - 63	23
(Agenda item 8)		
A. Activities implemented jointly under the pilot phase .....	59 - 63	23
B. Joint implementation - decision 1/CP.3, paragraph 5 (c) .....	59 - 63	23
C. Clean development mechanism - decision 1/CP.3 paragraph 5 (e) .....	59 - 63	23
D. Emissions trading - decision 1/CP.3 paragraph 5 (b) .....	59 - 63	23
IX. ROSTER OF EXPERTS .....	64 - 66	24
(Agenda item 9)		
X. REPORT ON THE SESSION .....	67 - 68	25
(Agenda item 10)		
XI. CLOSURE OF THE SESSION .....	69 - 70	25

#### Annexes

I. List of documents before the Subsidiary Body for Scientific and Technological Advice at its eighth session .....	26
II. Suggested Elements for a Work Programme on Mechanisms of the Kyoto Protocol .....	31

## I. OPENING OF THE SESSION

(Agenda item 1)

1. The eighth session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) was held at the Hotel Maritim, Bonn, from 2 to 12 June 1998.
2. The Chairman of the SBSTA, Mr. Kok Kee Chow (Malaysia), opened the session on 2 June 1998. He welcomed all delegates and observers and wished the participants a successful session. The Chairman noted that this was the first session of the SBSTA since the Conference of the Parties (COP), at its third session, had adopted the Kyoto Protocol to the United Nations Framework Convention on Climate Change. The Chairman remarked that all delegates should feel pride in that achievement and expressed the hope that the momentum of work thus generated would be maintained. Observing that this was the only occasion on which the SBSTA would meet before the fourth session of the Conference of the Parties (COP 4), the Chairman urged all Parties to seek common ground and prepare recommendations for decisions to be adopted at COP 4. The extended meeting time available to the SBSTA at this session should facilitate such progress. He concluded by encouraging Parties to make the best use of the time available to them.
3. At the 1<sup>st</sup> meeting, on 2 June, the Executive Secretary also welcomed all participants to the session. He noted that, whilst certain items on the SBSTA provisional agenda could be dealt with quickly, others, such as items 6 (b) and 8, would probably require more time. In this context, the Executive Secretary emphasized the need for flexibility so as to allow the necessary sequencing and coordination between the two subsidiary bodies in the consideration of agenda items.
4. At the 2<sup>nd</sup> meeting, which was held jointly with the Subsidiary Body for Implementation (SBI) on 2 June, statements were made by Her Excellency María Julia Alsogaray, Secretary of Natural Resources and Sustainable Development, Argentina, Mr. Klaus Töpfer, Executive Director, United Nations Environment Programme (UNEP) and the Executive Secretary.
5. Her Excellency María Julia Alsogaray emphasized the need for COP 4 to maintain the "spirit of Kyoto" and to make progress in rendering the Kyoto Protocol operational. Minister Alsogaray emphasized that the government of Argentina would, as host government of COP 4, be doing its utmost to promote such progress. As an example of an area where particular progress might be made, she identified broad interest in the early functioning of the clean development mechanism, as well as in emissions trading. She noted that accounting and verification underlie both these issues and that developing procedures and mechanisms for compliance will also become critical. In closing, Minister Alsogaray called upon all Parties to help identify achievable priorities to enable COP 4 to advance the work begun at Kyoto.
6. Mr. Klaus Töpfer reminded delegates that 5 June was World Environment Day. The occasion was a reminder of the need to decouple economic growth from environmental pollution.

Flexible economic instruments could help to attain this goal at lowest cost by ensuring that "prices tell the environmental truth". Mr. Töpfer underscored the need for close cooperation between institutions in the United Nations family, and outlined the means by which UNEP, in cooperation with the conferences of the parties to the "Rio conventions", might aid in the achievement of common environmental goals. He identified the need for a better scientific assessment of the linkages between the conventions and of possible synergies in their programmes, for example, with respect to the crosscutting environmental demands posed by hydrofluorocarbon gases (HFCs). UNEP also looked forward to cooperating with the United Nations Conference on Trade and Development (UNCTAD) with the aim of promoting an inter-governmental process on the use of economic instruments for the effective implementation of environmental policy. In closing, Mr. Töpfer emphasized the need for all institutions to work together to meet common goals.

7. The Executive Secretary began by thanking Minister Alsogaray and Mr. Töpfer for their statements. With particular reference to Mr. Töpfer's remarks, the Executive Secretary underlined the importance of building on the potential for policy coherence and positive linkages among different conventions. In this context, he recalled his suggestion to the COP Bureau that the SBSTA might consider inviting UNEP to address issues relating to HFCs and to land-use change and forestry which cut across the Kyoto Protocol and other legal instruments. The Executive Secretary then offered some comments regarding work on the mechanisms envisaged in Articles 6, 12 and 17 of the Kyoto Protocol. Firstly, he observed that, since Kyoto, a multiplicity of activities on the mechanisms had been initiated by various organizations. He informed the subsidiary bodies that the secretariat had recently convened a meeting of a number of such organizations to exchange information on their activities. The information collected could be found in documents FCCC/SB/1998/MISC.2 and Add.1. Secondly, the Executive Secretary turned to the secretariat work programme with respect to the mechanisms, noting that, to date, this had centred around methodological issues relating to the pilot phase of activities implemented jointly. He suggested that this work could be adapted to the needs of the new mechanisms, in particular joint implementation (Article 6) and the clean development mechanism (Article 12) and, in this context, he drew the attention of Parties to the note by the secretariat contained in document FCCC/SB/1998/2. In particular, the Executive Secretary proposed that the secretariat could make inputs to the design of modalities for certification under these two articles, both of project activities and of emission reductions, as appropriate, as well as to the architecture of governance. He noted that such functions should be kept separate from the promotion and finance of projects; therefore, the secretariat should not be involved in such work as the design of financial mechanisms, arrangements for the preparation of projects or investment clearing houses. The Executive Secretary further underscored the potential contribution of the secretariat to work on related elements of the Kyoto Protocol, such as guidelines for national systems, the accounting of assigned amounts and compliance, observing that the credibility of the Kyoto Protocol would depend on the effectiveness of these procedures. The Executive Secretary concluded by noting that he looked forward to guidance from Parties on the work programme of the secretariat, in the light of his comments.

## II. ORGANIZATIONAL MATTERS

(Agenda item 2)

### A. Adoption of the agenda

(Agenda item 2 (a))

8. At its 1<sup>st</sup> meeting, on 2 June, the SBSTA considered the provisional agenda contained in document FCCC/SBSTA/1998/1.
9. Statements were made by representatives of eight Parties, including one speaking on behalf of the European Community and its member States and another speaking on behalf of the Group of 77 and China.
10. The SBSTA agreed to amend provisional agenda items 6 (e) and 8 to read "Other matters, including matters referred to the SBSTA by the SBI" and "Mechanisms", respectively, and adopted the following agenda:
  1. Opening of the session.
  2. Organizational matters:
    - (a) Adoption of the agenda;
    - (b) Election of officers other than the Chairman;
    - (c) Organization of the work of the session;
    - (d) Allocation of work - issues arising from decision 1/CP.3,<sup>1</sup> paragraph 6;
    - (e) Organization of the work of future sessions.
  3. Cooperation with relevant international organizations.
  4. National communications:
    - (a) Communications from Parties included in Annex I to the Convention;
    - (b) Communications from Parties not included in Annex I to the Convention: methodological aspects of consideration process.
  5. Article 6 of the Convention: Education, training and public awareness.
  6. Methodological issues:
    - (a) Emissions inventories;

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<sup>1</sup> For the full text of decisions adopted by the Conference of the Parties at its third session, see document FCCC/CP/1997/7/Add.1.

- (b) Land-use change and forestry - decision 1/CP.3, paragraph 5 (a);
  - (c) Impact of single projects on emissions in the commitment period - decision 1/CP.3, paragraph 5 (d);
  - (d) Scientific and methodological aspects of the proposal by Brazil;
  - (e) Other matters, including matters referred to the SBSTA by the SBI.
7. Development and transfer of technologies.
8. Mechanisms:
- (a) Activities implemented jointly under the pilot phase;
  - (b) Joint implementation<sup>2</sup> - decision 1/CP.3, paragraph 5 (c);
  - (c) Clean development mechanism - decision 1/CP.3, paragraph 5 (e);
  - (d) Emissions trading - decision 1/CP.3, paragraph 5 (b).
9. Roster of experts.
10. Report on the session.

**B. Election of officers other than the Chairman**  
(Agenda item 2 (b))

11. The SBSTA considered this sub-item at its 4<sup>th</sup> and 12<sup>th</sup> meetings, on 3 and 12 June, respectively.

12. At the 4<sup>th</sup> meeting, the Chairman informed the SBSTA that he was conducting consultations with the regional groups on this matter, in close cooperation with the Chairman of the SBI.

13. At the 12<sup>th</sup> meeting, the Chairman reported with regret that, despite his best efforts, it had not proved possible to reach consensus among the regional groups and elect the remaining officers of the SBSTA. He expressed the hope that the regional groups would consult among themselves prior to COP 4 so that the officers of the SBSTA could be elected expeditiously at that time.

**C. Organization of the work of the session**  
(Agenda item 2 (c))

14. The SBSTA considered this sub-item at its 4<sup>th</sup> meeting, on 3 June. It had before it document FCCC/SB/1998/3.

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<sup>2</sup> This sub-item relates to Article 6 of the Kyoto Protocol and paragraph 5 (c) of decision 1/CP.3. The term "joint implementation" is used for convenience.

15. The Chairman drew the attention of the SBSTA to the tentative schedule of meetings contained in document FCCC/SB/1998/3, noting that the schedule was intended to be used as a guide, and might need to be modified to reflect the pace of progress.

16. The Chairman informed the SBSTA that applications for accreditation to the sessions of the subsidiary bodies had recently been received from nine non-governmental organizations. These applications had been screened by the secretariat on the basis of the provisions of Article 7.6 of the Convention and in accordance with the procedures established by the COP for the admission of organizations as observers. The SBSTA agreed to grant these organizations access to the current session of the SBSTA, pending formal action on their accreditation by the Conference of the Parties at its fourth session.

**D. Allocation of work - issues arising from decision 1/CP.3, paragraph 6**

**E. Organization of the work of future sessions**

(Agenda items 2 (d) and (e))

**1. Proceedings**

17. The SBSTA considered these sub-items in an integrated manner at its 4<sup>th</sup> and 14<sup>th</sup> meetings, on 3 and 12 June, respectively. It had before it document FCCC/SB/1998/1.

18. Statements were made by representatives of two Parties, including one speaking on behalf of the Group of 77 and China.

19. At its 4<sup>th</sup> meeting, on 3 June, the SBSTA agreed that this issue would be considered in an informal contact group, jointly established with the SBI. This informal contact group was chaired by Mr. José Romero (Switzerland).

**2. Conclusions**

20. At its 14<sup>th</sup> meeting, which was held jointly with the SBI, having considered a joint proposal by the Chairmen on the basis of inputs from the joint informal contact group, the SBSTA adopted the following conclusions:

(a) The SBSTA and the SBI decided to defer consideration of these items until their ninth sessions;

(b) The SBSTA and the SBI invited the Chairmen, if they considered it would be useful, to formulate points which might provide a basis for deliberations at their ninth sessions.

#### **F. Attendance**

21. The eighth session of the SBSTA was attended by representatives of 126 Parties and by observers from 6 States not parties to the Convention. It was also attended by representatives of 7 United Nations secretariat units and bodies, 5 specialized agencies and related organizations, 3 intergovernmental organizations and 109 non-governmental organizations.<sup>3</sup>

#### **G. Documentation**

22. The documents before the SBSTA at its eighth session are listed in annex I below.

### **III. COOPERATION WITH RELEVANT INTERNATIONAL ORGANIZATIONS (Agenda item 3)**

#### **1. Proceedings**

23. The SBSTA considered this item at its 1<sup>st</sup>, 4<sup>th</sup>, 12<sup>th</sup> and 13<sup>th</sup> meetings on 2, 3 and 12 June, respectively. It had before it documents FCCC/SBSTA/1998/2 and FCCC/SBSTA/1998/MISC.1.

24. At the 1<sup>st</sup> meeting, on 2 June, statements were made by the Chairman of the Intergovernmental Panel on Climate Change (IPCC), the Director of the Global Climate Observing System of the World Meteorological Organization (WMO) and the Executive Director of the International Geosphere-Biosphere Programme (IGBP), all of whom also responded to questions.

25. At the 2<sup>nd</sup> meeting, which was held jointly with the SBI on 2 June, statements relevant to this item were made by Mr. Klaus Töpfer, Executive Director, UNEP and the Executive Secretary (for summaries of these statements, see paragraphs 6 and 7 above).

26. Statements were made by representatives of 19 Parties, including one speaking on behalf of the European Community and its member States and another speaking on behalf of the Group of 77 and China. The representative of a non-governmental organization also made a statement.

#### **2. Conclusions**

27. At its 13<sup>th</sup> meeting, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA noted with appreciation the information provided by the secretariat on its cooperation with international organizations. It agreed to invite more international

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<sup>3</sup> For the full list of participants, see document FCCC/1998/INF.1.



organizations, including the International Civil Aviation Organization and the International Maritime Organization to make progress on their work relevant to the Convention and to provide reports to the SBSTA;

(b) The SBSTA took note of the activities of the IPCC relating to the Convention. In particular, it noted with appreciation the work initiated in the preparation of special reports on emission scenarios, methodological and technical issues in technology transfer and aviation and the global atmosphere, as well as the preparation of the Third Assessment Report. The SBSTA invited the IPCC to take into account the comments made by Parties on the structure and contents of the Third Assessment Report, as contained in documents FCCC/SBSTA/1997/MISC.4 and FCCC/SBSTA/1998/MISC.1, when considering the scope of this report;

(c) The SBSTA noted with appreciation the information provided by the representative of the WMO (see paragraph 24 above), on behalf of the organizations participating in the Climate Agenda, related to the preparation of the comprehensive report on the development of the observational networks of the climate system, as requested by decision 8/CP.3. The SBSTA recognized the deteriorating situation of the observational networks of the climate system and urged Parties to give high priority to reversing this decline and to introducing improvements. It invited the organizations participating in the Climate Agenda to complete the comprehensive report and to make it available for consideration by the SBSTA at its ninth session;

(d) The SBSTA took note of the report presented by the Executive Director of the International Geosphere-Biosphere Programme (see paragraph 24 above). It expressed appreciation for the information and suggested that the IGBP should continue to make available relevant information for its use in the future;

(e) The SBSTA noted the statement made by the Executive Director of UNEP at its 2<sup>nd</sup> meeting, held jointly with the SBI on 2 June (see paragraph 6 above), on the role of UNEP as set out in the Programme for the Further Implementation of Agenda 21 of the nineteenth special session of the United Nations General Assembly, including paragraphs 119 and 123 (General Assembly S-19/2). The SBSTA observed that this role is to be carried out in a manner consistent with the provisions of the respective conventions and the decisions of their conferences of the parties and in full cooperation with the conferences of the parties;

(f) The SBSTA further noted the statements made by the Executive Director of UNEP and the Executive Secretary at that same joint meeting (see paragraphs 6 and 7 above) with regard to possible inputs by UNEP to the work of the Convention bodies on the implementation of the Convention and on preparations for the entry into force of the Kyoto Protocol. It recalled that decisions on such inputs are the prerogative of the Conference of the parties and its subsidiary bodies in accordance with the Convention and the decisions of the COP. The SBSTA would welcome such inputs in response to specific requests from the COP

and its subsidiary bodies for scientific and technical advice. The SBSTA invited the Executive Director of UNEP to consult the Chairman of the IPCC and the Executive Secretary in responding to any such requests;

(g) The SBSTA noted that the programme of work of the IPCC would provide the Convention process with scientific, technical and economic advice and other material on a number of matters directly relevant to the Convention and the Kyoto Protocol (including the use of economic instruments), as well as on matters that cut across these climate change instruments and other legal instruments such as the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol on Substances that Deplete the Ozone Layer, the Convention on Biological Diversity and the Convention to Combat Desertification. Such information from the IPCC would be contained in its Third Assessment Report, and other reports, including reports requested by the SBSTA. The SBSTA considered that such reports would be useful for the foreseeable scientific and technical needs of the Convention and the Kyoto Protocol in these areas;

(h) The SBSTA welcomed the readiness of UNEP to strengthen its efforts to raise awareness about climate change, the Convention and the Kyoto Protocol, in response to Article 6 of the Convention. It noted that this work would be carried out in close collaboration with the secretariat and other United Nations bodies, and would draw upon IPCC outputs. It requested the Executive Secretary to keep it informed of progress achieved. The SBSTA decided to review its cooperation with UNEP at its tenth session;

(i) The SBSTA encouraged the secretariat to continue, maintain and strengthen its coordination and collaboration with relevant international organizations.

