

Oct. 2, 1998

notes for Oversight mtg.

(I)

JS: syn at
BA; let word
out that
we will
take in
1st week.

SE appears.
But call double
or not syn if BA
going very badly

175 circles ha-
fired out when
needs to accelerate

C. Steinberg

let word
out
a couple days
after election
that we'll
syn

Need check

William, demands

*That's Katie's +
TOS view;
JS would go
forward
anyway

(1) Signing options

- To sign during BA or not
(Invite Stein to speak)

- Preferred result: Be ready
contingent on elec. progress

(2) Workplans on Trading + Com

- Variety of substantive issues,
but key is workplan +
timing

COB 5: 3 possible outcomes

(a) En cases on caps

(b) US cases on caps

(c) collision - process detailed

COB 6

(a) give selves more time
which likely needed; but

(b) percep'n of go slow
track, post 2000

(II)

JS: COB 6 preferable

sets up for possible

aggressive action in 2001

1999 to (COB 5) doesn't help (it
is risky).

David S reports Katie
worried about COB 5 -

need input from Katie + Ann H.

William key prefers COB 6

brings - not strong reaction

J. Steinberg COB 6

③ Developing Commitments

④ Argentina + Turkey

⑤ Agenda Item 6 - voting

⑥ Annex 1 (take on obligations)

4.2(f)
review of
commitments

- reporting
- policies + measures

III.

Argentina target top priority;
need to talk to or call
mexico; need non-paper to
Argentina

Perhaps push for:

- regular review of
annexes
- criteria

Korea - DOS of the endorsement
of a 2d body period
announcement; prefer
fuzzy gen'l
statement
on taking
on commitments

~~It says takes commitment -
how
must Brazil~~

Need Brazil
paper on
how they
could take
target
procedurally

~~Korea - Gen'l language
commit + but not 2d or 3d~~

Presby Assembly Frankfurt 10-2

LOCs

FCCC 4.2(a) & (b) review adequacy of
commitments of parties
4.1 deals w/ development
4.2 " " developed
we could argue inadeq because
no include development

Co-Chairs of working group
(Zimbabwe & Canada) likely to issue
report

SO 1

SO 5.1

Can make own rhetorical
case in SO 1 but no real outcome.

FCCC § 7.2

§ 7 response of Conf of the Parties
one is review of implementation of FCCC
not currently on agenda. EN has proposed
this as vehicle for LOC discussion

FCCC § 4.2f

one time review of annexes - is on agenda
3 requirements: 1st: Ann to policies & measures
& equity

Thinking today to move of Annex 1
to Annex - have LOC to move to Annex 1
puts on clear road to Annex B

b2/b3
review
of
Agreement

is that it binding?

To actually take on the obligations of Annex 1
doesn't take amendment. Could amend so as
to be allow actual joining of Annex 1

- * * could set up criteria; could set up regular
review (not just the one time) & could
do via dec'n...

Turkey & Arg maybe take on targets

Background

- Agenda 6 - consultations
- 4.2(f)
- Turkey / Arg - commitments

What should US do w/ Argentina

Need
be a
p/s
w/ente

90.15 notes

length idea -

re Asian countries & others
who are dependent on our financial
help & our internal econ. strength --
back off support for things -- like
cap on corn or trading that
could hurt our econ. & make
mitig'n efforts more expensive than
necessary.

9/28 STL mtg / State

Ottawa com mtg.

① Lot of disagreement on meaning of com

Ans. Korea Jap + us ~~argued~~ argued quick
start project eligibility criteria
+ working group oppose having
Exec. Bd to decide inst'n

EM- wanted to cap com -
eg 2.5%

we argued counterproductive

Our demands ^{2.5} covered com + trading

Alloc'n of projects by reg. group

③ Korea 2d budget period pledge

overnight
mtg

L paper

Japan means chm of com working group
wants to define "part of" com -
2.5%

Brazil just not for defining "part of"

- Gross Flex much ~~soft~~ caps - (Goal)
- 5 mbs cap 3
- work plan for finish of flex. in cap 5

But ~~not~~ we want to low key
than elec cap 6 could be
better

cap 3 aggressive workplan
I have to face ~~the~~ caps etc
in late '99

Set up in ap-24

syzy at BA - 23

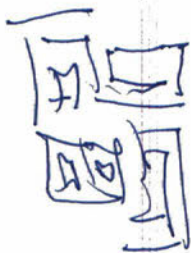
- why do it

- ① low progress
 - ② do so. thing
- no better in much

Dec'n
memo

VB/B

↑



Need to develop
Basic TPs that
define success
and what we expect to
achieve. how do we want to
characterize result?

DRAFT

Position Paper for COP 4

Summary

o The key U.S. objective for COP 4 should be to establish reasonable end-dates for completion of work on elaborating the Protocol's flexibility mechanisms. This needs to be accomplished:

- without prejudicing U.S. substantive positions (for example, on "supplementarity");
- without allowing the CDM to get more expeditious treatment than emissions trading (given the leverage we would then lose with developing countries); and
- without agreeing to unacceptable demands of other Parties on other issues (for example, OPEC demands on "compensation" or EU demands on harmonized policies and measures).

o The U.S. should also seek to make progress on developing countries, including:

- by supporting appropriate agenda items;
- by making strong statements on the need for global participation;
- by supporting individual non-Annex I countries that come forward with statements about their own proposed actions; and
- by conducting vigorous private diplomacy.

o The challenges we are likely to encounter include, for example:

- efforts by the EU to bias a procedural workplan in favor of their substantive positions;
- efforts by the G-77 to insist on a workplan that includes their issues (i.e., a greater emphasis on Convention issues, such as funding and technology transfer);
- efforts by OPEC to get something on "compensation" that is more than we can accept; and
- the risk that an over-emphasis on developing country action could hinder achievement of our objectives regarding flexibility mechanisms.

Topics

o Attached are positions on numerous specific topics that will certainly, or are likely to, come up at COP 4.

o The topics include:

- Flexibility Mechanisms (Emissions Trading, CDM, JI)
- Developing Countries
- * AG 13
- Rules of Procedure
- "Compensation"
- Harmonized Policies and Measures
- Compliance

Flexibility Mechanisms

Background

- o Further work is contemplated with respect to all three flexibility mechanisms (emissions trading, CDM, JI), although, strictly speaking, further work on JI is optional rather than mandatory.
- o Although substantive progress may be made informally or among certain Parties, it is unlikely that such progress will be enshrined in any COP decision. Rather, it is expected that COP 4 will take procedural decisions aimed at setting end-dates by which work on the mechanisms should be completed.
- o Below, the flexibility mechanisms are discussed individually. However, there are a few important points that need to be considered regarding the linkages among them:
 - For us, emissions trading and CDM are both more urgent than JI, for which additional rules are optional. As between CDM and emissions trading, it makes logical sense that CDM could precede trading (given that CDM can start counting as of the year 2000); however, because the G-77 is more interested in CDM than in trading, it would not seem advisable to agree to a timetable that accords CDM an earlier end-date than emissions trading.
 - It is likely that other Parties will insist upon parallelism in the substantive treatment of the mechanisms in terms of any COP 4 decisions. Thus, if the CDM decision becomes detailed (as opposed to general), it may be difficult to prevent a detailed emissions trading decision. This should be borne in mind as each individual decision is being negotiated.

Emissions Trading

- o In terms of the substantive U.S. position, the delegation can draw from:
 - the Umbrella Group paper distributed at the Bonn meeting in June;
 - the U.S. paper on registries [which version is the latest and cleared?];
 - the U.S. paper on Points of Convergence between the Umbrella Group and the EU on Emissions Trading; and
 - the Umbrella Group's responses to the questions from the G-77.

GET
copy of
each

- o The highest profile substantive issue will likely be the issue of "caps" or proposals to assigned a quantitative meaning to the term "supplemental" in Article 17 of the Protocol. While the U.S. has not shut the door on every form of elaborating

"supplemental" (for example, through some kind of qualitative reporting requirement), we have taken a firm position against quantitative limits.

o Another potentially divisive issue is that of allocation of risk ("liability").

We and the Umbrella Group have rejected a pure buyer liability approach, i.e., with neither penalties on an overselling Party nor discounting of previously sold tons. We have also rejected a pure buyer liability approach, arguing that it would chill the market, raise the cost of trading, and make the system less efficient. We have signalled interest in exploring various "seller-plus" options. At the same time, we do not want to give away anything on this issue in the absence of closure on all major trading issues.

o In terms of a procedural decision on carrying work forward on emissions trading, the best outcome would be a general decision that did not identify particular elements/issues but simply set forth a date by which work should be completed. Otherwise, there is likely to be an extensive, unproductive debate, with various delegations seeking to bias substantive outcomes through elements of the workplan.

o Examples of various approaches to a decision on trading, including on the tricky issue of "supplementarity," is attached.

Clean Development Mechanism

o In terms of the substantive U.S. position, the delegation can draw from:

- get copies {
- the Umbrella Group responses to the questions from the G-77;
 - the attached summary paper;
 - U.S. comments on the Brazilian paper prepared for the Ottawa Ministerial.
 - other?

o As with emissions trading, the highest profile substantive issue is likely to be proposals to cap the extent to which an Annex I Party can use CDM to meet its target. The U.S., while conceding that the COP/moP has the authority to decide on such a cap (unlike in the case of emissions trading), has argued that it would be a bad idea. It would raise Annex I costs, chill the CDM market, reduce the amount of resources available to host countries for projects, and reduce the amount of resources available for adaptation as a by-product of certified CDM reductions.

o There will also be numerous institutional issues, including composition of the Executive Board, nature of the operating entities, etc.

o In terms of a COP 4 decision, as with emissions trading, we should seek a general decision as a first choice, with a fallback to a more detailed decision that does not prejudice any of our substantive positions.

Joint Implementation

o In terms of the substantive U.S. position, the delegation can draw from:

- the Umbrella Group responses to the questions from the G-77;
- **other?**

o In terms of a COP 4 decision,

[DAN/JP TO FILL IN]

Developing Countries

[DAN TO EXPAND]

Background

o Numerous public and non-public opportunities will exist at COP 4 for continuing to promote our agenda concerning the meaningful participation of developing countries.

o Public opportunities at COP 4 could include:

- discussion under a review of the adequacy of commitments under Article 4.2(a) and (b) of the Convention;
- discussion under the review of the Convention annexes (Article 4.2(f));
- insertion of a new agenda item under Article 7.2(a) of the Convention;
- the Brazilian proposal;
- discussions under agenda item 6 (proposed by Argentina), calling for voluntary commitments by non-Annex I Parties, should such an agenda item be accepted;
- a strong U.S. statement in the context of opposition of developing countries to inclusion of an agenda item on voluntary commitments by non-Annex I Parties.

o In addition to whatever public opportunities exist, private diplomatic opportunities, including bilaterals, will be available to press our agenda.