#### **IV. NATIONAL COMMUNICATIONS**

(Agenda item 4)

##### **A. Communications from Parties included in Annex I to the Convention**

(Agenda item 4 (a))

##### **1. Proceedings**

28. The SBSTA considered this sub-item at its 4<sup>th</sup> and 10<sup>th</sup> meetings on 3 and 11 June, respectively. It had before it document FCCC/SBSTA/1998/3.

29. Statements were made by representatives of six Parties, including one speaking on behalf of the European Community and its member States.

## 2. Conclusions

30. At its 10<sup>th</sup> meeting, on 11 June, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA requested the secretariat to send a questionnaire to Parties on clarifications, additions and/or amendments to the revised guidelines for the preparation of national communications from Parties included in Annex I to the Convention (UNFCCC Guidelines) by 31 August 1998. The SBSTA also decided that the preparatory work needed to enable the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) to adopt, at its first session, guidelines for the preparation of the information required under Article 7 of the Protocol would be integrated, to the extent practicable, with its existing work under the Convention on national communications from Annex I Parties;

(b) The SBSTA requested Parties to provide submissions to the secretariat answering the above-mentioned questionnaire by 1 February 1999 for compilation into a miscellaneous document;

(c) The SBSTA requested the secretariat to organize a workshop with the participation of representatives from Parties to assess the responses to the questionnaire. The SBSTA further requested the secretariat to prepare a paper on the results of this workshop for consideration at its tenth session, with the aim of proposing any necessary clarifications, additions and/or amendments to the UNFCCC Guidelines, at the fifth session of the Conference of the Parties.

### **B. Communications from Parties not included in Annex I to the Convention: methodological aspects of consideration process**

(Agenda item 4 (b))

31. The SBSTA considered this sub-item at its 4<sup>th</sup> meeting, on 3 June. Statements were made by representatives of three Parties.

32. The SBSTA noted that, as indicated in the annotations to the provisional agenda (FCCC/SBSTA/1998/1, paras. 23-25), in view of the agreed division of labour, this item would be discussed by the SBI. Since there were no methodological issues under this sub-item that needed to be addressed at the current session, there was, therefore, no need for an input from the SBSTA.

33. The SBSTA further noted, however, that it would examine any methodological issues arising from the consideration of this item by the SBI at a future session.

## V. ARTICLE 6 OF THE CONVENTION: EDUCATION, TRAINING AND PUBLIC AWARENESS

(Agenda item 5)

### 1. Proceedings

34. The SBSTA considered this item at its 7<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> meetings, on 5, 10 and 12 June, respectively.

35. Statements were made by representatives of 16 Parties, including one speaking on behalf of the African Group, another speaking on behalf of the European Community and its member States and another speaking on behalf of the Group of 77 and China.

36. An informal workshop on this item, organized by the secretariat in collaboration with UNEP, was held on 9 June. The informal workshop was chaired by the Chairman of the SBSTA, who made an oral report on its conclusions to the SBSTA at its 9<sup>th</sup> meeting, on 10 June. Also at the 9<sup>th</sup> meeting, a statement was made by the representative of UNEP.

### 2. Conclusions

37. At its 12<sup>th</sup> meeting, on 12 June, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA welcomed the placement of Article 6 on the agenda of the SBSTA for the first time. The SBSTA noted that education, training and public awareness were priorities for many Parties and that international cooperation could play an important role in these areas. It further considered that national efforts to achieve the aims of Article 6 should be supported;

(b) The SBSTA took note of the results of a workshop on this issue held on 9 June that had been jointly organized by the secretariat and UNEP and chaired by the Chairman of the SBSTA. In particular, the SBSTA noted the efforts to assess public awareness needs in developing countries, as presented at the workshop. The SBSTA expressed satisfaction with this initiative and called for similar events in the future;

(c) The SBSTA also took note with interest of the statement by the representative of UNEP who outlined the activities of that organization in raising awareness of climate change issues, many of which are conducted in cooperation with the secretariat. The SBSTA indicated its interest in activities by United Nations organizations and bodies, especially UNEP, for supporting international cooperation and national outreach activities, and requested further information to be provided at its next session. The SBSTA also noted and welcomed the information outreach activities of the secretariat, and encouraged it to continue with this work;

(d) The SBSTA noted that the following measures cited by Parties could be considered as possible means of promoting common efforts towards the implementation of Article 6:

- (i) Increasing the availability of public information and education materials, including the reports of the IPCC, in all the official languages of the United Nations, as well as in other languages;
- (ii) Promoting the exchange of copyright-free materials, the facilitation of training and the sharing of experience, for example, through a resource centre;
- (iii) Establishing training activities in developing countries through CC:TRAIN and other appropriate programmes;
- (iv) Facilitating the exchange or secondment of personnel to train experts in the field of climate change;
- (v) Assisting developing countries in procuring financial resources for their implementation of Article 6; and
- (vi) Ensuring the availability of information about all aspects of the Convention and the Kyoto Protocol, including information on the mechanisms defined in the Kyoto Protocol and other provisions for achieving its objective, using CC:INFO and other appropriate mechanisms;

(e) The SBSTA noted that funding was essential to the implementation of Article 6 and invited the SBI to consider this matter when developing further guidance to the financial mechanism of the Convention;

(f) The SBSTA urged Parties to implement Article 6 at the national level and to pursue international cooperation to strengthen public awareness, education, and outreach programmes. It called for Parties to present fully their activities on Article 6 when submitting their national communications;

(g) The SBSTA invited Parties to submit to the secretariat, by 14 December 1998, their views on possible means of promoting the implementation of Article 6, for compilation into a miscellaneous document. The SBSTA invited the secretariat to put forward proposals on how to integrate Article 6 into the work programme of the SBSTA, taking into account the above submissions from Parties, for consideration at its tenth session. In this context, the SBSTA also requested the secretariat to explore the development of more rigorous reporting guidelines on Article 6 for national communications, and to present these to the SBSTA for its consideration;

(h) The SBSTA finally requested the secretariat to explore the possibility of establishing a United Nations "Climate Change Day" to promote awareness of climate change issues at the national and international levels.

## VI. METHODOLOGICAL ISSUES

(Agenda item 6)

### A. Emissions inventories

(Agenda item 6 (a))

#### 1. Proceedings

38. The SBSTA considered this sub-item at its 5<sup>th</sup> and 10<sup>th</sup> meetings, on 4 and 11 June, respectively. It had before it documents FCCC/SBSTA/1998/4 and FCCC/SBSTA/1998/MISC.2.

39. Statements were made by representatives of seven Parties, including one speaking on behalf of the European Community and its member States.

#### 2. Conclusions

40. At its 10<sup>th</sup> meeting, on 11 June, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA took note of document FCCC/SBSTA/1998/4, and endorsed the activities related to greenhouse gas (GHG) inventories set out in that document;

(b) The SBSTA urged Parties to participate actively in the ongoing activities of the current programme of work on methodologies related to GHG inventories, bearing in mind their relationship with possible additions and/or amendments to the revised guidelines for the preparation of national communications by Annex I Parties, discussed under agenda item 4 (a), and the longer-term methodological needs of the Kyoto Protocol, *inter alia*, the development of guidelines for national systems and adjustments under Article 5 of that Protocol;

(c) The SBSTA recalled the relevant conclusions of its seventh session, and requested Annex I Parties which had not already done so to make available to the secretariat, by 15 August 1998, for purposes of comparison and transparency, their complete 1996 GHG inventories obtained using, when possible, best available methodologies and those obtained using the current default methodologies of the IPCC Guidelines. It also requested Parties which had not already done so to submit to the secretariat, by 15 August 1998, their views on possible approaches to resolving the methodological issues related to GHG inventories such as those identified in the annex on methodological issues contained in document FCCC/SBI/1997/19, for compilation into a miscellaneous document;

(d) The SBSTA requested the secretariat to organize a workshop with the participation of methodological experts from the roster, as well as from other relevant organizations, to develop proposals to resolve the methodological issues identified by Parties and by the secretariat while processing GHG inventories included in second national communications. The conclusions of such a workshop, and of any workshop organized by the secretariat related to possible additions and/or amendments to the revised guidelines for the preparation of national communications by Annex I Parties (decision 9/CP.2), as discussed under agenda item 4 (a), should be available for the tenth session of the SBSTA;

(e) The SBSTA noted that the Kyoto Protocol includes provisions related to GHG inventory methods. The SBSTA recognized that methodological issues arising from the Protocol including, for example, guidance for estimating and reporting HFCs, perfluorocarbons and sulphur hexafluoride, need to be evaluated. The SBSTA encouraged the IPCC-OECD-IEA Inventories Programme to give high priority to completing its work on uncertainty, as well as to prepare a report on good practices in inventory management and to submit a report on these issues for consideration by the SBSTA, if possible by COP 5. The SBSTA encouraged the secretariat to continue its close collaboration with other relevant bodies, such as the Technology and Economic Assessment Panel of the Montreal Protocol, on technical and methodological issues.

**B. Land-use change and forestry - decision 1/CP.3, paragraph 5 (a)**

**(Agenda item 6 (b))**

**1. Proceedings**

41. The SBSTA considered this sub-item at its 5<sup>th</sup> and 12<sup>th</sup> meetings, on 4 and 12 June, respectively. It had before it documents FCCC/SBSTA/1998/INF.1 and FCCC/SB/1998/MISC.1.

42. Statements were made by representatives of 17 Parties, including one speaking on behalf of the African Group, another speaking on behalf of the Alliance of Small Island States and another speaking on behalf of the European Community and its member States. The representative of a non-governmental organization also made a statement.

43. At the 5<sup>th</sup> meeting on 4 June, a statement was made by the representative of the Food and Agriculture Organization (FAO).

44. Also at its 5<sup>th</sup> meeting, the SBSTA agreed to consider this sub-item by way of an informal contact group, to be chaired by Mr. Paul Maclons (South Africa) and Mr. Maciej Sadowski (Poland).

## 2. Conclusions

45. At its 12<sup>th</sup> meeting, having considered a proposal by the Chairman on the basis of inputs from the informal contact group, the SBSTA adopted the following conclusions:

(a) The SBSTA took note with appreciation of document FCCC/SBSTA/1998/INF.1 prepared by the secretariat;

(b) The SBSTA understands the meaning of Article 3.3 of the Kyoto Protocol to be as follows: The adjustment to a Party's assigned amount shall be equal to verifiable changes in carbon stocks during the period 2008 to 2012 resulting from direct human-induced activities of afforestation, reforestation and deforestation since 1 January 1990. Where the result of this calculation is a net sink, this value shall be added to the Party's assigned amount. Where the result of this calculation is a net emission, this value shall be subtracted from the Party's assigned amount;

(c) The SBSTA invited Parties to submit information related to:

(i) The implementation of Article 3.3, particularly on data and methods, and questions and issues identified in FCCC/SBSTA/1998/INF.1, by 15 August 1998 for compilation into a miscellaneous document by approximately 30 August 1998; and

(ii) Modalities, rules and guidelines as to how and which additional human-induced activities might be included under Article 3.4, including questions and issues identified in FCCC/SBSTA/1998/INF.1, by 1 October 1998 for compilation into a miscellaneous document by approximately 15 October 1998;

(d) The SBSTA requested the secretariat to organize a workshop prior to COP 4 with participation by experts including those engaged in the IPCC process, possibly coincident with an IPCC expert meeting. The purpose of the workshop would be to consider data availability based on definitions used by Parties and international organizations, including their implications, in relation to Article 3.3 and to consider any further inputs to the IPCC, including to the report referred to in subparagraph (e) below. It also agreed to plan a second workshop after COP 4 to focus on issues arising from Article 3.4 and document FCCC/SBSTA/1998/INF.1, the comments submitted by Parties and issues arising from the first workshop. It requested the secretariat to report on the initial workshop at the ninth session of the SBSTA;

(e) The SBSTA requested the IPCC to prepare and provide information to the SBSTA and the COP, in particular a special report as defined by IPCC procedures, on land-use, land-use change and forestry, in order to enable the COP to take decisions on recommendations on these issues to the COP/MOP at its first session. The special report should address the



methodological, scientific and technical implications of the relevant articles of the Protocol, particularly Article 3. The special report should consider the anthropogenic implications of full carbon stock accounting, set the overall scientific context for consideration of land-use, land-use change and forestry activities, and consider the initial list of scientific and technical questions contained in FCCC/SBSTA/1998/INF.1 as well as comments to be provided by the Parties to the secretariat by 15 August 1998;

(f) The SBSTA requested the IPCC to examine, to the extent possible, the scientific and technical implications of carbon sequestration strategies related to land-use, land-use change and forestry activities for water, soils, biodiversity, and other environmental and socio-economic effects, to be included in the special report as appropriate. Other issues not covered in the special report could be included in the Third Assessment Report and in any other relevant IPCC products;

(g) The SBSTA requested the secretariat to liaise with the secretariat of the Convention on Biological Diversity, the secretariat of the Convention to Combat Desertification, the Intergovernmental Forum on Forests, the FAO and other international bodies and organizations to ensure that relevant information is available to the Parties.

**C. Impact of single projects on emissions in the commitment period - decision 1/CP.3, paragraph 5 (d)**

(Agenda item 6 (c))

**1. Proceedings**

46. The SBSTA considered this sub-item at its 5<sup>th</sup> and 11<sup>th</sup> meetings, on 4 and 11 June, respectively. It had before it documents FCCC/SB/1998/MISC.1 and Add.2 and Add.4.

47. Statements were made by representatives of seven Parties, including one speaking on behalf of the Alliance of Small Island States and another speaking on behalf of the European Community and its member States.

**2. Conclusions**

48. At its 11<sup>th</sup> meeting, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA took note with appreciation of the information provided by a Party on this issue, contained in documents FCCC/SB/1998/MISC.1 and Add.2 and Add.4;

(b) The SBSTA invited Parties to consider the above-mentioned information during the inter-sessional period, including the most recent information contained in document FCCC/SB/1998/MISC.1/Add.4, in preparation for further consideration at its ninth session.

**D. Scientific and methodological aspects of the proposal by Brazil**

(Agenda item 6 (d))

**1. Proceedings**

49. The SBSTA considered this sub-item at its 7<sup>th</sup> and 11<sup>th</sup> meetings, on 5 and 11 June, respectively. It had before it document FCCC/AGBM/1997/MISC.1/Add.3.

50. Statements were made by representatives of six Parties, including one speaking on behalf of the European Community and its member States. A statement was also made by the representative of a non-governmental organization.

**2. Conclusions**

51. At its 11<sup>th</sup> meeting, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA recalled that the Conference of the Parties, at its third session, decided that the proposal presented by Brazil in document FCCC/AGBM/1997/MISC.1/Add.3 should be referred to the SBSTA for advice regarding its methodological and scientific aspects (see FCCC/CP/1997/7/Add.1, section III.3);

(b) The SBSTA noted that the portion of that proposal referring to a clean development fund had now been overtaken by decisions taken at COP 3, in particular, the provision for a clean development mechanism as defined in Article 12 of the Kyoto Protocol, that Protocol's Annex B and decision 1/CP.3 on the adoption of the Kyoto Protocol;

(c) The SBSTA recognized that there were a number of methodological and scientific issues raised by the remainder of the proposal and that these were still being investigated by scientists in several countries. The SBSTA welcomed the offer by the delegation of Brazil to host a workshop to further the understanding of the methodological and scientific aspects of the remainder of the proposal and invited that delegation to report back to the SBSTA, at its ninth session, on the workshop.

**E. Other matters, including matters referred to the SBSTA by the SBI**

(Agenda item 6 (e))

52. The SBSTA considered this sub-item at its 7<sup>th</sup> and 11<sup>th</sup> meetings, on 5 and 11 June, respectively.

53. At the 7<sup>th</sup> meeting on 5 June, a statement was made by the representative of a Party. That Party noted that the consideration of aerosols and GHG precursors should be addressed by the

SBSTA at a future session, taking into account that this issue will be taken up by the IPCC in its Third Assessment Report.

## VII. DEVELOPMENT AND TRANSFER OF TECHNOLOGIES

(Agenda item 7)

### 1. Proceedings

54. The SBSTA considered this item at its 6<sup>th</sup>, 12<sup>th</sup> and 13<sup>th</sup> meetings, on 4 and 12 June, respectively. It had before it the following documents: FCCC/SBSTA/1998/5, FCCC/SBSTA/1998/INF.2, FCCC/SBSTA/1998/INF.5, FCCC/SBSTA/1998/MISC.4 and FCCC/SBSTA/1998/MISC.5. The Chairman recalled that, for technical reasons, document FCCC/TP/1998/1 would not be available at the current session. Instead, the document would be presented to the SBSTA at its ninth session.

55. Statements were made by representatives of 18 Parties, including one speaking on behalf of the African Group, another speaking on behalf of the European Community and its member States and another speaking on behalf of the Group of 77 and China.

56. At the 6<sup>th</sup> meeting on 4 June, a statement was made by the Vice-Chairman of the International Energy Agency (IEA) Energy and Environmental Technologies Information Centres (EETIC). The SBSTA welcomed the information contained in this statement that the IEA/OECD GREENTIE would accept information from all Parties in its database of companies and products to mitigate GHG emissions, and, in particular, the invitation to participants from developing countries to attend its annual meetings, and the investigation of channels of support for participation by developing countries and countries with economies in transition. The SBSTA also encouraged other organizations involved in similar activities from other sectors to provide information on those activities.

57. Also at the 6<sup>th</sup> meeting on 4 June, the SBSTA agreed that this issue would be considered in an informal contact group. This informal contact group was chaired by Ms. Renate Christ (European Community) and Ms. Wanna Tanunchaiwatana (Thailand).

### 2. Conclusions

58. At its 13<sup>th</sup> meeting, having considered a proposal by the Chairman on the basis of inputs from the informal contact group, the SBSTA adopted the following conclusions:

(a) The SBSTA noted with appreciation the progress report on development and transfer of technologies prepared by the secretariat (FCCC/SBSTA/1998/5), the report on the options for technology information centres and networks (FCCC/SBSTA/1998/INF.2), the report on technology and technology information needs arising from the survey of developing country Parties (FCCC/SBSTA/1998/INF.5), and the final report of the survey of technology and

technology information needs prepared by the University of Amsterdam (IVAM Environmental Research) and distributed during the session;<sup>4</sup>

(b) The SBSTA noted the results of the expanded technology and technology needs survey, and in particular:

- (i) Agreed that the identification of technology and technology information needs at the country level is an important step in relation to the improvement and/or development of modalities for the diffusion and transfer of and access to those technologies, particularly for developing countries;
- (ii) Noted that the national communications of non-Annex I Parties are an important means of identifying technology and technology information needs to facilitate adequate adaptation to climate change, in accordance with paragraph 21 of the annex to decision 10/CP.2, and to facilitate the implementation of their obligations under the Convention, in accordance with paragraph 20 of that same annex, and may include other relevant information, in accordance with decision 10/CP.2; and urged non-Annex I Parties to identify their financial and technological needs in accordance with paragraph 20 of the annex to that decision (FCCC/CP/1996/15/Add.1);
- (iii) Requested the SBI in considering additional guidance to the Global Environment Facility (GEF), to take note that priority should be given to the need to build capacity in developing countries to identify and analyse technology and technology information needs; and
- (iv) Urged Annex II Parties to continue to provide support to non-Annex I Parties to identify and assess their technology and technology information needs;

(c) The SBSTA requested the secretariat to prepare an initial draft of a work programme on the development and transfer of technology for its ninth session, and in so doing, to consult with other relevant international organizations and bodies. It also requested the Chairman of the SBSTA to convene informal open-ended consultations on these questions at its ninth session;

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<sup>4</sup> R. van Berkel and E. Arkesteijn, *Transfer of Environmentally Sound Technologies and Practices Under the Climate Convention: Survey of Experiences, Needs and Opportunities Among Non-Annex II countries*, IVAM Environmental Research, University of Amsterdam, 1998.

(d) The SBSTA took up the question of technology information centres and enhancing support for national or regional centres but was not able to reach a consensus. Views put forward by several Parties during the discussions were made available in document FCCC/SBSTA/1998/MISC.5. The SBSTA decided to continue the discussion of this matter at its ninth session with the intention of forwarding its conclusions for consideration by the Conference of the Parties at its fourth session;

(e) Having considered the positive experience drawn from the technology round table held during COP 3, involving the participation of Parties as well as the business community, international organizations and relevant non-governmental organizations, the SBSTA requested the secretariat to organize another such event in conjunction with COP 4 focussing on the analysis of barriers to the development and transfer of technology (in both Annex I and non-Annex I Parties) and on the identification and elimination of these barriers in order to facilitate the development and transfer of technology;

(f) The SBSTA requested the SBI to take note that the Conference of the Parties, at its fourth session, should review the implementation of Article 4.5 and 4.1(c) of the Convention as a separate agenda item, in accordance with decision 13/CP.1 (FCCC/CP/1995/7/Add.1);

(g) The SBSTA noted the secretariat activities on terms of transfer of technology and know-how and urged the secretariat to complete the technical paper on barriers and opportunities related to the transfer of technology to developing countries for the ninth session;

(h) The SBSTA took note of the secretariat's preliminary analysis of adaptation technologies and encouraged the secretariat to continue its work on different adaptation topics;

(i) The SBSTA took note of the submission by the Group of 77 and China of draft decisions regarding technology development and transfer, and capacity building, circulated as document FCCC/SBSTA/1998/CRP.1;

(j) The SBSTA invited Parties to provide, by 15 August 1998, for compilation into a miscellaneous document, their views regarding:

(i) Technology development and transfer, and capacity building; and

(ii) The tasks described in document FCCC/SB/1997/1, and any additional tasks, as well as the strategic focus of the secretariat's work programme on the development and transfer of technologies (see subparagraph (d) above).

## VIII. MECHANISMS

(Agenda item 8)

- A. Activities implemented jointly under the pilot phase
- B. Joint implementation - decision 1/CP.3, paragraph 5 (c)
- C. Clean development mechanism - decision 1/CP.3, paragraph 5 (e)
- D. Emissions trading - decision 1/CP.3, paragraph 5 (b)

### 1. Proceedings

59. This item, including its four sub-items, was considered by the SBSTA at its 2<sup>nd</sup>, 3<sup>rd</sup>, 8<sup>th</sup> and 14<sup>th</sup> meetings, which were held jointly with the SBI, on 2, 3, 8 and 12 June, respectively. The subsidiary bodies had before them the following documents: FCCC/SB/1998/2; FCCC/SBSTA/1998/ INF.3; FCCC/SB/1998/MISC.1 and Add.1 and Add.1/Rev.1; Add.3 and Add.3/Rev.1; and Add.5 and Add.6; and FCCC/SB/1998/MISC.2 and Add.1.

60. Statements were made by representatives of 39 Parties, including one speaking on behalf of the African Group, another speaking on behalf of the Alliance of Small Island States, another speaking on behalf of the European Community and its member States and another speaking on behalf of the Group of 77 and China.

61. At the 2<sup>nd</sup> meeting, which was held jointly with the SBI on 2 June, statements were made by Her Excellency María Julia Alsogaray, Secretary of Natural Resources and Sustainable Development, Argentina, Mr. Klaus Töpfer, Executive Director, UNEP and the Executive Secretary (for summaries of these statements, see paragraphs 5-7 above).

62. At their 3<sup>rd</sup> meetings, on 3 June, the SBSTA and the SBI established a joint informal contact group to consider this issue, co-chaired by Mr. Yvo de Boer (Netherlands) and Mr. Luiz Gylvan Meira Filho (Brazil).

### 2. Conclusions

63. At its 14<sup>th</sup> meeting, which was held jointly with the SBI, the SBSTA, having considered a joint proposal by the Chairmen on the basis of inputs from the joint contact group, adopted the following conclusions:

(a) The SBSTA and the SBI recalled decision 1/CP.3, in particular paragraph 5(b), (c) and (e) on guidance to the secretariat on preparatory work needed for consideration by the Conference of the Parties at its fourth session;

(b) The SBSTA and the SBI further recalled paragraph 6 of decision 1/CP.3 concerning the allocation of preparatory work for COP/MOP 1;

(c) The SBSTA and the SBI took note of documents FCCC/SB/1998/2; FCCC/SB/1998/MISC.1 and Add.1 and Add.1 Rev.1; Add.3 and Add.3/Rev.1; Add.5 and Add.6; and FCCC/SB/1998/MISC.2 and Add.1;

(d) The SBSTA and the SBI further took note of the Suggested Elements for a Work Programme on Mechanisms of the Kyoto Protocol (see annex II below);

(e) The SBSTA and the SBI invited Parties to submit views on the mechanisms referred to in decision 1/CP.3, paragraph 5(b), (c) and (e).<sup>5</sup>

## IX. ROSTER OF EXPERTS

(Agenda item 9)

### 1. Proceedings

64. The SBSTA considered this item at its 7<sup>th</sup> and 10<sup>th</sup> meetings, on 5 and 11 June, respectively. It had before it document FCCC/SBSTA/1998/INF.4.

65. Statements were made by representatives of 12 Parties, including one speaking on behalf of the European Community and its member States.

### 2. Conclusions

66. At its 10<sup>th</sup> meeting, having considered a proposal by the Chairman, the SBSTA adopted the following conclusions:

(a) The SBSTA took note of document FCCC/SBSTA/1998/INF.4, including the standardized form for collecting information on nominees to the roster of experts. It noted that the roster should be continually updated based on Parties' nominations and as new needs arose. In addition, the roster should be reviewed at regular intervals, at least every five years. It noted with appreciation that the secretariat planned to publish the roster electronically on its Web site, and in hard copy format, and requested that provision should be made to also accept nominations and related data electronically;

(b) The SBSTA requested Parties that had not already done so to nominate methodological experts to the roster by 1 July 1998, so that those experts might address the important tasks of the programme of work on methodologies, as necessary, prior to COP 4. Nominations after this date would also be welcomed.

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<sup>5</sup> Submissions received by 10 September 1998 will be compiled into a miscellaneous document before COP 4. Submissions received after this date will be issued in an addendum but will not be available until after the start of COP 4.

## **X. REPORT ON THE SESSION**

(Agenda item 10)

67. At its 13<sup>th</sup> meeting, on 12 June, the SBSTA considered the draft report on its eighth session (FCCC/SBSTA/1998/L.1).

68. At the same meeting, the SBSTA authorized the Chairman, with the assistance of the secretariat, to complete the report on the session.

## **XI. CLOSURE OF THE SESSION**

69. At its 14<sup>th</sup> meeting, which was held jointly with the SBI on 12 June, closing statements were made by four Parties, including one speaking on behalf of the Group of 77 and China.

70. After thanking all participants for their constructive cooperation, the Chairman declared the session closed.



Annex I

**List of documents before the Subsidiary Body for Scientific and  
Technological Advice at its eighth session**

**Documents prepared for the session**

FCCC/SBSTA/1998/1 and Corr.1	Provisional agenda and annotations and corrigendum. Note by the Executive Secretary
FCCC/SBSTA/1998/2	Cooperation with relevant international organizations. Progress report
FCCC/SBSTA/1998/3	Issues related to guidelines for the preparation of national communications from Annex I Parties
FCCC/SBSTA/1998/4	Programme of work on methodologies. Progress report
FCCC/SBSTA/1998/5	Development and transfer of technologies. Progress report
FCCC/SBSTA/1998/INF.1	Issues related to land-use change and forestry
FCCC/SBSTA/1998/INF.2	Options for technology information centres and networks
FCCC/SBSTA/1998/INF.3	Up-date on activities implemented jointly under the pilot phase
FCCC/SBSTA/1998/INF.4	Roster of experts: Nomination form
FCCC/SBSTA/1998/INF.5	Technology and technology information needs arising from the survey of developing country Parties
FCCC/SBSTA/1998/MISC.1	Structure and contents of the Third Assessment Report by the IPCC. Additional comments by Parties
FCCC/SBSTA/1998/MISC.2	Approaches to resolving methodological issues related to national communications from Annex I Parties. Comments from Parties

FCCC/SBSTA/1998/MISC.3	Information submitted by Parties on reporting of information on finance and transfer of technology. Submissions by Parties
FCCC/SBSTA/1998/MISC.4	International technology information centres: Possible functions and institutional and financial arrangements. Comments from Parties
FCCC/SBSTA/1998/MISC.5	Development and transfer of technologies Submissions from Parties
FCCC/SBSTA/1998/L.1	Draft report of the Subsidiary Body for Scientific and Technological Advice on its eighth session
FCCC/SBSTA/1998/L.2	Communications from Parties included in Annex I to the Convention
FCCC/SBSTA/1998/L.3	Emissions inventories
FCCC/SBSTA/1998/L.4	Roster of experts
FCCC/SBSTA/1998/L.5	Impact of single projects on emissions in the commitment period - decision 1/CP.3, paragraph 5 (d)
FCCC/SBSTA/1998/L.6	Scientific and methodological aspects of the proposal by Brazil
FCCC/SBSTA/1998/CRP.1	Development and transfer of technologies: Draft decisions proposed for COP 4 by the Group of 77 and China
FCCC/SBSTA/1998/CRP.2	Article 6 of the Convention: Education, training and public awareness
FCCC/SBSTA/1998/CRP.3	Land-use change and forestry - decision 1/CP.3, paragraph 5 (a)
FCCC/SBSTA/1998/CRP.4	Cooperation with relevant international organizations
FCCC/SBSTA/1998/CRP.5	Development and transfer of technologies

FCCC/SB/1998/1	Allocation of preparatory work to the subsidiary bodies for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
FCCC/SB/1998/2	Issues related to cooperative implementation
FCCC/SB/1998/3	Organization and proposed schedules of work of the sessions: Additional information
FCCC/SB/1998/MISC.1 and Add.1 and Add.1/Rev.1; Add.2; Add. 3 and Add.3/Rev.1; and Add.4, 5 and 6	Preparatory work needed for COP 4 on the items listed in decision 1/CP.3, paragraph 5. Submissions by Parties
FCCC/SB/1998/MISC.2 and Add.1	Responses to questionnaire relating to cooperative implementation mechanisms. Submissions by intergovernmental and non-governmental bodies
FCCC/SB/1998/CRP.1	Allocation of work - issues arising from decision 1/CP.3, paragraph 6
FCCC/SB/1998/CRP.2	Mechanisms

**Other documents for the session**

FCCC/CP/1997/7	Report of the Conference of the Parties on its third session, held at Kyoto from 1 to 11 December 1997. Part One: Proceedings
FCCC/CP/1997/7/Add.1	Report of the Conference of the Parties on its third session, held at Kyoto from 1 to 11 December 1997. Part Two: Action taken by the Conference of the Parties at its third session
FCCC/CP/1997/INF.1	Administrative and financial matters: Programme budget of the Convention for the biennium 1998-1999: Detailed subprogramme activities and resource requirements
FCCC/SBSTA/1997/4	Report of the Subsidiary Body for Scientific and Technological Advice on the work of its fifth session, Bonn, 25 - 28 February 1997

- FCCC/SBSTA/1997/6 Report of the Subsidiary Body for Scientific and Technological Advice on the work of its sixth session, Bonn, 28 July - 5 August 1997
- FCCC/SBSTA/1997/13 Second communications from Parties included in Annex I to the Convention: Activities of Parties included in Annex II related to the transfer of technology
- FCCC/SBSTA/1997/14 Report of the Subsidiary Body for Scientific and Technological Advice on the work of its seventh session, Bonn, 20 - 28 October 1997
- FCCC/SBI/1997/19 National communications: Communications from Parties included in Annex I to the Convention: First compilation and synthesis of second national communications from Annex I Parties
- FCCC/AGBM/1997/MISC.1/Add.3 Implementation of the Berlin Mandate: proposals from Parties

**Documents available for reference only**

- FCCC/CP/1996/15/Add.1 Report of the Conference of the Parties on its second session, held at Geneva from 8 to 19 July 1996. Part Two: Action taken by the Conference of the Parties at its second session
- FCCC/CP/1995/7/Add.1 Report of the Conference of the Parties on its first session, held at Berlin from 28 March to 7 April 1995. Part Two: Action taken by the Conference of the Parties at its first session
- FCCC/SBI/1997/19/Add.1 National communications: Communications from Parties included in Annex I to the Convention: First compilation and synthesis of second national communications from Annex I Parties. Addendum: Tables of inventories of anthropogenic emissions and removals for 1990-1995 and projections up to the year 2020

FCCC/SBSTA/1998/6

English

Page 30

FCCC/SBI/1997/INF.4

National communications: Communications from Parties included in Annex I to the Convention.  
Updated information on greenhouse gas emissions and projections

Annex II**Suggested Elements for a Work Programme on Mechanisms of the Kyoto Protocol**

This list is compiled on the basis of the Proposed Work Programme on Mechanisms of the Kyoto Protocol submitted by the Group of 77 and China, suggestions by other Parties during the contact group meetings and further proposals submitted by Canada and others\* and the United Kingdom of Great Britain and Northern Ireland (on behalf of the European Community and its member States) on Friday 12 June. This list is not negotiated.