Position

o We should maximize public opportunities to promote our views on the need for developing country participation.

o Should an agenda item on voluntary commitments (or its functional equivalent) not be achievable, we should make a strong statement.

o At the same time, we should not allow our public vociferousness on the developing country issue to derail (assuming it is on track) achievement of our objectives on flexibility mechanisms; rather, we should look for private and other off-line opportunities to press our developing country case.

AG 13

Background

- o Article 13 of the Framework Convention calls for consideration of the establishment of a multilateral consultative process for the resolution of questions regarding the implementation of the Convention.
- o An Ad Hoc Group on Article 13 ("AG 13") has met several times over the last few years.
- o Up until the Bonn meeting in June, the main divisive issue was whether the process could be invoked by one Party with respect to another Party (the option largely supported by developed countries) only by a Party with respect to its own implementation issues (the option largely supported by developing countries). As of June, that issue was resolved essentially in favor of the developed country position.
- o Now, the key outstanding issue is the composition of the body that will implement the multilateral consultative process.
 - Developing countries insist that the body follow the traditional UN formula "based on equitable geographical distribution" (which would result in a body composed mainly of developing countries).
 - We have objected to this formula, proposing instead that the body be composed of an equal number of representatives from Annex I and non-Annex I Parties.
- o If no precedent were involved concerning the composition of other Convention/Protocol bodies of limited membership, it might have been acceptable to agree that this particular body (which will largely address developing country implementation issues) follow the "equitable geographical distribution" formula.
- o However, it was clear from the negotiations that developing countries are seeking to set a precedent for the composition of other Convention/Protocol bodies, including, for example, the Executive Board of the CDM, where the precedent would not be acceptable to us.

Position

- o We should hold firm to our view.

o To assuage the potential concern that the Article 13 process might get lost forever if it is not approved at COP 4, we can support a decision that we have been discussing with the AG 13 Chairman and the Secretariat. The decision (draft attached) would:

- approve the agreed, unbracketed sections of the process;
- set an end-date for resolving the unagreed issues (i.e., composition);
- make the end-date the same as that for the flexibility mechanisms, so that a package "composition" deal for all bodies could be decided at the same time.

Rules of Procedure

Background

- o The rules of procedure under the Framework Convention have never been adopted, principally because of disagreement over what the voting rules should be for:
 - the adoption of protocols; and
 - decisions regarding the financial mechanism.
- o There was a flurry of activity before Kyoto to try to agree on a voting rule, because it was feared that the default consensus rule for the adoption of protocols might prevent a protocol from being adopted.
- o It is possible, now that a protocol has been adopted, that no serious effort will be made at COP 4 to try to come to closure on the rules. (The agenda notes that the President of COP 4 may be invited to undertake consultations.)
- o However, we need to be prepared should such an effort be made.
- o We have a potential problem.
- o Our position to date has been:
 - that, in general, decisions should be taken by a super-majority (e.g., 2/3 or 3/4 of the Parties);
 - that protocols should also be adopted by a super-majority; and
 - that financial decisions should be taken by double majority (e.g., 3/4 of all Parties, including 3/4 of the donor Annex II Parties).
- o This position arguably makes sense for the Convention.
- o However, the Protocol provides (in a provision that we sought to resist) that the Convention rules of procedure will apply to the Protocol, unless otherwise agreed by consensus. This is tantamount to providing that the Convention rules will apply to the Protocol.
- o It is not clear that we could live with a voting rule under the Protocol that allows decisions -- which would include decisions on topics such as emissions trading, CDM, and sinks -- to be taken by 2/3 or 3/4 majority. We have basically been counting on the default consensus rule to protect our interests.

Position

- o Seek to avoid having the rules come up as an issue for resolution at COP 4.
- o If the rules do come up, seek to ensure that continued divisiveness over the protocol adoption rule and the financial mechanism rule divert prevent agreement, rather than focusing on the general decision rule.

"Compensation"

Background

o There are two provisions in the Framework Convention, and two provisions in the Protocol, of relevance to the OPEC/AOSIS-driven insistence on addressing the potential impacts on developing countries both of climate change itself (e.g., sea level rise) and of response measures to climate change (e.g., decreased demand for oil).

o In terms of the Convention:

-- Article 4.8 calls for the Parties to consider what actions are necessary, "including actions relating to funding, insurance and the transfer of technology," to meet the needs of developing countries arising from the adverse effects of climate change and/or the impact of the implementation of response measures. Several categories of vulnerable countries are listed, including countries "whose economies are highly dependent on income generated from...export...of fossil fuels."

-- Article 4.9 calls for the Parties to take full account of the specific needs and situations of the least developed countries in their actions related to funding and transfer of technology.

o In terms of the Protocol (during the negotiation of which OPEC unsuccessfully sought a compensation fund):

-- Article 2.3 (in the context of the article on policies/measures) calls for the Parties to "strive" to implement policies and measures to meet their targets in such a way as to "minimize" adverse effects, including adverse effects of climate change and adverse economic impacts. The COP/moP is authorized to take further action, as appropriate.