**Article 12 - Clean development mechanism**Methodological/Technical Work

1. Purpose of clean development mechanism (CDM) projects
2. Supplementarity to domestic action
3. Part of Annex I commitments
4. Additionality criteria in funding
5. Criteria for real, measurable and long-term benefits related to climate change
6. Compatibility with sustainable development priorities/strategies
7. Criteria for project eligibility
8. Criteria for certification
9. Criteria for project baseline
10. Definition of the concept of certified emission reductions (CERs)
11. Acquisition and transfer of CERs
12. Systems for independent auditing and verification of project activities
13. Format for reporting
14. Identification/ determination of share of proceeds
15. Adaptation
16. Implication of Article 12.10 of the Kyoto Protocol
17. Outcome of methodological work on Article 3.3 and 3.4 of the Protocol

*Suggestions forwarded during the contact group*

18. Determination of "part of" and its relationship to supplementarity
19. Concept of voluntary participation
20. Categorization of projects
21. Approaches to project identification and development
22. Guidelines related to the inclusion of land-use change and forestry activities
23. Additionality criteria
24. Guidelines for certification

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\* Canada and others includes Australia, Canada, Iceland, Japan, New Zealand, Norway, the Russian Federation, Ukraine, and the United States of America.

25. Analysis of implications of Article 12.10 of the Kyoto Protocol
26. Article 3.3 and 3.4 of the Protocol

*Proposals submitted on Friday 12 June 1998*

27. Supplementarity, by means of a concrete ceiling for the three mechanisms
28. To ensure that projects provide real measurable and long-term benefits
29. Additionality of emissions reductions (Article 12.5(c))
30. Determination of "part of" (Article 12.3(b))
31. Elaboration of modalities and procedures with the objective of ensuring transparency, efficiency and accountability through independent auditing and verification of project activities
32. Clarification of project types and categories
33. Defining "share" of proceeds, including
  - Share to cover administrative expenses
  - Modalities and level of share "to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation"
34. Interpretation of "to assist in arranging funding for certified project activities as necessary"
35. Implications of Article 12.10
36. Project eligibility
  - Additionality
  - Project baselines/benchmarks
  - Criteria for real, measurable, and long-term benefits
37. Certification
37. Auditing, verification and monitoring
38. Sinks
39. Reporting

Institutional Issues

1. Authority and guidance of the Conference of the Parties
2. Executive Board - constitution, composition, and functions
3. Accountability of the Executive Board to the COP/MOP
4. Functions/provision of guidance
5. Procedure
6. Identification and designation of operational entities
7. Monitoring and auditing of operational entities

*Suggestions forwarded during contact group*

8. Overall institutional framework
9. Technical and operational support for Executive Board
10. Monitoring and verification of project activities

11. Authority and guidance of the COP/MOP
12. Functions/provision of guidance/supervision
13. Rules of procedure

*Proposals submitted on Friday 12 June 1998*

14. Institutional issues (Executive Board, operational entities, etc).
15. Same as items 1-13

Participation in projects

1. Private and/or public entities
2. Responsibility of Parties
3. Guidance to be provided by the Executive Board

*Proposals submitted on Friday 12 June 1998*

4. Criteria for voluntary participation of Parties, public and/or private entities, etc.
5. Same as items 1-3

Process

1. Approval by both Parties
2. Procedure to attain certification of project activities
3. Certification of emission reductions
4. Acquisition and transfer of CERs
5. Assistance in arranging funding for projects assistance
6. Rules to guarantee transparency, non-discrimination and to prevent distortion of competition

*Suggestions forwarded during contact group*

7. CDM shall assist in arranging funding of certified project activities as necessary (Article 12.6)
8. Certification
9. Reporting, auditing and verification
10. Accessibility
11. Adaptation (project process)
12. Transparency, non-discrimination and prevention of distortion of competition
13. Approval by each Party involved
14. Assistance in arranging funding for adaptation projects



*Proposals submitted on Friday 12 June 1998*

15. Adoption of a framework for operation of the CDM
16. Voluntary participation
17. Acquisition and transfer of CERs
18. Assistance in arranging funding for projects
19. Adaptation

Linkage

1. With contribution to compliance with part of commitments under Article 3 of Annex I Parties
2. With contribution to meet the costs of adaptation
3. With Article 6 projects
4. CERs and emission reduction units (ERUs) accruing from projects
5. Work related to Article 18 of the Kyoto Protocol

*Suggestions forwarded during contact group*

6. With Article 17

*Proposals submitted on Friday 12 June 1998*

7. Complementarity, by means of a concrete ceiling for the three mechanisms
8. Compliance (need to adopt and ratify Article 18)
9. Articles 3, 5, 6, 7, 8 and 17
10. Fungibility with AAUs and ERUs
11. AIJ

**Article 6 projects**

Methodological/Technical Work

1. Complementarity to domestic action
2. Criteria for Article 6 projects
3. Criteria for project baselines
4. Acquisition and transfer of ERUs
5. Compliance with Articles 5 and 7 of the Kyoto Protocol
6. Verification
7. Reporting
8. Non-compliance
9. Outcome of methodological work on Article 3.3 and 3.4

*Suggestions forwarded during contact group*

10. Methodological work associated with Article 6.1(b)
11. Guidelines on review of implementation by expert review team (Article 8.4)

12. Guidelines on eligibility of projects initiated under AIJ for generation of ERU under Article 6
13. Additionality criteria
14. Certification and monitoring
15. Guidelines for projects and project baselines
16. Verification and monitoring particularly Article 6.4
17. Non-compliance (Article 18)

*Proposals submitted on Friday 12 June 1998*

18. Supplementarity, by means of a concrete ceiling for the three mechanisms
19. To ensure that projects provide real measurable and long-term benefits
20. Additionality of emissions reductions (determination of project baselines and actual emissions or removals, Article 6.1(b))
21. Common methodologies for certification, project monitoring and verification of actual reductions from sources and enhancement of removals by sinks
22. Project eligibility
  - Additionality
  - Project baselines
23. Verification and monitoring
24. Sinks
25. Reporting

*Proposals submitted on Friday 12 June 1998*

*(Submissions proposing a new heading under Article 6)*

Participation in projects

1. Approval of projects
2. To determine that Parties, and their authorised legal entities can account for, certify, document and verify emissions reductions and removals by sinks from JI projects
3. Responsibility of Parties
4. Private and/or public entities

Process

1. Approval by Parties of projects
2. Assessment of additionality
3. Compliance with Articles 5 and 7
4. Acquisition and transfer of ERUs

*Suggestions forwarded during contact group*

5. Private and/or public entities
6. Responsibility of Parties
7. Accessibility
8. Transparency, non-discrimination and prevention of distortion of competition

*Proposals submitted on Friday 12 June 1998*

9. Voluntary participation
10. Acquisition and transfer of ERUs
  
11. Compliance

Institutional

1. Role of COP/MOP, SBSTA and SBI
2. Work on non-compliance
3. Elaboration of guidelines as per Article 6.2
4. Involvement of legal entities operating under the responsibility of a Party
5. Definition of institutional authority

*Suggestions forwarded during contact group*

6. Involvement of legal entities operating under the responsibility of a Party as referred to in Article 6.3
7. Reporting
8. Non-compliance

*Proposals submitted on Friday 12 June 1998*

9. Determination of guidelines for accounting, certification, documentation and verification of JI projects
10. Procedures for recording and reporting transfers and acquisitions of ERUs
11. Role of COP/MOP

Linkage

1. With Article 5
2. With Article 7
3. With Article 8
4. With Article 18
5. With Article 12, in particular Article 12.8
6. With Article 17

*Proposals submitted on Friday 12 June 1998*

7. Complementarity, by means of a concrete ceiling for the three mechanisms
8. Compliance (need to adopt and ratify Article 18)
9. Article 3.3 and 3.4, and Articles 5, 7, 8, 12, 17 and 18
  
10. Fungibility with AAUs and CERs
11. AIJ

**Activities Implemented Jointly**

AIJ cannot be part of this work programme. AIJ will be governed by COP decisions, namely, decisions 5/CP.1, 8/CP.2 and 10/CP.3. According to decision 5/CP.1, the COP shall take into consideration the need for a comprehensive review of the pilot phase in order to take a conclusive decision on the pilot phase and the progression beyond that, no later than the end of the present decade. The secretariat should prepare an update on information about the pilot phase of AIJ.

**Article 17 - Emissions trading between Annex I Parties**Issues for Work Programme

1. Basis of rights and entitlements of Annex I Parties for trading emissions
2. Determination and creation of such rights and entitlements
3. Complementarity to domestic action for the purpose of meeting quantified emission limitation and reduction commitments under Article 3
4. Conformity with the principle of equity in the Convention
5. Real and verifiable reduction of GHG emissions
6. Elements of principles, modalities, rules and guidelines for any trading in emissions
7. Elaboration of principles, modalities, rules and guidelines, including the funding of adaptation
8. Matters relating to verification, reporting and accountability
9. Whether any commonality with other mechanisms

*Suggestions forwarded during contact group*

10. Scope of participation of legal entities
11. Accessibility
12. Rights, entitlements and equity
13. Verification
14. Reporting
15. Accountability
16. Adaptation
17. Scope of participation in market mechanisms

18. Definition of relevant principles, modalities, rules and guidelines for verification, reporting and accountability

*Proposals submitted on Friday, 12 June 1998*

19. Risk of transferees on transfers the transferor was not entitled to make under the Protocol.
20. Refusals of Annex I Parties to participate in emissions trading under Article 17.

*Proposals submitted on Friday, 12 June 1998*

*(Submissions proposing headings under Article 17)*

Methodological/Technical Work

1. Determination of principles, rules, modalities and guidelines:
  - In particular for verification, reporting and accountability
  - To ensure that emissions trading provides real, cost-effective and verifiable environmental benefits, and that trading of 'hot air' does not lead to emissions reductions being lower than would otherwise be the case
  - To define supplementarity, by means of a concrete ceiling for the three mechanisms
  - To ensure that the emissions trading system is transparent, accessible and verifiable, functions in a non-discriminatory manner, and does not lead to distortions of competition
  - To establish responsibility in the event of non-compliance
2. Principles, modalities, rules, and guidelines, for verification, reporting, and accountability
3. Environmental effectiveness and economic efficiency
4. Tradeable assigned amount unit
5. Participation, including Parties and legal entities
6. Eligibility
7. Institutional requirements
8. Recording and reporting
9. Verification and accountability
10. Liability
11. Competitive markets
12. Transparency
13. Compliance

Participation in trading

1. Eligibility of Parties
2. Eligibility of other entities under the responsibility and within the jurisdiction of a Party

Institutional issues

1. Determination of principles, rules, modalities and guidelines:
  - For procedures for recording and reporting transfers and acquisitions of parts of assigned amounts
  - For a national system for tracking and recording information on all trades by authorised legal entities

Linkage

1. Supremacy, by means of a concrete ceiling for the three mechanisms
2. Compliance (need to adopt and ratify Article 18)
3. Articles 3, 5, 6, 7, 8, 12 and 18
4. Fungibility with CERs and ERUs

Additional proposals are contained in documents FCCC/SB/1998/2; FCCC/SB/1998/MISC.1 and Add.1 and Add.1 Rev.1; Add.3 and Add.3/Rev.1; Add.5 and Add.6; and FCCC/SB/1998/MISC.2 and Add.1.

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**REPORT OF THE AG13**



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AD HOC GROUP ON ARTICLE 13  
Sixth session  
Bonn, 5-11 June 1998  
Agenda item 4

**REPORT ON THE AD HOC GROUP ON ARTICLE 13 ON ITS SIXTH SESSION,  
BONN, 5-11 JUNE 1998**

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. OPENING OF THE SESSION ..... (Agenda item 1)	1-2	3
II. ORGANIZATIONAL MATTERS ..... (Agenda item 2)	3-7	3
A. Adoption of the agenda .....	3	3
B. Organization of the work of the session .....	4-5	4
C. Attendance .....	6	4
D. Documentation .....	7	4
III. FUNCTIONS AND PROCEDURES OF THE MULTILATERAL CONSULTATIVE PROCESS ..... (Agenda item 3)	8-12	4
IV. REPORT ON THE SESSION ..... (Agenda item 4)	13-14	6

Annexes

I.	Documents considered by the Ad Hoc Group on Article 13 ..	7
II.	Multilateral consultative process: terms of reference .....	9
III.	Draft decision recommended by the Ad Hoc Group on Article 13 for adoption by the Conference of the Parties at its fourth session	13

**I. OPENING OF THE SESSION**  
(Agenda item 1)

1. The sixth session of the Ad Hoc Group on Article 13 (AG13) was held at the Hotel Maritim, Bonn, from 5 to 11 June 1998.
2. The Chairman of the AG13, Mr. Patrick Széll, opened the session on 5 June 1998. In welcoming the participants, he recalled that the Group had had difficulty making progress in its early meetings because of uncertainties as to the outcome of the Berlin Mandate negotiations and as to what the basic character of the multilateral consultative process should be. He noted that the Kyoto Protocol had been adopted in December 1997 and the AG13 had, at its fourth session, concluded that the multilateral consultative process should be advisory rather than supervisory in nature. Hence, the basis now existed for completion of the Group's work at the present session. In this regard, he referred to decision 14/CP.3 of the Conference of the Parties (FCCC/CP/1997/7/Add.1), which invited the Group to complete its work before the fourth session of the Conference. In view of the good progress the AG13 had made on designing the multilateral consultative process at its fifth session, in July 1997, he was optimistic that, despite the sizeable number of important and difficult issues yet to be resolved, the Group should be able to finalize its work on schedule.

**II. ORGANIZATIONAL MATTERS**  
(Agenda item 2)

**A. Adoption of the agenda**  
(Agenda item 2 (a))

3. At its 1st meeting, on 5 June, the AG13 adopted the following agenda:
  1. Opening of the session.
  2. Organizational matters:
    - (a) Adoption of the agenda;
    - (b) Organization of the work of the session;
  3. Functions and procedures of the multilateral consultative process.
  4. Report on the session.