-- Article 3.14 (in the context of the article on targets) is a less helpful version of Article 2.3. It turns the collective obligation of Article 2.3 into an individual one (i.e., on each Annex I Party); it also turns the authorization for the COP/moP to act in Article 2.3 into a mandate to the COPmoP, at its first session, to consider what actions are necessary.

o One of the COP 3 decisions accompanying adoption of the Protocol tasked the SBI with taking up the Convention (as distinct from Protocol) mandate.

o At the Bonn meeting in June, in line with Article 4.8 of the Convention, the SBI decided to undertake a process to identify and determine actions necessary to meet the needs of developing countries arising from climate change and/or response measures to climate change. The SBI will be preparing a draft decision for COP 4.

Position

o We should continue to oppose the creation of any special group to address this issue.

o We can accept continuation of this item in the SBI workplan, provided:

- it is not tilted toward eventual compensation;
- any studies are to be undertaken by the Secretariat, rather than by individual Parties;
- [other?]

[Dan -- can you expand this as appropriate?]

Harmonized Policies and Measures

Background

- o The EU pushed hard during the negotiation of the Protocol for a requirement on Annex I Parties to harmonize or “coordinate” enumerated policies and measures. This proposal met with resistance from both non-EU developed countries (which wanted maximum flexibility in determining national measures to implement their targets) and the G-77, which feared potentially greater economic impact on them if Annex I measures were coordinated.
- o The resulting Protocol provision, Article 2.4, is a victory for the opponents of mandatory coordination. It sets up a two-tiered requirement, namely, only if the COP/moP decides that it would be beneficial to coordinate any of the policies and measures identified in Article 2 (taking into account different national circumstances) does it have to consider ways and means to elaborate the coordination of such policies and measures. This provision was critical to our agreeing to include any reference in the Protocol to coordination of policies/measures, because it meant that we could veto any “coordination” work if we did not agree that coordination of a particular policy/measure would be beneficial.
- o According to its October 6th Meeting Document, the EU wants to move forward (for example, by setting up a Working Group) with coordinated policies and measures. The EU ignores the two-tiered requirement of Article 2.

Position

- o We should oppose the EU proposal.
- o We should remind the EU that the Protocol sets up a “bottom-up” (rather than “top-down”) requirement, i.e., that it must be first be agreed that a particular policy/measure should be coordinated before any coordination work is undertaken.
- o (We are likely to have allies on this issue.)

Compliance -- COP 4 Process Issues

Issue

- o Although not squarely on the agenda, COP 4 may take up the issue of how to take forward the "unfinished business" of the Protocol related to compliance. (The EU has already proposed that COP 4 do so.)
- o A COP 4 decision on compliance would be procedural, rather than substantive; however, the compliance issue is so complicated that it is necessary to have some idea of our desired substantive outcome in order to judge the proper procedural approach to take.

Background

- o The Protocol contains numerous provisions related to compliance, some of which call for future elaboration.
- o Largely thanks to U.S. proposals, many of the existing provisions of the Protocol are intended to promote compliance, such as:
 - legally binding targets, to highlight seriousness of commitment;
 - availability of market mechanisms, to lower costs of compliance;
 - requirement for measurement systems, to foster accuracy of emissions data;
 - stringent reporting requirements, to promote honesty and enable outside review;
 - an expert review process, to create incentives to comply and identify potential non-compliance issues.
- o However, in three major ways, the Protocol requires further elaboration:
 - 1) it does not contain many of the underlying rules for emissions trading and the CDM;
 - 2) it does not elaborate the procedure by which compliance with the rules of the Protocol (including rules of the flexibility mechanisms) will be judged;
 - 3) for the most part, it does not elaborate the consequences for a Party found to be in non-compliance with Protocol rules (the JI article does spell out some consequences).
- o Substance aside, Parties seem to agree that, procedurally, the emissions trading and CDM rules should be elaborated under Articles 17 and 12, respectively.
- o There is less agreement on:

- whether there should only be one non-compliance procedure for everything under the Protocol, to be negotiated under Article 18 (as opposed, for example, to having a separate procedure for addressing issues related to the flexibility mechanisms); and
 - whether the consequences for non-compliance should be elaborated only under Article 18 (as opposed, for example, to spelling out the consequences for breach of the trading rules in the trading rules themselves).
- o The reason this matters is because negotiating everything under Article 18:
- would mean that if the non-compliance procedure could lead to binding results (which we would need, at least in certain respects), it would require an amendment;
 - could lead to calls (already heard from the EU) that Parties must ratify the Article 18 amendment in order to use flexibility mechanisms;
 - could lead to having the wrong people negotiating consequences for non-compliance (i.e., international lawyers versed in dispute settlement but not in the substance of the Protocol or in the economics of proper penalties for violations of the trading rules);
 - could lead to a weakening of the entire compliance system, given that the G-77 will likely seek a very weak regime under Article 18 (which applies to them in a way that the trading regime does not).

Position on Substance/Process

- o At this stage, we have not yet fully sorted out our overall position on the unfinished compliance issues.
- o Under any treaty, compliance is a complicated issue involving a careful balance between our desire to have a stringent enough regime to keep other Parties in compliance and our concerns about an overly intrusive and punitive procedure as potentially applied to the United States.
- o Under the Protocol, it is even more complicated than usual, given that compliance issues come up under the flexibility mechanisms and that Article 18 requires an amendment for any procedure thereunder that can lead to binding consequences.
- o At this stage, we do know at least a few things:
 - We want to be able to address certain compliance-related aspects of the

flexibility mechanisms (such as certain results for breach of the rules) in the rules for those mechanisms, rather than under Article 18).

-- We oppose linking a Party's ability to use any flexibility mechanisms to its ratification of the procedure under Article 18.

-- We want to keep open the option of specifying not only the substantive rules and results in the rules for the various flexibility mechanisms, but the procedure for determining non-compliance with such rules as well.

o COP 4 process options include, for example:

1) continue addressing compliance-related aspects in the rules for the various flexibility mechanisms,

(a) without yet addressing the more general non-compliance issues under Article 18;

(b) also beginning to address overall compliance issues in an ad hoc compliance group

(c) also beginning to address overall compliance issues under SBI without any ad hoc compliance group

2) address all compliance-related issues, including those related to flexibility mechanisms, in a "compliance" group (ad hoc or under SBI).

o Option 1(c) would best promote U.S. substantive interests at this time:

-- It allows us to go along with calls to begin addressing compliance issues generally, yet it also allows compliance-related issues particular to the flexibility mechanisms to be addressed in those contexts.

-- As noted above, it is more likely that officials acquainted with the substance of the Protocol would participate.

o Option 1(a) would have the disadvantage of making us look resistant to discussing compliance, when that has been one of the U.S. trademarks.

o Option 1(b) would have the disadvantage of, as noted above, attracting fewer officials familiar with the Protocol.

o Option 2 would have the disadvantage of playing into the scenario under which participation in flexibility mechanisms is conditioned upon ratification of Article 18 procedures.

o Note that, concerning the Secretariat's idea of holding an intersessional "workshop" on compliance in the spring, this idea has the same problems as an ad hoc group and should be opposed.

3

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages ▸

To <u>Todd Stern</u>	From <u>J. Pershing</u>
Dept./Agency <u>WH</u>	Phone #
Fax # <u>456-2215</u>	Fax # <u>per our conversation</u>
NSN 7540-01-317-7368 5098-101 GENERAL SERVICES ADMINISTRATION	

October 7, 1998

TO: OES/EGC - Jonathan Pershing

FROM: L/OES - Susan Biniaz

RE: The EU "Meeting Document" of October 6, 1998

As requested, attached are draft U.S. reactions (internal) to the EU decision.

Having read the EU document, I think we need to begin thinking about which additional "issues" we should be proposing for the work plan, such as:

- the relationship between Article 4 (bubble) and the use of flexibility mechanisms under Articles 6, 12, and 17;
- the meaning of "domestic action" in the context of regional economic integration organizations.

Review of the EU "Meeting Document" of October 6, 1998

General

- o The positions taken in the EU document make clear that it will not be easy to reach agreement at COP 4, even on a process-oriented work plan.
- o Areas of U.S./EU convergence and problem areas are identified below.

Areas of U.S./EU Convergence

- o COP 4 should adopt an action plan for the future work of the subsidiary bodies.
- o The action plan should include:
 - issues and timetables regarding the development of the three flexibility mechanisms (trading, JI, CDM);
 - the development of guidelines on: greenhouse gas inventories under Article 5; reporting under Article 7; and review of implementation under Article 8.

Problem Areas

- o The EU proposes reaching agreement at COP 4 on as many operational issues and **"principles"** as possible. During the videoconference, we thought we had persuaded them what a mistake it would be to go down the "principles" road, both in terms of a US-EU standoff (for example, regarding their so-called "supplementary principle") and in terms of the types of "principles" that would likely be offered by the G-77 (such as "equity").
- o The EU wants to move forward (for example, by setting up a Working Group) with **coordinated policies and measures** pursuant to Article 2 of the Protocol. In fact, Article 2.4 sets up a two-tiered requirement regarding coordination of policies and measures. Only if the COP/moP decides that it would be beneficial to coordinate any of the policies and measures identified in paragraph 1(a) of Article 2 (taking into account different national circumstances) does it have to consider ways and means to elaborate the coordination of such policies and measures. This provision was critical to our agreeing to include any reference in the Protocol to coordination of policies and measures, because it meant that we could veto any "coordination" work if we did not agree that coordination of a particular policy/measure would be beneficial.

o Regarding the **flexibility mechanisms**:

-- The EU takes the position that only Parties "bound by a compliance regime" may use the flexibility mechanisms. Although theoretically this might have meant that it would be enough for a Party to be bound by the trading rules under Article 17, including whatever compliance-related elements they contained, it is clear from paragraph 7 that the EU is sticking with its earlier position that: 1) all compliance-related issues, including related to flexibility mechanisms, need to be negotiated under Article 18; and 2) a Party must ratify the yet-to-be-negotiated overall compliance regime under Article 18 before it may use any mechanisms. This is a major problem, both from a substantive point of view and a process point of view (see attached paper).

-- The EU recalls previous Council Conclusions and reconfirms the positions presented in its paper submitted in Bonn.

-- With respect to emissions trading, the EU document repeats the EU negotiating position at Kyoto, namely that domestic action should provide the "main means" for meeting targets. It also states that a "concrete ceiling" on the use of flexibility mechanisms generally has to be defined "in quantitative and qualitative terms based on equitable criteria." Such an elaboration of the "supplementarity principle" must constitute an essential element of the COP 4 action plan.