**B. Organization of the work of the session**  
(Agenda item 2 (b))

4. At the 1st meeting, on 5 June, the Chairman recalled that conference services would be available for eight meetings of the Group with interpretation from 10 a.m. to 1 p.m. and from 3 p.m. to 6 p.m. The AG13 agreed to proceed on the basis of the proposed schedule of work contained in annex II to document FCCC/AG13/1998/1.

5. The AG13 agreed to the admission of nine non-governmental organizations that had been screened by the secretariat, on the basis of the provisions of Article 7.6 of the Convention, without prejudice to subsequent action by the Conference of the Parties.

**C. Attendance**

6. The list of attendance at the sixth session of the AG13 is contained in document FCCC/1998/INF.1.

**D. Documentation**

7. The main documents that have been considered by the AG13 since its establishment in 1995 are listed in annex I below.

**III. FUNCTIONS AND PROCEDURES OF THE  
MULTILATERAL CONSULTATIVE PROCESS**  
(Agenda item 3)

8. At its 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> meetings, on 5, 6, 8, 9 and 10 June, the AG13 considered the functions and procedures of the multilateral consultative process as contained in annex II to the report on the work of its fifth session (FCCC/AG13/1997/4).

**1. Proceedings**

9. Statements were made by representatives of 23 Parties, including one speaking on behalf of the Group of 77 and China and one speaking on behalf of the European Community and its member States. A statement was also made by the secretariat.

10. Upon the proposal of the Chairman, the AG13 agreed:

(a) That "transparent" in paragraph 3 of the multilateral consultative process text (see annex II below) referred to the importance of the Party or Parties concerned being at all times in a position to participate fully in the process as well as of ensuring that the outcome of the process was open, understandable and available to the other Parties and to the public, but it did not mean that the proceedings of the multilateral consultative process were to be open to all;

(b) That the "principle of rotation" in paragraph 9 of the same text referred to the term of office of the members of the Multilateral Consultative Committee. In order to ensure continuity of experience on the Committee, the term of office of one third of the Parties designated as members should expire after one year, the term of office of one third of the members should expire after two years and the term of office of the remainder of the members should expire after three years. The members of the Multilateral Consultative Committee whose terms are to expire at the end of the above-mentioned initial periods of one, two and three years should be chosen by lot to be drawn by the Executive Secretary of the United Nations Framework Convention on Climate Change immediately after the Parties have been designated;

(c) That with regard to paragraphs 10 and 11 of the same text, the secretariat will arrange for and service the meetings of the Committee as well as provide such additional information as the Committee deems necessary to enable it to carry out its mandate as specified in paragraph 6.

11. The secretariat informed the AG13 that there is no provision in the Programme Budget for the year 1999 for work related to meetings of the proposed Multilateral Consultative Committee (see FCCC/CP/1997/INF.1, section II. C(i)). The resource implications of this proposal would need to be considered by the COP, along with any other new work arising from the deliberations of the other subsidiary bodies.

## 2. Conclusions

12. The AG13, having considered a proposal from the Chairman, decided to adopt the framework of the multilateral consultative process, set out in annex II below, subject to the matters contained in square brackets in its paragraphs 8 and 9. With regard to paragraph 9, some Parties were of the view that it follows from the structure of the Convention that the multilateral consultative process should follow a procedure that prescribed equal participation by Annex I and non-Annex I Parties in the Multilateral Consultative Committee. The representative of the Group of 77 and China speaking on behalf of the Group, stated that the Group stands by its position based on the well-established practice of the United Nations on the equitable geographical distribution principle. Despite sustained efforts, it was not possible to achieve consensus on these points at the sixth session of the AG13. In the event, however, that these outstanding issues are resolved at the fourth session of the Conference of the Parties, the COP may wish to adopt the multilateral consultative process under cover of the draft decision set out in annex III below.

#### **IV. REPORT ON THE SESSION**

(Agenda item 4)

13. At its 8<sup>th</sup> and 10<sup>th</sup> meetings, on 9 and 11 June respectively, Mr. Andrej Kranjc, Rapporteur, presented the draft report of the session. The AG13 considered and adopted the document and requested the Rapporteur, under the guidance of the Chairman and with the assistance of the secretariat, to complete the report, taking into account the discussions of the AG13 and the need for editorial adjustments.

14. The Chairman expressed his great appreciation to the participants for their constructive cooperation and their efforts to fulfil the Group's mandate, not just at the present session but throughout the entire period of the Group's existence, and declared the sixth session of the AG13 closed.

Annex I

**DOCUMENTS CONSIDERED BY THE AD HOC GROUP ON ARTICLE 13**

FCCC/AG13/1997/2	Report of the Ad Hoc Group on Article 13 on the work of its fourth session, Bonn, 25 - 28 February 1997
FCCC/AG13/1997/4	Report of the Ad Hoc Group on Article 13 on the work of its fifth session, Bonn, 28 - 30 July 1997
FCCC/CP/1997/7 and Add.1	Report of the Conference of the Parties on its third session, held at Kyoto from 1 to 11 December 1997
FCCC/AG13/1997/MISC.1	Scope and elements of the procedure of any proposed mechanism: submissions from Parties
FCCC/AG13/1997/MISC.2	Scope and elements of the procedure of any proposed mechanism: submissions from Parties
FCCC/AG13/1996/1	Questionnaire on the establishment of a multilateral consultative process under Article 13: synthesis of responses
FCCC/AG13/1996/2	Report of the Ad Hoc Group on Article 13 on the work of its second session, held at Geneva on 10 July 1996
FCCC/AG13/1996/4	Report of the Ad Hoc Group on Article 13 on the work of its third session, held at Geneva from 16 to 18 December 1996
FCCC/AG13/1996/MISC.1 and Add.1	Responses to questionnaire relating to the establishment of a multilateral consultative process: submissions by Parties and non-parties

FCCC/AG13/1996/MISC.2  
and Add.1

Responses to questionnaire relating to the establishment of a multilateral consultative process: submissions by intergovernmental and non-governmental bodies

FCCC/CP/1996/15  
and Add.1

Report of the Conference of the Parties on its second session, held at Geneva from 8 to 19 July 1996

FCCC/AG13/1995/2

Report of the Ad Hoc Group on Article 13 on the work of its first session, held at Geneva from 30 to 31 October 1995

FCCC/CP/1995/7  
and Add.1

Report of the Conference of the Parties on its first session, held at Berlin from 28 March to 7 April 1995

FCCC/CP/1995/MISC.2

Consideration of the establishment of a multilateral consultative process for the resolution of questions regarding implementation (Article 13): a review of selected non-compliance, dispute resolution and implementation review procedures

A/AC.237/59

Consideration of the establishment of a multilateral consultative process for the resolution of questions regarding implementation (Article 13)

A/AC.237/MISC.46

Consideration of the establishment of a multilateral consultative process for the resolution of questions regarding implementation (Article 13): submissions from delegations relating to Article 13



Annex II

**MULTILATERAL CONSULTATIVE PROCESS**

**TERMS OF REFERENCE**

Establishment

1. Pursuant to Article 13 of the United Nations Framework Convention on Climate Change, the Conference of the Parties hereby establishes a multilateral consultative process ("the process") in the form of a set of procedures to be served by a standing Multilateral Consultative Committee ("the Committee").

Objective

2. The objective of the process is to resolve questions regarding the implementation of the Convention, by:

(a) Providing advice on assistance to Parties to overcome difficulties encountered in their implementation of the Convention;

(b) Promoting understanding of the Convention;

(c) Preventing disputes from arising.

Nature

3. The process shall be conducted in a facilitative, cooperative, non-confrontational, transparent and timely manner, and be non-judicial. Parties concerned shall be entitled to participate fully in the process.

4. The process shall be separate from, and without prejudice to, the provisions of Article 14 of the Convention (Settlement of Disputes).

How issues would be taken up

5. Questions regarding the implementation of the Convention may be raised, with supporting information, by:
- (a) A Party with respect to its own implementation;
  - (b) A group of Parties with respect to their own implementation;
  - (c) A Party or a group of Parties with respect to the implementation by another Party or group of Parties;
  - (d) The Conference of the Parties.

Mandate of the Committee

6. The Committee shall, upon a request received in accordance with paragraph 5, consider questions regarding the implementation of the Convention in consultation with the Party or Parties concerned and, in light of the nature of the question, provide the appropriate assistance in relation to difficulties encountered in the course of implementation, by:
- (a) Clarifying and resolving questions;
  - (b) Providing advice and recommendations on the procurement of technical and financial resources for the resolution of these difficulties;
  - (c) Providing advice on the compilation and communication of information.
7. The Committee shall not duplicate activities performed by other Convention bodies.

Constitution

8. The Committee shall consist of [10] [15] [25] members. It shall be composed of persons nominated by Parties who are experts in relevant fields, such as those of science, socio-economics and the environment. The Committee may draw upon such outside expertise as it deems necessary.

9. [The members of the Committee shall be designated by the Conference of the Parties for three years, based on equitable geographical distribution<sup>1</sup> and the principle of rotation [with one half to be designated by Annex I Parties and one half to be designated by non-Annex I Parties]<sup>2</sup>. Outgoing members may be re-appointed for one immediate consecutive term. The Chairmen of the subsidiary bodies of the Convention may participate in the meetings of the Committee as observers.]

#### Deliberations

10. The Committee shall meet at least once a year. Meetings of the Committee shall, whenever practicable, take place in conjunction with sessions of the Conference of the Parties or its subsidiary bodies.

11. The Committee shall report to each ordinary session of the Conference of the Parties on all aspects of its work, with a view to the Conference of the Parties taking whatever decisions it considers necessary.

#### Outcome

12. The conclusions and any recommendations of the Committee shall be sent to the Party or Parties concerned for its, or their, consideration. Such conclusions and recommendations shall be consistent with the mandate as described in paragraph 6 above. They may include:

(a) Recommendations regarding cooperation between the Party or Parties concerned and other Parties to further the objective of the Convention; and

(b) Measures that the Committee deems suitable to be taken by the Party or Parties concerned for the effective implementation of the Convention.

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<sup>1</sup> The Group of 77 and China stated that they uphold the principle of "equitable geographical distribution" which is a well-established practice within the United Nations and strongly objected to the placement of the phrase "equitable geographical distribution" in square brackets by some Parties.

<sup>2</sup> Some Parties stated that the phrase "equitable geographical distribution" was not acceptable and that the following language should be inserted after the word "rotation":

with one half to be designated by Annex I Parties and one half to be designated by non-Annex I Parties.

These Parties also noted their view that "equitable geographical distribution" was not a well-established practice and was not applicable in this context.

13. The Party or Parties concerned shall be given the opportunity to comment on the conclusions and recommendations. The Committee shall, in addition, forward its conclusions and recommendations and any written comments of the Party or Parties concerned to the Conference of the Parties in due time before its ordinary sessions.

Evolution

14. These terms of reference may be amended by the Conference of the Parties to take account of any amendment to the Convention, decisions of the Conference of the Parties or experience gained with the working of the process.

Annex III**Draft decision recommended by the Ad Hoc Group on Article 13  
for adoption by the Conference of the Parties at its fourth session****Decision ../CP.4****Establishment of a multilateral consultative process**

*The Conference of the Parties,*

*Recalling* Article 13 of the United Nations Framework Convention on Climate Change,

*Recalling also* its decisions 20/CP.1, 4/CP.2 and 14/CP.3,

*Recognizing* with appreciation the work done by the Ad Hoc Group on Article 13 on the issues relating to the establishment of a multilateral consultative process and its design,

*Noting* that the Ad Hoc Group has completed the task assigned to it in decision 20/CP.1,

*Having considered* the final report of the Ad Hoc Group on its sixth session,

1. *Decides:*

(a) To adopt a multilateral consultative process as set out in the annex to this decision and to establish the Multilateral Consultative Committee referred to therein;

(b) To designate ..... as members of the Multilateral Consultative Committee until the fifth session of the Conference of the Parties;

(c) To designate ..... as members of the Multilateral Consultative Committee until the sixth session of the Conference of the Parties;

(d) To designate ..... as members of the Multilateral Consultative Committee until the seventh session of the Conference of the Parties;

(e) To appoint ..... as Chairman of the Committee until the sixth session of the Conference of the Parties;

2. *Requests* the secretariat, after consultation with the Chairman of the Committee, to arrange for the first meeting of the Committee, to be held in conjunction with a session of the subsidiary bodies in 1999.

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## **KEY CANADIAN INTERVENTIONS**

Subsidiary Body for Scientific and Technological Advice (SBSTA)  
Eighth Session  
Bonn, 2-12 June

**CANADIAN STATEMENT ON MECHANISMS FOR COOPERATIVE IMPLEMENTATION**

Thank you Mr. Chairman,

I would first like to begin by taking this opportunity to address the earlier discussion on the role of UNEP and the Executive Secretary's proposal on its possible role. Canada believes that UNEP is the voice for general environmental issues which are global in nature. Given the UNEP's umbrella status it is uniquely positioned to identify gaps and duplication on climate change issues within the UN system. Importantly, accountability can be assured as UNEP is under the direction of Parties here and in the Governing Council. .

Canada believes that the adoption at Kyoto of a Protocol with legally-binding targets was a historic turning point in our efforts to reduce greenhouse gas emissions and we resolve to make an urgent start on further work that is necessary to ratify and make Kyoto a reality. Accordingly, Canada believes that at the eighth sessions of SBSTA and SBI it is imperative that we undertake to make timely and constructive progress on such further work.

As these sessions of SBSTA and SBI represent the first meeting of the Parties since Kyoto we believe that the most productive approach would be one of "problem solving". To that end, Canada welcomes the work done by the Secretariat on the international mechanisms for cooperative implementation: international emissions trading, joint implementation and the Clean Development Mechanism in its document FCCC/SB/1998/2. The secretariat document identified many questions, however, we now need to move forward in addressing these challenges with the objective of maximizing the opportunities they create. Canada recommends that this could be most effectively accomplished having all issues related to international emissions trading could be dealt with in one contact or working group, while the project-based mechanisms such as JI and CDM could be discussed in a separate group.

In terms of substantive mandates for these groups, we recommend that the international emissions trading group examine the development of appropriate rules, guidelines and modalities in particular for verification, reporting and accountability. It is Canada's hope that such a focus could facilitate an agreement by CoP4 on a framework for reporting, verification and accountability. The objective should be to secure a simple, transparent and credible emissions trading regime that minimizes transaction costs and that serves as an incentive for active private sector engagement. In that respect, Canada would note that the imposition of an international cap on trading activities



would work contrary to the principle of market efficiency. Canada agrees that the cooperative mechanisms should aim towards achieving cost effectively the targets Annex 1 Parties agreed to at Kyoto --- namely an aggregate emissions reduction of 5.2% from 1990 levels by 2010. Targets agreed to at Kyoto should not be subject to renegotiation.

Meanwhile, the discussions on the evolution of the newly created CDM should receive special priority at this session. As you know, Mr. Chairman, the Kyoto protocol includes a provision allowing Parties to count certified emissions reduction obtained starting in the year 2000 towards their emissions target. As a result, the timely definition of a transparent and efficient CDM institutional structure is critical to provide incentives for early private and public participation in projects which reduce GHG emissions by source or enhance anthropogenic removals by sinks. An over-riding objective is for the CDM to evolve in a manner that is mutually-beneficial to both investor and host Parties, specifically how the CDM can support climate friendly development efforts in developing countries. But we believe discussions on function must precede form - we therefore suggest that our work first focus on issues such as baselines, and of criteria and procedures for crediting projects, before we discuss institutional and governance issues..

Similarly, Joint implementation is another mechanism that requires timely development in order to offer Annex 1 Parties and their private entities the incentive to undertake projects which reduce GHG emissions by source or enhance anthropogenic removals by sinks in another Annex 1 country. Work on Joint Implementation should focus on ensuring that JI is workable and attractive to the private sector. Clear rules, guidelines and modalities for JI should be developed in a way that they instill confidence in JI investments.

There are also cross-cutting issues germane to all the mechanisms, including carbon sequestration, other methodological issues and how to ensure that the mechanisms operate to allow for transferable, certified units. On the issue of carbon sequestration, we support a separate contact group on sinks.

We look forward to working cooperatively and constructively with our partners on these important issues.

Thank you.

June 2, 1998

Subsidiary Body for Implementation (SBI)  
Eighth Session  
Bonn, 2-12 June

**CANADIAN INTERVENTION REGARDING ANNEX 1 NATIONAL COMMUNICATIONS**

Thank you Mr. Chairman,

To begin with, I would like to take this opportunity to congratulate you for your recent nomination as chairman of the SBI. Canada looks forward to continuing our on-going engagement in this subsidiary body and we look forward to attaining a sufficient degree of progress within SBI between now and CoP 4.

Canada views our 2<sup>nd</sup> National Report and the subsequent in-depth review as a constructive experience which has lent guidance to and focused attention on our climate change policy. Canada is, however, concerned by the fact that some Annex 1 Parties were tardy in the submission of their 2<sup>nd</sup> National Reports.

Canada believes that the milestone dates which have already been mentioned by several Parties is an important principle. In particular, we view the year 2001 as an appropriate timing for Parties' submission of their 3<sup>rd</sup> National Reports, which we believe should be submitted simultaneously, by all parties, late in that year.

Additionally, in our 3<sup>rd</sup> National Communication, Canada will endeavor to improve our methodology for tracking technology transfers. In our 2<sup>nd</sup> National Report, we found this to be an especially difficult function given that most transfers tend to occur in the private realm - an area where our oversight for data collection is limited.

Thank you.

JUNE 2, 1998

Subsidiary Body for Implementation (SBI)  
Eighth Session  
Bonn, 2-12 June

Item 4 of the Provisional Agenda

### **CANADIAN INTERVENTION ON THE FINANCIAL MECHANISM**

Canada welcomes the successful conclusion of the GEF-2 replenishment which will allow the GEF to continue to act effectively as the financial mechanism serving the convention. As noted by some others, the GEF has registered much progress over the last few years. It must nevertheless, continue to evolve and enhance its effectiveness in order to reach its goals. We note the adoption of the Statement of the GEF Assembly and support the measures outlined in this statement, and in the recent replenishment policy statement for improvements to GEF effectiveness.

Canada would encourage that in elaborating any additional guidance to the financial mechanism, we ensure this centers on policies, programme priorities and eligibility criteria. It should also be additional to previous guidance and consistent with the role and mandate of the GEF.

Canada also continues to believe that the GEF should be confirmed as the permanent financial mechanism for the Climate Change Convention.

In responding to some points raised by others:

On the special needs of affected vulnerable countries, raised by the Philippines, Canada is sympathetic to adaptation requirements, and welcomes gains registered at Kyoto to provide support through CDM fees. We will have further comments on this subject under the relevant agenda item this afternoon.

We support the comments registered by China on the importance of further project cycle streamlining. But, on mainstreaming, Canada does not believe that such efforts are inconsistent with the objectives of implementation agencies in supporting development efforts.

Subsidiary Body for Implementation (SBI)  
Eighth Session  
Bonn, 2-12 June

**CANADIAN INTERVENTION ON ARTICLE 4.2 A&B**

Thank you Mr. Chairman,

The second review of the adequacy of Article 4.2 (a) & (b) provides and opportunity to begin to consider longer term steps under climate change instruments.

In this regard we support the framing of this issue as set forth in document 1998/SBI/2. In terms of scope, we agree that the review should include and assessment of the implications of the Kyoto Protocol in moving towards the ultimate objective of the Convention. In keeping with the objectives, future reviews should cover the effect and implications of actions on the part of all Parties, over time, having in mind the principle of common but differentiated responsibilities for emissions, as well as differentiated capacities to contribute to potential solutions.

We support your suggestion that the SBSTA be requested to provide relevant existing technical and scientific information required for such a review.

**JUNE 3, 1998**

Subsidiary Body for Implementation (SBI)  
Eighth Session  
Bonn, 2-12 June

**CANADIAN INTERVENTION ON POSSIBLE DECISIONS UNDER ARTICLE 4.2 (F)**

Thank you Mr. Chairman,

We thank Turkey for its statement and are sympathetic to Turkey's situation. The review of the Convention's annexes - including Turkey's removal from Annex 1 - should be undertaken in a broad context. For example, the removal of Turkey from the Annex begs the question as to what commitments would otherwise cover Turkey. Options for pursuing possible tracks for such commitments might be examined more broadly before making a final determination on its particular case. We would welcome clearer indications of Turkey's own intentions for commitments in the spirit of the Kyoto Protocol, bearing in mind its national circumstances. Like Australia and others we welcome the opportunity to work with others on a constructive solution to Turkey's unique situation.

**JUNE 3, 1998**

Subsidiary Body for Implementation (SBI)  
Eighth Session  
Bonn, 2-12 June

**CANADIAN INTERVENTION REGARDING NATIONAL COMMUNICATIONS  
FROM PARTIES NOT INCLUDED IN ANNEX 1**

Thank you Mr. Chairman,

Canada fully supports the establishment of a review process for non-Annex 1 Parties and hopes that a decision on this can be reached at CoP 4. We would like to particularly thank the co-chairs for their draft compilation which provides a good basis for further discussion.

We congratulate those countries who have completed their initial national communications, look forward to additional communications, and thank those that have shared their experiences with us today .

With respect to the role of the GEF in supporting these national efforts we will coordinate our comments on the GEF under agenda item 4. Canada welcomes the initiative of the United States and Malaysian co-chairs to hold a workshop in August in Kuala-Lumpur. We see value in the role of such an informal workshop to increase awareness of the guidelines for preparing national communications, methodologies and the review process itself.

Thank you

**JUNE 4, 1998**

Subsidiary Body for Implementation (SBI)  
Eighth Session  
Bonn, 2-12 June

Item 7 of the Provisional Agenda

**CANADIAN DRAFT INTERVENTION ON THE REVIEW OF ARTICLE 4.8 AND 4.9  
OF THE CONVENTION  
(IMPACTS ON OIL EXPORTERS AND VULNERABLE COUNTRIES)**

Canada recognizes the importance of climate change adaptation efforts in vulnerable regions of the globe. We realize that efforts to reduce vulnerability of developing countries from the adverse effects of climate change are, in some cases, pressing.

We believe that this issue has been reflected in the Convention, which includes a provision for the transfer of technology to developing countries, and in the Protocol in the provision for a clean development mechanism. Canada will continue to work, including through the clean development mechanism, towards increasing access of developing countries to climate-friendly technologies to help them adapt.

Canada notes the proposition made by Samoa (on behalf of the Alliance of Small Island States), in the Secretariat's document FCCC/SB/1998/MISC.1, to include adaptation fees for JI and international emissions trading.

That said, Canada rather supports the provisions, under Article 12 of the Protocol, whereby a portion of the administrative fee for CDM projects be used to fund adaptation projects. This should provide an adequate basis for funding support to affected developing countries. Progress in the context of the CDM discussions are important to ensure that projects can start in 2000, which would also ensure an early start for adaptation projects. We look forward to working closely with those of our partners that are particularly affected on the potential use of such fees.

Canada would ask like to acknowledge the adaptation work done by the IPCC, which may contribute to reducing the vulnerability of countries to the adverse effects of climate change.

**(If a study is proposed)**

As an oil-exporting country, Canada is sympathetic to the challenges faced by countries heavily dependent on this sector. In this regard, Canada supports studies on the potential for fossil fuel-dependent economies to diversify their economic bases. These studies may be useful in helping such economies adjust to a different global energy economy that will result from our collective efforts to address climate change.

**(If compensation raised -- reactive only)**

Canada cannot support the proposition for financial compensation for oil-based economies that would see oil revenues diminish as a result of mitigative actions by Annex I Parties to meet their emissions targets. From our perspective, Parties should be encouraged, not penalized, to undertake mitigative actions to meet the objectives of the Convention.

Thank you, Mr. Chairman



## CANADIAN STATEMENT ON CARBON SINKS

*{NOTE: not exactly as read}*

Thank you Mr. Chairman for the opportunity to share Canada's position on carbon sinks. Canada will continue to promote the inclusion of all sinks, including agricultural soils, as a means of meeting our commitments to reduce greenhouse gas emissions.

At the third Conference of Parties meeting, SBSTA was tasked with carrying out the work outlined in Article 3.4 of the Protocol. That is, to consider modalities, rules and guidelines for land use and forestry categories as well as to consider adding additional sink activities. It is our intention to ensure that the discussions on definitions and additional activities, including the interpretation of the language of the Protocol, are dealt with in a manner that reflects the unique nature of our forestry and agricultural sectors. Canada will continue to support a position that is justifiable and defensible and that is based on giving credit for reducing emissions and enhancing sinks.

Canada will work with Parties to refine the definitions, guidelines and rules for measuring carbon stock and reforestation, afforestation and deforestation activities. We will continue to promote the improvement in methodologies and verification procedures, subject to appropriate treatment of natural disturbances and guidelines reflecting our concerns about the treatment of forest products. Canada is further committed at these meetings to working toward guidelines for ensuring that sinks activities are verifiable, transparent, achievable and consistent with IPCC guidelines.

Mr. Chairman, the capacity of agricultural soils to store carbon presents an opportunity for farmers on a global scale to undertake more sustainable farming practices which will contribute to the reduction of atmospheric greenhouse gases with additional desirable improvements to soil and water quality, enhancement of biodiversity and wildlife habitat. Canada's experience in this field provides us with the confidence to believe that sustainable land management practices do indeed improve the ability of soils to absorb atmospheric CO<sub>2</sub>. As well, scientific advances have improved methodology for measuring soil carbon content with a relatively high degree of certainty over time. In light of the very significant opportunities for restoration of degraded soils in developing countries, Canada would recommend the inclusion of soils sinks within the Clean Development Mechanism.

In accordance with SBSTA's mandate, Canada would recommend that parties undertake discussions on sinks with the objective of resolving outstanding technical issues as well as considering the addition of our carbon sinks, such as agricultural soils. We would advocate the establishment of a contact group on sinks through which parties can discuss carbon sequestration issues in light of the existing technical information. We look forward to working with our partners in the Protocol to advance the ability of countries to build on the capacity of sinks in their efforts to meet the Convention's objectives.

Thank you.



**OTHER DOCUMENTS**

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FOR G-77 AND CHINA

*[Signature]*  
2/6  
2/6/98  
- pm.

THE GROUP OF 77 AND CHINA, AT THE OPENING OF THE JOINT SBSTA/SBI SESSION, 2 JUNE 1998, BONN.

MR. BAKARY KANTE, CHAIRMAN OF THE SUBSIDIARY BODY ON IMPLEMENTATION

MR. CHOW KOK KEE, CHAIRMAN OF THE SUBSIDIARY BODY ON IMPLEMENTATION,

FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

HONORABLE GUESTS,

DISTINGUISHED DELEGATES, LADIES AND GENTLEMEN,

I HAVE THE HONOUR OF SPEAKING ON BEHALF OF THE GROUP OF 77 AND CHINA. <sup>Please allow me once again</sup> MAY I BE ALLOWED ONCE MORE TO STATE <sup>my</sup> OUR GREAT PLEASURE IN SEEING TWO OF OUR DISTINGUISHED MEMBERS IN THE CHAIRS OF THESE IMPORTANT SUBSIDIARY BODIES OF THE CLIMATE CHANGE CONVENTION, AND TO REITERATE TO THEM OUR FULL CONFIDENCE AND SUPPORT.

MR. CHAIRMEN,

THE GROUP OF 77 AND CHINA WOULD LIKE TO TAKE THIS OPPORTUNITY ONCE AGAIN <sup>to</sup> REITERATE THE PRINCIPLES WHICH GUIDE US IN THIS CONVENTION, IN PARTICULAR THE PRINCIPLES OF COMMON BUT DIFFERENTIATED RESPONSIBILITIES. UNDER THIS PRINCIPLE, DEVELOPED COUNTRIES MUST TAKE THE LEAD IN MODIFYING LONGER-TERM TRENDS IN ANTHROPOGENIC EMISSIONS, CONSISTENT WITH THE OBJECTIVE OF THE CONVENTION.

THIS IS WHAT WE ADOPTED IN KYOTO AS A FIRST STEP, THE KYOTO



PROTOCOL RENDERING ADEQUATE THOSE COMMITMENTS FOUND TO BE INADEQUATE IN 1995 IN BERLIN. THIS WAS THE FOCUS OF THE WORK WE DID IN KYOTO, TO STRENGTHEN COMMITMENTS OF DEVELOPED COUNTRY PARTIES AS THE FIRST IN A SERIES OF REVIEW OF ADEQUACY OF COMMITMENTS, THE SECOND REVIEW, IN ACCORDANCE WITH THE CONVENTION, WILL TAKE PLACE AT THE FOURTH MEETING OF THE CONFERENCE OF THE PARTIES, BEFORE THE END OF 1998.

THE PROTOCOL CONTAINS SOME MECHANISMS FOR "OVERSEAS COMPLIANCE" WITH THE TARGETS, IN PARTICULAR ONE WHICH WAS BASED ON A PROPOSAL BY THE GROUP OF 77 AND CHINA, THE CLEAN DEVELOPMENT MECHANISM.

MR. CHAIRMEN,

NEW MECHANISMS BRING ABOUT NEW UNCERTAINTIES, TECHNICAL AS WELL AS POLITICAL, WHICH WE HAVE TO SETTLE BEFORE WE DISCUSS ANY ACTIVITIES UNDER THESE MECHANISMS. THERE IS A NEED FOR US TO COME TO A COMMON UNDERSTANDING ON WHAT THESE MECHANISMS ARE AS DEFINED IN THE PROTOCOL, TO STUDY THE METHODOLOGICAL ISSUES OF EACH, THEIR DIFFERENCES AND THEIR COMMON CHARACTERISTICS, BEFORE WE COME TO A DETERMINATION OF ANY MODALITIES. THESE MODALITIES WOULD BE DETERMINED, IN ACCORDANCE WITH THE PROVISIONS OF THE RELEVANT ARTICLES BY THE COP SERVING AS THE MEETING OF THE PARTIES.

WE HAVE TO PROCEED ON A STEP-BY-STEP BASIS ON MECHANISMS IN A PROTOCOL THAT HAS YET TO ENTER INTO FORCE IN THE FIRST PLACE. ADOPTION OF A PROTOCOL IS A LONG WAY FROM TAKING THE LEAD IN MODIFYING LONGER-TERM TRENDS BY DEVELOPED COUNTRIES. AS STATED IN THE CONVENTION, POLICIES AND MEASURES WILL HAVE TO DEMONSTRATE THAT INDEED DEVELOPED COUNTRIES ARE TAKING THE

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LEAD ON THIS MATTER.

MR. CHAIRMEN,

THESE MECHANISMS ARE SUPPLEMENTAL TO DOMESTIC ACTION. LET US FIRST SEE PROOF OF WHAT IS ACHIEVED BY DOMESTIC ACTION, THEN DETERMINE COMPLIANCE WITH THIS ACTION, BEFORE ADDING THE "SUPPLEMENT". IN THE MEANWHILE, WE HAVE IMPORTANT ACTIVITIES TO UNDERTAKE IN IMPLEMENTATION OF THE CONVENTION, AS WE HAVE ARTICULATED THIS MORNING BEFORE THE TWO SUBSIDIARY BODIES.

MR. CHAIRMEN,

THE GROUP IS BECOMING INCREASINGLY ALARMED AT THE VARIOUS INTERPRETATIONS THAT HAVE BEEN GIVEN TO THE CLEAN DEVELOPMENT MECHANISM. THE CDM IS NOT A "CLEANER PRODUCTION MECHANISM", NOR IS IT TO BE ASSIMILATED TO A "GLOBAL CARBON INITIATIVE OR FUND," PROTOTYPE OR OTHERWISE, OR ANY OTHER SUCH SCHEMES. TO CALL THIS A MECHANISM FOR COOPERATIVE IMPLEMENTATION IS LIKEWISE INCORRECT, AS WE HAVE POINTED OUT EARLIER.