-- Regarding CDM, the EU continues to want to quantify "part of" under Article 12 in such a way that Annex I Parties "overall" still achieve a significant reduction in their emissions domestically. It is unclear what the reference to "overall" means. It should be recalled that Article 3.1 of the Protocol notes, in non-legally binding fashion, that the targets of Annex I Parties, in the aggregate, are to lead to an overall reduction from 1990 levels of at least 5 percent. One major reason why this language was put in non-legally binding form was because, while it implicitly took account of trading and JI (which would shift around assigned amounts among Annex I Parties but not change the aggregate assigned amount), it did not take account of CDM reductions, which would allow overall Annex I emissions to increase. It was never agreed that CDM could not be used if it were to put Annex I Parties as a whole over 1990 levels.

o Regarding **sinks**, it is unclear whether the EU position is a problem. To the extent that the document simply notes SBSTA's conclusions and the work of the IPCC, there is no problem. There may, however, be a problem with the statement that the IPCC's Special Report is a "necessary basis" for COP/moP decisions under Article 3.3 and 3.4.

o Regarding **developing countries**, paragraph 3 of the document could be interpreted either as a light reference to the need to examine the scope for strengthening of developing country obligations or as opening the door to a re-review of the adequacy of developed country commitments.

! we
what
time period?

COP Process for Addressing Compliance Issues

Substantive Objective

- o We have not yet fully sorted out our overall position on compliance-related aspects of the Protocol.
- o Compliance is a complicated issue. Under any treaty, it involves a careful balance between our desire to have a stringent enough regime to keep other Parties in compliance and our concerns about overly intrusive and punitive procedure as potentially applied to the United States.
- o Under the Kyoto Protocol, it is even more complicated than usual, given that:
 - compliance-related issues come up under the flexibility mechanisms, as well as under Article 18 (the general non-compliance article); and
 - Article 18 requires an amendment for any procedure thereunder that can lead to binding consequences.
- o At this stage, we do know at least three things:
 - we want to be able to address certain compliance-related aspects of the flexibility mechanisms in the rules for those mechanisms (rather than under Article 18);
 - we would oppose linking a Party's ability to use any flexibility mechanisms to its ratification of the procedure under Article 18 (the apparent EU position);
 - we want to keep open the option of specifying not only the substantive rules/results in the rules for the various flexibility mechanisms, but the procedure for determining non-compliance with such rules as well.

Process Options

- o Options for dealing with "compliance" issues under the Protocol include, for example:
 - 1) continue addressing compliance-related pieces in the rules for the various flexibility mechanisms,
 - a) without yet addressing the more general non-compliance issues under Article 18
 - b) also beginning to address overall compliance issues in an ad hoc compliance group

c) also beginning to address overall compliance issues under SBI without any ad hoc compliance group

2) address all compliance-related issues, including those related to flexibility mechanisms, in a "compliance" group (ad hoc or under SBI)

o It appears that Option 1(c) would best promote U.S. substantive interests at this time:

-- It allows us to go along with calls (e.g., from the EU) to begin addressing compliance issues generally, yet it also allows compliance-related issues particular to the flexibility mechanisms to be addressed in those contexts.

-- By not establishing a separate group, it is more likely that officials acquainted with the substance of the Protocol, including the flexibility mechanisms, will participate (as opposed to lawyers addressing compliance from a more abstract point of view).

o Option 1(a) would have the disadvantage of making us look resistant to discussing compliance, when that has been one of the U.S. trademarks.

o Option 1(b) would have the disadvantage of, as noted above, attracting fewer officials familiar with the Protocol.

o Option 2 would have the disadvantage of playing into the scenario under which participation in flexibility mechanisms is conditioned upon ratification of Article 18 procedures.

o Note that, concerning the Secretariat's idea of holding an intersessional "workshop" on compliance in the spring, this idea has the same problems as an ad hoc group on compliance and should be opposed.

GENERAL SECRETARIAT
OF THE COUNCIL

Luxembourg, 6 October 1998

Meeting document CONS/ENV/98/7

SN/109/98

OR.EN

MEETING DOCUMENT

Subject: Community strategy on Climate Change
- Conclusions as adopted by the Council
(doc. 11439/98)

1. The Council stresses that the European Community and its Member States are committed to making substantial progress on outstanding issues both under the Convention and under the Kyoto Protocol at the Fourth Conference of the Parties (CoP4) to the Framework Convention on Climate Change (UNFCCC) taking place in Buenos Aires in November 1998 in order to keep up the momentum of Kyoto.
2. The Council believes that in order to facilitate further this work, the CoP4 has to adopt a decision on a detailed action plan for the future work of Subsidiary Bodies including
 - key issues and specific timetables for the further development of the mechanisms provided for in Articles 6, 12 and 17 of the Kyoto Protocol;
 - specific ways to facilitate co-operation and coordination amongst Annex I Parties with regard to the implementation of policies and measures under Article 2, in order to achieve the targets of the Kyoto Protocol (for instance through a Working Group). In certain fields international discussions have progressed sufficiently far for it to be conceivable in the fairly near future that some elements of coordinated policies and measures could be derived from these discussions;
 - the development of guidelines on
 - = national inventory systems under Article 5
 - = information required under Article 7
 - = the review of implementation under Article 8 and;
 - the development of procedures and mechanisms to determine and address cases of non-compliance with the provisions of the Protocol.