WE WOULD URGE THOSE ENTITIES OUTSIDE THE CONVENTION SEEKING TO DEFINE THE CDM THROUGH THESE TERMS TO BE GUIDED BY WHAT THE CONFERENCE OF THE PARTIES AGREED IN THE CONVENTION AND IN THE PROTOCOL. WE WOULD CALL ON THEM TO REFRAIN FROM MISLEADING THEMSELVES AND OTHERS, AS THIS WILL SERVE NO USEFUL PURPOSE AND WILL ONLY HINDER RATHER THAN ASSIST FORWARD MOVEMENT. WE DO NOT WELCOME THEM, SINCE THEY SERVE TO CONFUSE THE PENDING DISCUSSIONS BY THE ONLY BODY MANDATED TO DISCUSS THESE ISSUES, THE CONFERENCE OF THE PARTIES.

IT SHOULD ALSO BE MADE CLEAR THAT THE GROUP IS NOT IN FAVOUR OF

4

ANY ENTITY OUTSIDE THE CONVENTION PROCESS TO DEAL WITH IN ANY MANNER WITH THIS MECHANISM. THE GROUP IS OF THE VIEW THAT THE CDM , AS PROPOSED BY THE G-77 AND AGREED BY CONSENSUS, IS FIRST AND FOREMOST A MECHANISM TO PROMOTE SUSTAINABLE DEVELOPMENT, RATHER THAN MERELY A MARKET-BASED MECHANISM. A BALANCE MUST BE ACHIEVED BETWEEN THE OBJECTIVE SET OUT FOR ANNEX I COUNTRIES, THAT OF OBTAINING CERTIFIED EMISSION REDUCTION UNITS, AND THE OBJECTIVE OF NON-ANNEX I COUNTRIES IS TO ACHIEVE SUSTAINABLE DEVELOPMENT, AS SET OUT IN ARTICLE 12.2 OF THE PROTOCOL. THIS ARTICLE IS VERY CLEAR, AND NO CONFUSION IS POSSIBLE.

THE DETERMINATION OF THE METHODOLOGICAL ISSUES AND THE SUBSEQUENT MODALITIES MUST REMAIN IN THE HANDS OF THE SUPREME BODY OF THE CONVENTION, THE COP AND ITS SUBSIDIARY BODIES, AS WELL AS THE IPCC WHICH PROVIDES THE COP WITH SCIENTIFIC AND TECHNICAL ADVICE, THROUGH SBSTA.

MR. CHAIRMEN,

PRIORITIES MUST BE GIVEN TO CONVENTION-BASED ITEMS IN THESE MEETINGS. THIS IS THE TASK OF THE COP. WE MUST ABIDE BY THE DECISIONS TAKEN AT KYOTO ON THE WORK OF THESE SUBSIDIARY BODIES. THE BALANCE OF THE CONVENTION, BASED ON THE PRINCIPLES OF COMMON BUT DIFFERENTIATED RESPONSIBILITIES MUST BE MAINTAINED. THE GROUP OF 77 AND CHINA WILL TAKE THIS APPROACH IN THESE DISCUSSIONS.

MR. CHAIRMEN,

GIVEN THE AMOUNT OF WORK WE HAVE BEFORE US, AND THE NUMBER OF CONTACT GROUPS TO BE ESTABLISHED, MAY WE REQUEST THAT WE TRY TO KEEP AS MUCH AS POSSIBLE WITHIN THE LIMITS OF NO MORE THAN TWO BIG MEETINGS AT THE SAME TIME. WE WILL, AS IN USUAL PRACTICE, ASSIGN

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COORDINATORS OF THE GROUP TO WORK ON THE DIFFERENT ISSUES IN ORDER TO KEEP OUR MEMBERS FULLY INVOLVED IN THE DISCUSSIONS. WE WOULD STILL LIKE TO REQUEST THAT ALL CONTACT GROUP MEETINGS BE CLEARLY MARKED IN THE BULLETIN BOARDS TO ENSURE OUR EFFECTIVE PARTICIPATION IN THESE MEETINGS.

THANK YOU, MR. CHAIRMEN.



*Check against delivery*

**CLOSING STATEMENT BY  
HIS EXCELLENCY AMBASSADOR IZHAR IBRAHIM  
OF THE REPUBLIC OF INDONESIA ON BEHALF OF THE GROUP  
OF 77 AND CHINA**

**BEFORE THE MEETINGS OF THE SUBSIDIARY BODIES OF THE  
UNITED NATIONS FRAMEWORK CONVENTION OF CLIMATE  
CHANGE**

**BONN, 12 JUNE 1998**

Mr. Chairman,

I have the honor to deliver this statement on behalf of the Group of 77 and China. I would like to take this opportunity to take stock of a number of issues and to underline areas where greater focus is necessary.

#### Arrangements of COP-4

The COP-4 must respect the mandate of the Convention. The COP-4 should not be distracted by issues which are extraneous to the letter and spirit of the Convention, namely through introduction of any new commitments for the developing country Parties.

The High Level Segment of the COP-4 should reiterate the determination of all parties to advance the implementation of the existing commitments under the Convention on priority basis, pending the entry into force of the Kyoto Protocol. The Group of 77 and China would like to reiterate that the High Level Segment must not be bound by any declaration originating in any body or meeting that is extraneous to COP-4.

#### Transfer of Technology

The Group of 77 and China expresses concern at the lack of progress in technology transfer to developing countries, despite the relevant provisions of the Convention as well as the relevant decisions of the COPs adopted in earlier three sessions. The Group urges expeditious action in transfer of technology and strengthening the endogenous capacities and capabilities in developing countries.

#### Second Review as Stipulated in Article 4.2 (d) of the Convention

The Group of 77 and China is deeply concerned that most of the developed country Parties will not be able to honor their commitments of returning to their 1990 levels of anthropogenic emissions of greenhouse gases as required of them by the Convention. The Group urges the developed country Parties that have not made demonstrable progress in returning to their 1990 levels of emissions to make efforts in good faith in honoring their commitments by action between now and the year 2008.

The Group reiterates that there must be no new commitments, voluntary or otherwise, introduced for all developing countries, under any guise, in such reviews.

#### Financial Mechanism

The Group would like to see an effective review of the financial mechanism. However, it is not getting the necessary cooperation on improvement of the functioning of the operating entity, on an interim basis. Until this cooperation moves forward, the group would have to further review this financial mechanism.

#### Mechanisms of the Kyoto Protocol

The Group of 77 and China maintains that the mechanisms of the Kyoto Protocol have to proceed on a step-by-step basis, as the protocol has yet to enter into force, and that a common understanding has to be reached on the nature of these mechanisms. The study of methodological

issues is a first step to be taken. All the mechanisms have to be examined on the basis of the principles of equity, sustainable development, the other principles, and the objective of the Convention. The issues relating to the Clean Development Mechanism (CDM) should be addressed first. The Group further maintains that domestic actions by the developed countries should be their primary means of greenhouse gas limitation and reduction, and that the overseas mechanisms should be supplemental to such domestic actions by developed countries for the purpose of meeting their quantified emissions limitation and reduction commitments.

#### AG-13

The AG-13 negotiations have raised a matter of grave concern to us. There is a concerted effort to erode the well-established UN principle of equitable geographical representation in the establishment of the Multilateral Consultative Committee (MCC). This is a fundamental principle that every UN member should respect and honor. The Group cannot accept any other arrangement that seeks to dilute this carefully conceived principle.

Since the Multilateral Consultative Process (MCP) is expected to be a non-confrontational, cooperative and consultative process, it is all the more essential that the Committee adheres to the principle of equitable geographical representation in its establishment.

#### Articles 4.8 and 4.9

Group of 77 and China emphasizes that these Articles relate to the concerns of all developing countries including the least developed country Parties arising from adverse effect of climate change and the impact of the implementation of response measures. The Group is disappointed at the lack of progress in implementing these provisions even after six years of deliberations. The Group urges immediate implementation of Articles 4.8 and 4.9 of the Convention as these relate to the very survival of many of the member states.

Mr. Chairman,

The developing country Parties have on their own undertaken many projects, policies, and activities to address the problem of climate change and achieve sustainable development. The Group is confident that these efforts contribute meaningfully to modify the longer term trends of climate change. In this context, the provisions of new and additional financial resources and transfer of technology, as specified in the Convention, must be implemented.

Mr. Chairman,

On behalf of the Group of 77 and China, I would like to thank the Executive Secretary, the Secretariat Staff, translators, interpreters, Conference officers, for their tireless work and dedication. I would also like to take this opportunity to express sincere gratitude to the government and the people of Argentina, our hosts to the COP-4.

Thank you, Mr. Chairman.

FINAL VERSION  
- FOR DELIVERY

STATEMENT BY UNITED KINGDOM  
ON BEHALF OF THE EUROPEAN  
COMMUNITY AND ITS MEMBER STATES

(Bonn, 2-12 June 1998)

SBSTA 3 - Agenda item 8(d)  
SBI 3 - Agenda item 8(d)

**EMISSIONS TRADING**

The United Kingdom, on behalf of the European Community and its Member States, notes that paragraph 5(b) of Decision I/CP.3 identifies as an issue for prompt consideration by the Conference of the Parties the "definition of relevant principles, modalities, rules and guidelines, in particular for verification, reporting and accountability of emissions trading, pursuant to Article 17 of the Protocol."

The EU considers that, before ratification, satisfactory progress on a number of outstanding issues is necessary, particularly with regard to the operation of flexible mechanisms such as emissions trading, to ensure that these provide real, cost effective and verifiable environmental benefits and do not create loopholes that undermine the objectives of the Protocol.

The EU believes that international emissions trading should be subject to appropriate rules, modalities and guidelines, and that progress should be made in their development at the Fourth Conference of the Parties in Buenos Aires in November 1998. These rules, modalities and guidelines should ensure that real emission reductions are delivered at lower cost and that the trading of "hot air" should not lead to overall reductions being lower than would otherwise be the case.

The EU would like to stress the importance of modalities, rules and guidelines for the operation of flexible mechanisms under the Protocol being consistent with each other. We would further stress that domestic action should provide the main means of meeting the commitments under Article 3 and that the modalities, rules and guidelines should ensure that those mechanisms do not undermine this principle or weaken those commitments. In this context, the EU welcomes the provision in the Protocol that emissions trading shall be supplemental to domestic action and believes that, to achieve these aims, a concrete ceiling on the use of flexible mechanisms should be defined.

The EU believes that the role of emissions trading in helping us achieve our commitments cost-effectively will depend, in part, on the operation of the market. Therefore, rules, modalities and guidelines should be developed to ensure that the emissions trading market is transparent, accessible and verifiable, functions in a non-discriminatory manner, and does not lead to distortions of competition. Monitoring and verification will be essential, as will be the adoption and ratification of a strong compliance regime under Article 18 as a prerequisite for participation in a trading regime. In this context, the EU believes that careful consideration will need to be given to the share of risk between the buyer and the seller.

The EU notes that Article 17 of the Protocol is silent on the issue of whether a Party may authorise legal entities to participate, under its responsibility, in international emissions trading. There are potential advantages in doing so: but it would be essential to retain the clear responsibility of Parties for their commitments under the Protocol. If legal entities were permitted to trade internationally, it would be essential to govern the monitoring, verification, accountability and compliance of subnational legal entities, and to ensure that allocation to legal entities did not represent a disguised distortion of international trade.

To conclude, the EU believes that international emissions trading should be subject to appropriate rules and that these should be developed at COP 4. Progress should be made on as many aspects as possible and a clear timetable established for handling outstanding issues.

2/6/98 - P.M.

FINAL VERSION  
- FOR DELIVERY

STATEMENT BY UNITED KINGDOM  
ON BEHALF OF THE EUROPEAN  
COMMUNITY AND ITS MEMBER STATES

(Bonn, 2-12 June 1998)

SBSTA 8 - Agenda item 8(c)  
SBI 8 - Agenda item 8(c)

**CLEAN DEVELOPMENT MECHANISM**

I am pleased to make this statement on behalf of the European Community and its Member States.

The European Union welcomes the clean development mechanism as a means to promote global emissions reductions while promoting sustainable development, providing investment and building capacity for the future in developing countries. But it must work in an effective and efficient manner and ensure real and verifiable environmental benefits.

There are many details still to agree and we clearly need to prioritise our work. At this meeting, we need to agree a well-defined timetable for action at COP 4 and beyond. We would like to say a few words about what that timetable might look like.

Decision 1.CP3 sets one specific task for COP 4 in relation to the CDM, which is to consider the implications of early (that is pre-2008) crediting. The EU agrees this is important. But this should be seen in the wider context of making the CDM truly effective and operational in promoting long term reductions and sustainable development. We think it essential for COP 4 to agree on what contribution CDM activities could make to Annex I Parties' QELROs within the framework of the Kyoto Protocol - in other words, to define the term "part of" in Article 12.3 of the Protocol. It is a well-known position of the EU and many other Parties that developed countries should take the lead in reducing emissions and that domestic actions should be the main means of achieving reductions - which we believe requires the definition of a concrete ceiling on the use of flexible mechanisms. The "part" which is required to be determined under Article 12.3(b) of the Protocol should therefore be determined in a way which ensures that Annex I Parties overall still achieve a significant reduction in their emissions. The EU looks forward to constructive discussion on this during this meeting.

If the CDM is to be effective, modalities, procedures and guidance need to be established. The CDM cannot become operational until a clear framework has been adopted, including the adoption and ratification of a compliance system, and work on these is a priority. The EU proposes that COP 4 should agree on key principles and should agree terms of reference for further work by the COP, Subsidiary Bodies and FCCC Secretariat.

Further work would include a clear definition of additionality and of the calculation of baselines to confirm that CDM projects will produce real, measurable reductions. We need to take full account of the work being done on the concept of JI and of lessons from the AIJ pilot phase. We believe that the three flexibility mechanisms should be consistent with each other.

We also need to think carefully about the processes of certification, verification and reporting for the CDM. We believe that we must encourage investment, particularly private sector investment, in emissions reductions in non-Annex I countries and ensure that reductions are real and additional.

The further work should also consider other issues: these include the rules for the use of share of proceeds for adaptation activities; categories of activities permitted under the CDM; and the respective roles of the COP/MOP, the executive board and the operational entities of the CDM.

In terms of the categories of activities to be covered by the CDM, we note that Article 12 does not refer to removals by sinks. We believe there to be considerable issues of complexity, over and above those being considered under Article 3, involved in the inclusion of sinks projects under the CDM. These merit much further thought and we therefore believe that the CDM should not apply to sinks unless the COP/MOP were to decide otherwise.

Until we have defined the tasks of the CDM more closely, we do not think we can take a final view on what form and identity the various institutions established by Article 12 will have. But we should start to discuss options. We believe that we should hold to certain principles, including that we build fully on the work and experience of relevant bodies, such as the IPCC, the Convention Secretariat and the GEF and its Implementing Agencies. This includes the experience of the IFIs, including regional development banks, in helping to mobilise private investments related to climate change.

Mr Chairman, the European Union and its Member States will do its utmost at this meeting and beyond to ensure that the CDM will operate as a successful, effective mechanism in support of the global environment.

~~From Norway~~ → on behalf of U6.

Mr Co-Chairman,

Mr. Co-Chairman, we welcome the intervention of India on behalf of G77 and China, and we appreciate the hard work they have undertaken over the last few days to present their views on key issues to be addressed. After having heard the number of questions posed, it strikes us that many of them are along the same lines as those that have been in the two trading papers that have been put forward. This should provide a good basis for engaging in a focussed and solution-oriented exchange of views. We welcome this progress and believe it is important to build on what we have already agreed to in Kyoto.

We all agreed to a package in Kyoto, a hard won package where all elements are interlinked with each other. We are convinced that the agreement on the flexible mechanisms allowed us to take on more ambitious commitments than would otherwise have been possible. We see the mechanisms as being derived from the principle of Article 3 paragraph 3 in the Convention, which says that "policies and measures to deal with climate change should be cost-effective so as to ensure global benefits at the lowest possible costs".