To this end, the Council sees the need to further strengthen the co-operation with other Parties in the elaboration and implementation of the Protocol, with a view to reaching agreement on as many operational issues and principles as possible at CoP4.

3. The Council reaffirms that developed countries have to take the lead in combating climate change. The Council further reaffirms that the commitments in Article 4.2 (a) and (b) of the Convention are not adequate to meet the ultimate objective of the Convention. The second review of the adequacy of commitments should therefore address the question of what additional action would be needed to meet the objective of the Convention and the information necessary to answer that question. This should include: an examination of the obligations of the Parties to the Convention, as required by Article 7.2 including assessment of the capacity of Parties to meet those obligations; the scope for the obligations of some or all Parties to be strengthened, including by the assumption of limitation or reduction targets; adoption of policies and measures and ways and means of assisting Non-Annex I Parties through bilateral and multilateral channels in the fulfilment of such obligations. need
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4. The Council recalls its views on principles for the flexible mechanisms, as already expressed in previous Council Conclusions, and in particular in its Conclusions of 23 March 1998 and 17 June 1998. It is the aim of the Council that only Parties bound by a compliance regime shall make use of these mechanisms. The Council confirms, as a basis for further negotiations on the mechanisms provided for in Articles 6, 12 and 17 of the Protocol, the positions on International Emissions Trading, Joint Implementation and the Clean Development Mechanism which have been elaborated by the European Community and its Member States jointly with Candidate Countries, Switzerland and Croatia, and which have been submitted to the UNFCCC Secretariat. The Council stresses the importance of intensifying the dialogue with these and other Parties on the development of the flexible mechanisms as well as on policies and measures for the implementation of the Protocol.
5. The Council agrees on the need to elaborate modalities and procedures for CDM which fully recognise the innovative character of the mechanism, in particular with regard to technology co-operation, taking into account the aims of CDM as defined in Article 12.2 of the Protocol. On the basis of the above-mentioned position the European Community and its Member States will actively consult with other Parties in order to achieve this objective. In accordance with Article 12.3 (b) only a part of emission limitation and reduction commitments under Article 3

can be met through certified emission reductions accruing from CDM projects. This provision is necessary because emission reductions achieved under the CDM lead to an expansion of the overall assigned amount of Annex I Parties. The part shall be determined in a way which ensures that Annex I Parties overall still achieve a significant reduction in their emissions domestically. The Council reaffirms that an early agreement is needed in this regard.

6. The Council reaffirms that the flexible mechanisms defined in the Kyoto Protocol are supplemental to domestic action, which should provide the main means for meeting the commitments under Article 3 of the Protocol. The principles, modalities, rules and guidelines for the operation of the mechanisms have to ensure that they do not undermine domestic action or weaken these commitments. In this context, the Council also recalls that a concrete ceiling on the use of flexible mechanisms has to be defined to achieve these aims. It should be defined in quantitative and qualitative terms based on equitable criteria. The Council believes that the discussion between all Parties on the practical elaboration of the complementarity principle has effectively to start at CoP-4. This elaboration needs to constitute an essential element of the work plan to be adopted at Buenos Aires. The Council urges all Parties to co-operate with a view to reaching final agreement on this issue at CoP-5. The Council requests the Ad Hoc Group on Climate Change to continue its work and report back to Council with a proposal for such a definition as a matter of urgency after CoP-4.
7. The Council stresses the importance of a comprehensive compliance regime covering all issues under the Protocol, including compliance regarding flexible mechanisms, and ensuring regular reporting by the Parties as a prerequisite for assessing compliance with the provisions of the Protocol. Procedures and mechanisms to address cases of non-compliance, including binding consequences, should have regard to the proportionality of consequences and the establishment of a due process. Work on the development of such a regime should start at CoP 4 as a matter of urgency.
8. There are considerable issues of complexity involved in the inclusion of sinks such as links with biodiversity, forest and desertification issues, consistency with sustainable development and the verification and certification of reductions from sequestration activities. The Council supports the conclusions adopted by SBSTA at its eighth session and recalls that the methodological work and in particular the Special Report of the IPCC is a necessary basis for decisions of the Conference of the Parties serving as the meeting of the Parties to the Protocol on issues related to Article 3.3 or to Article 3.4 of the Kyoto Protocol.

9. The Council emphasizes the importance of making early and substantial progress in implementing effective common and co-ordinated policies and measures (CCPMs), including consideration of the potential of measures for effective internalization of external environmental costs, within the Community as already expressed in previous Council Conclusions and in particular in its Conclusions of 23 March 1998, 11 May 1998 and 17 June 1998. In this context the Council takes note of the Presidency Conclusions at the European Council in Cardiff inviting all relevant formations of the Council to establish their own strategies for giving effect to environmental integration and sustainable development within their respective policy areas. Climate Change was identified as one of the areas where integration is necessary in order to achieve this objective. The Council recalls the Conclusions of the European Council that the "Transport", "Energy" and "Agriculture" Councils are invited to start this process. In the preparations of these Councils central attention should be given to the climate issue; the sectoral reports on integration of environmental aspects for the European Council in Vienna should identify effective policies and measures in order to contribute to the fulfilment of the Kyoto commitments, thus enabling the European Council to take stock of progress.

Progress should be reported to the European Council as an important example of environmental integration.