While the mechanisms were agreed, the language left a number of tasks to be sorted out before they are operationalized, and the implications of a ratification are clear for our governments. Advancing these issues was entrusted by COP 3 to this SBI/SBSTA session. This will encourage early ratifications and entry into force of our Protocol, which is what we all want. We should not make these tasks unnecessarily complicated, but work on those issues that were assigned to us by COP 3 and that we have to solve in an expedient and prioritized manner. In cooperation with other countries we have tried to do this via through developing a paper on emissions trading. We also welcome constructive elements in the paper tabled by the "EU plus eleven" group of countries.

Mr. Co-Chairman, we should not spend time trying to reopen issues that were agreed in Kyoto. Such an issue is the issue of a quantitative cap to ensure complementarity. This proposal was with us the whole time in Kyoto, but was finally rejected. We all recognize the need to take domestic actions, which we are committed to both in the Convention itself and will be through the Kyoto Protocol. Domestic action should, however, be assessed in a qualitative way through the reporting and review procedures of the national communications. The Convention process has proved that we are indeed taking action, and new initiatives are under way. Already in April my government made a number of proposals in a report to Parliament, focussing on domestic action as a follow-up to Kyoto.

Mr. Chairman, notwithstanding the impracticability of constructing a quantitative cap on the use of flexible mechanisms, we believe that a cap would seriously affect the workability of these mechanisms. It could, for example, lead to less CDM projects being realized, and thus less projects for sustainable development and adaptation in developing countries. A effective flat cap on trading would also entail different



marginal costs in different countries, and thus violate the principle on cost-efficiency that is contained in Article 3 para 3 of the Convention.

Mr. Co-chairman, the main result and great success of Kyoto was the agreement on at least 5 per cent reduction in developed countries emissions of GHGs, and the distribution of assigned amounts for each of these countries for the first budget period. This was arrived at after very tough negotiations. We urge all Parties to accept those results and not try to reopen the Protocol through the "mechanism" issue. As you will recall, we argued for arriving at differentiated commitments in a more systematic way. We see this as a task in preparing for the negotiations of the next budget periods.

We think that the co-chairs paper on the mechanisms provides a workable basis for achieving progress at this meeting. Our priority is to work further on trading and CDM, and we think that is fully possible to establish a system that is credible, verifiable and accountable within a relatively short timeframe. In fact, we see this as a precondition for an efficient and effective implementation of the Protocol.

PROYECTO DE DISCURSO

MR. CHAIRMAN:

I AM VERY HONORED TO ADDRESS THIS MEETING IN WHICH IMPORTANT ISSUES CONCERNING THE FUTURE OF THE PLANET, OF HOW WE ARE GOING TO DEAL WITH GLOBAL WARMING AND CLIMATE CHANGE AFTER KYOTO, ARE GOING TO BE ADDRESSED AND DEBATED, IN PREPARATION FOR THE CONFERENCE OF BUENOS AIRES.

THE AGENDA IS A VERY IMPORTANT AND INTERESTING ONE WHICH HAS BEEN DIRECTED TO PURSUE THE NECESSARY AGREEMENTS THAT WILL MAKE THE KYOTO PROTOCOL OPERATIVE.

IT IS NECESSARY THAT WE KEEP UP THE "SPIRIT OF KYOTO" WHICH MADE A DYNAMIC AND A CREATIVE MOVE TOWARDS HONOURING THE GOALS SET FORWARD IN 1992 WHEN WE ADOPTED THE CONVENTION ON CLIMATE CHANGE.

KYOTO REPRESENTS A MAJOR STEP FORWARD IN THE ACHIEVEMENT OF THE GOALS AND

OBJECTIVES ESTABLISHED IN THE CONVENTION: BUENOS AIRES SHOULD BE ANOTHER STEP IN THE SAME DIRECTION.

THE KYOTO PROTOCOL HAS DETERMINED AND DEFINED SIGNIFICANT ISSUES IN THE PATH TOWARDS ATTAINING AN IMPORTANT REDUCTION OF GREENHOUSE GAS EMISSIONS. BUT THE OPERATIVITY OF THE INTERNATIONAL REGIME DEvised IN KYOTO HAS BEEN LEFT TO BE DECIDED IN BUENOS AIRES.

THE ARGENTINE GOVERNMENT IS WELL AWARE OF THE DIFFICULTIES WITH WHICH WE WILL HAVE TO DEAL IN THE IV CONFERENCE OF THE PARTIES WHEN WE MEET IN OUR CAPITAL IN NOVEMBER.

I WISH TO ASSURE ALL DELEGATIONS PRESENT THAT WE AS HOSTS WILL DO WHATEVER IS IN OUR HANDS TO HELP THE IV CONFERENCE TO SUCCEED, IN FACT TO BRING TO LIFE THE SYSTEM DEvised IN KYOTO.

WE SHOULD TRY NOT TO INSIST ON ANY PROPOSALS WHICH MAY BE SEEN AS DIVISIVE IN THE LIGHT OF THE DEBATES WE HAVE HAD SO FAR. ON OUR SIDE WE WILL SUPPORT OUR POSITIONS THROUGH MORE

WIDELY ACCEPTED MEANS IN THE SEARCH FOR CONSENSUS. OUR ULTIMATE GOAL IS TO ACHIEVE A STARTING POINT TOWARDS THE EFFECTIVENESS OF THE CONVENTION AND THE PROTOCOL.

I THINK WE HAVE TO ESTABLISH CERTAIN PRIORITIES IN ORDER TO ACHIEVE POSITIVE RESULT IN BUENOS AIRES.

THE KYOTO PROTOCOL HAS LEFT OPEN MANY QUESTIONS: WE WILL NOT BE ABLE TO SOLVE ALL OF THEM. THE PROTOCOL ITSELF HAS ESTABLISHED DIFFERENT TIMETABLES FOR THESE ISSUES.

BUT HAVING OBSERVED WITH GREAT ATTENTION WHAT HAS BEEN SAID IN THE TWO MEETINGS HELD BY THE BUREAU IN MARCH AND IN APRIL, AS WELL AS THE DISCUSSIONS THAT ARE BEING HELD IN DIFFERENT WORKSHOPS, FORA AND INFORMAL MEETINGS, I THINK WE COULD ESTABLISH THAT THERE IS A GREAT INTEREST, ALMOST A CONSENSUS, IN THE EARLY FUNCTIONING OF THE CLEAN DEVELOPMENT MECHANISM ESTABLISHED IN ART. 12, AND ALSO, INTERPRETING THE WISHES OF A WIDE NUMBER OF COUNTRIES, IN THE MECHANISM OF

"EMISSIONS TRADING" DEFINED IN ART. 17 OF THE PROTOCOL.

AN IMPORTANT ISSUE BEFORE US IS THE QUESTION AS TO WHETHER WE COULD IDENTIFY ELEMENTS WHICH ARE COMMON TO ALL FLEXIBILITY MECHANISMS. EARLY TRADING OF CER'S IS A PRIORITY ESTABLISHED BY THE PROTOCOL ITSELF. I WOULD VENTURE TO SAY THAT, NOT WITHSTANDING THEIR DIFFERENT NATURE, THOSE ELEMENTS DO EXIST.

*(certified emission trading)*

ANOTHER IMPORTANT ISSUE IS HOW WE ARE GOING TO COUNT EMISSIONS WITHIN AN INTERNATIONAL FRAMEWORK, WITH SOUND SCIENTIFIC SUPPORT, THAT IS TRANSPARENT AND VERIFIABLE. RELATED TO THIS IS THE QUESTION OF COMPLIANCE TO WHICH WE SHOULD ATTACH GREAT IMPORTANCE INASMUCH AS THE FULFILMENT OF THE OBJECTIVES OF BOTH THE CONVENTION AND THE PROTOCOL DEPEND ON HOW WE WILL DEAL WITH THIS ISSUE.

I AM OF THE OPINION THAT WE SHOULD DEFINE CLEAR PRIORITIES TO HELP THE CONFERENCE OF THE PARTIES TO FOCUS CORRECTLY, SPECIALLY IN THOSE QUESTIONS WHERE CONSENSUS IS VIABLE.

MR. CHAIRMAN:

LET ME WISH YOU THE BEST OF THE  
BEGINNINGS IN YOUR WORK.

IN THE MEANTIME WE WILL BE  
WORKING TO GIVE YOU THE BEST OF WELCOMES NEXT  
SPRING IN OUR SOUTHERN HEMISPHERE, IN ARGENTINA.

THANK YOU.

**IPCC Presentation to Joint SBSTA/SBI Session**  
**June 2, 1998**

**Robert T. Watson**  
**IPCC Chair**

First, let me say it is a real pleasure to have the opportunity to address you today and further improve the coordination and collaboration between the Intergovernmental Panel on Climate Change (IPCC) and the Secretariat and Subsidiary Bodies of the Framework Convention on Climate Change (FCCC). While IPCC is an independent scientific and technical body under the sponsorship of UNEP and WMO, it values its close collaboration with the FCCC and its subsidiary bodies, and prides itself on being responsive to the needs of the FCCC as evidenced by the inventories and methodological work, the technical papers, the special reports and a number of workshops that have been prepared in response to FCCC requests.

It is also a particular pleasure to address you at the first meeting of the Parties to the FCCC after the historic meeting in Kyoto.

The agreements reached in Kyoto were a significant first step towards limiting the unbridled growth in greenhouse gas emissions globally. While it is clear that numerous scientific, technical and economic uncertainties still exist in our understanding of the climate system and the subsequent implications for human health, ecological systems, and socio-economic sectors, the governments of the industrialized nations demonstrated a willingness to act, consistent with Article 3 of the Convention that states that "... scientific uncertainties should not be used as an excuse for inaction ...". The agreements reached in Kyoto, even if fully implemented after ratification of the Kyoto Protocol, will not result in a stabilization of greenhouse gas concentrations in the atmosphere -- the goal of Article 2 of the Convention. Hence, if the Parties to the FCCC do want to achieve the goals of Article 2 further actions will be required beyond those negotiated in Kyoto.

The IPCC stands ready to assist the Parties to the Convention, its Secretariat and its Subsidiary Bodies by not only providing comprehensive assessments at regular intervals, but, subject to the availability of funding, by producing technical papers and special reports on particular topics that will assist you in your further deliberations on how to operationalize the Kyoto Protocol.

At present the IPCC is continuing its preparation of three special reports requested by SBSTA: (i) aviation and the global atmosphere; (ii) methodological and technological aspects of technology transfer: opportunities for technology cooperation; and (iii) emissions scenarios of greenhouse gases and aerosol precursors. The first two reports will be completed in 1999, whilst the third report will be finalized in early 2000. These reports will significantly advance the debate on a number of critical issues. For example, the technology cooperation report will discuss the implications of each of the flexibility instruments mentioned in Articles 6, 12 and 17 of the Kyoto Protocol (i.e., project-based carbon offsets and emissions trading) on technology

issue of climate change more centrally within the evolving socio-economic context. It will identify the scientific and policy linkages among the key global environmental issues (e.g., climate change, loss of biological diversity, forest loss, land and water degradation, etc.), the linkages between climate change and local and regional environmental issues (e.g., urban air pollution and regional acid deposition); and the linkages between global environmental issues and the challenge of meeting key human needs, e.g., adequate food, clean water, energy services, etc. The latest WMO/UNEP/NASA/NOAA international scientific assessment of stratospheric ozone depletion -- mandated by the Montreal Protocol -- which is being completed this week at a meeting in Switzerland, has specifically addressed the links between stratospheric ozone depletion and climate change, i.e., (i) how changes in climate induced by changes in greenhouse gases and aerosols affects stratospheric ozone depletion; and (ii) how changes in stratospheric ozone affects the Earth's climate.

The TAR will include a Synthesis Report written in a non-technical style suitable for policymakers and will address a broad range of key policy-relevant scientific questions. The structure of the Synthesis Document will be developed based on the input we have already received from governments through SBSTA and SBI. The final structure of the TAR and its Synthesis Report will be approved at the IPCC Plenary in late September/early October.

### **The Kyoto Protocol: Implications for the IPCC**

The text of the Kyoto Protocol raises a number of interesting scientific and technical issues that will need to be resolved by governments prior to it becoming operational. I would like to highlight just a few of the issues which the IPCC would be willing to address, guided by the advice of the Subsidiary Bodies to the FCCC.

### **Carbon Sinks**

First, I would like to note the excellent paper prepared by the Convention Secretariat that summarized both technical and policy issues associated with forestry and land-use changes.

Articles 3 (3.3 and 3.4), 6 and 12 raise a number of critical issues:

- \* Definitions (forests, afforestation, deforestation and reforestation)
- \* Which carbon pools (above ground biomass, below ground biomass, soil carbon, forest products, ?) should be considered when evaluating the implications for net carbon emissions associated with afforestation, reforestation and deforestation activities;
- \* What is the accuracy of measurements (stocks and flows) for each type of carbon pool in the full range of forested ecosystems;
- \* How well can carbon be measured in non-forested systems, e.g., soil carbon in agricultural systems;
- \* Are there problems which arise in the use of current IPCC methodologies and what further developments are needed;



radiative/thermal properties. As part of the TAR, the IPCC will further examine the use of Global Warming Potentials for each gas for a wide range of time horizons.

### Methodologies

The IPCC will continue to place a high priority on the further development of methodologies for greenhouse gas inventories. The methodologies work will be guided from a policy perspective, i.e., priority setting, by the Joint IPCC - SBSTA/SBI/FCCC Secretariat Working Group, thus ensuring that the work of the IPCC is relevant and timely. The work program will concentrate on aspects of land-use change and forestry issues, analysis of uncertainties, and assessment of national feedback.

### IPCC Synthesis Report – Policy Relevant Scientific Questions

The Synthesis Report will address policy-relevant scientific questions of greatest interest and importance to policymakers, in particular, the Conference of Parties to the FCCC and its two subsidiary bodies (SBI and SBSTA). Last year, the IPCC requested input from governments through SBSTA and SBI and received a number of useful suggestions, especially from the European Union. I will continue, through the Joint Working Group, to closely coordinate with the FCCC Secretary and the co-chairs of SBI and SBSTA, in order to identify the key issues that should be addressed within the Synthesis Report. The IPCC Plenary must approve the final list of questions that will be addressed in the Synthesis Report.

The Synthesis Report, which will not be policy prescriptive, will address these policy-relevant scientific questions in the light of information contained within the three Working Group Reports (chapters, technical summaries, and Summaries for Policymakers). It will, *inter alia*, provide information from all three working groups that is most relevant to Article II of the FCCC, and provide policymakers with information that will allow them to evaluate the implications of no action, implemented actions, and agreed and proposed targets and timetables to limit greenhouse gas concentrations (including decisions taken at COP-3 in Kyoto). It will also assess the impact of Annex I actions on developing countries.

Policy-relevant scientific questions could include:

- a wide range of non-intervention scenarios for the future of all greenhouse gas emissions and sinks and aerosols, what are the resulting atmospheric concentrations of greenhouse gases and aerosols, the global and climatic changes and associated impacts?
- what policy intervention scenarios for emissions and sinks would be needed to stabilize greenhouse gas concentrations at a range of levels?
- what are the impacts of climate change associated with each of these scenarios and with different stabilization levels (note the time lags between climate change and impacts)?
- what possible combination of policies concerning all sources and sinks might be able to achieve stabilization of greenhouse gas concentrations at different levels and for different constraints on rates of change?

real terms over the last decade, with only a small fraction of the funding being used for energy efficiency and modern renewable energies.

One issue of critical importance is the inadequate S&T infrastructure in many developing countries. These countries are disadvantaged in the international negotiation process and are not fully able to assess their adaptation and mitigation options. Arming these governments with the required tools, e.g., intergrated assessment models, should be a high priority for GEF funding.

### Summary

The IPCC stands ready to work with the FCCC and its subsidiary bodies to provide scientific, technical and economic information relevant to your ongoing policy discussions.

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