10. The Council asks the Commission :

- to indicate how Community budgets, programmes and funds can be better geared towards measures to support meeting the Kyoto commitments of the European Community and its Member States;
- to indicate how EC ODA funds might better serve the objective of the UNFCCC, noting that these funds should not be used to finance the acquisition of certified emission reduction units;
- to consider the implications of EC rules on state aid on the use of the flexible mechanisms by the Member States.

DRAFT STATEMENTS TO BE ENTERED INTO THE COUNCIL'S MINUTES

Re: para 6

"Italy is of the opinion that the words "the main means" should mean that no less than 50% of the Kyoto target for the European Community and its Member States must be achieved through domestic actions."

Re: para 10, second indent :

"In the absence of a more elaborated assessment and in view of not pre-empting any future discussion, the European Commission reserves its position on the point that ODA funds should not be used to finance the acquisition of certified emissions reduction units.

The Commission also points out that it only disburses around 17% of the total development aid of the European Union."

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Compliance -- COP 4 Process Issues

Issue

- o Although not squarely on the agenda, COP 4 may take up the issue of how to take forward the "unfinished business" of the Protocol related to compliance. (The EU has already proposed that COP 4 do so.)
- o A COP 4 decision on compliance would be procedural, rather than substantive; however, the compliance issue is so complicated that it is necessary to have some idea of our desired substantive outcome in order to judge the proper procedural approach to take.

Background

- o The Protocol contains numerous provisions related to compliance, some of which call for future elaboration.
- o Largely thanks to U.S. proposals, many of the existing provisions of the Protocol are intended to promote compliance, such as:
 - legally binding targets, to highlight seriousness of commitment;
 - availability of market mechanisms, to lower costs of compliance;
 - requirement for measurement systems, to foster accuracy of emissions data;
 - stringent reporting requirements, to promote honesty and enable outside review;
 - an expert review process, to create incentives to comply and identify potential non-compliance issues.
- o However, in three major ways, the Protocol requires further elaboration:
 - 1) it does not contain many of the underlying rules for emissions trading and the CDM;
 - 2) it does not elaborate the procedure by which compliance with the rules of the Protocol (including rules of the flexibility mechanisms) will be judged;
 - 3) for the most part, it does not elaborate the consequences for a Party found to be in non-compliance with Protocol rules (the JI article does spell out some consequences).
- o Substance aside, Parties seem to agree that, procedurally, the emissions trading and CDM rules should be elaborated under Articles 17 and 12, respectively.
- o There is less agreement on:

- whether there should only be one non-compliance procedure for everything under the Protocol, to be negotiated under Article 18 (as opposed, for example, to having a separate procedure for addressing issues related to the flexibility mechanisms); and
 - whether the consequences for non-compliance should be elaborated only under Article 18 (as opposed, for example, to spelling out the consequences for breach of the trading rules in the trading rules themselves).
- o The reason this matters is because negotiating everything under Article 18:
- would mean that if the non-compliance procedure could lead to binding results (which we would need, at least in certain respects), it would require an amendment;
 - could lead to calls (already heard from the EU) that Parties must ratify the Article 18 amendment in order to use flexibility mechanisms;
 - could lead to having the wrong people negotiating consequences for non-compliance (i.e., international lawyers versed in dispute settlement but not in the substance of the Protocol or in the economics of proper penalties for violations of the trading rules);
 - could lead to a weakening of the entire compliance system, given that the G-77 will likely seek a very weak regime under Article 18 (which applies to them in a way that the trading regime does not).

Position on Substance/Process

- o At this stage, we have not yet fully sorted out our overall position on the unfinished compliance issues.
- o Under any treaty, compliance is a complicated issue involving a careful balance between our desire to have a stringent enough regime to keep other Parties in compliance and our concerns about an overly intrusive and punitive procedure as potentially applied to the United States.
- o Under the Protocol, it is even more complicated than usual, given that compliance issues come up under the flexibility mechanisms and that Article 18 requires an amendment for any procedure thereunder that can lead to binding consequences.
- o At this stage, we do know at least a few things:
 - We want to be able to address certain compliance-related aspects of the

flexibility mechanisms (such as certain results for breach of the rules) in the rules for those mechanisms, rather than under Article 18).

-- We oppose linking a Party's ability to use any flexibility mechanisms to its ratification of the procedure under Article 18.

-- We want to keep open the option of specifying not only the substantive rules and results in the rules for the various flexibility mechanisms, but the procedure for determining non-compliance with such rules as well.

o COP 4 process options include, for example:

1) continue addressing compliance-related aspects in the rules for the various flexibility mechanisms,

(a) without yet addressing the more general non-compliance issues under Article 18;

(b) also beginning to address overall compliance issues in an ad hoc compliance group

(c) also beginning to address overall compliance issues under SBI without any ad hoc compliance group

2) address all compliance-related issues, including those related to flexibility mechanisms, in a "compliance" group (ad hoc or under SBI).

o Option 1(c) would best promote U.S. substantive interests at this time:

-- It allows us to go along with calls to begin addressing compliance issues generally, yet it also allows compliance-related issues particular to the flexibility mechanisms to be addressed in those contexts.

-- As noted above, it is more likely that officials acquainted with the substance of the Protocol would participate.

o Option 1(a) would have the disadvantage of making us look resistant to discussing compliance, when that has been one of the U.S. trademarks.

o Option 1(b) would have the disadvantage of, as noted above, attracting fewer officials familiar with the Protocol.

o Option 2 would have the disadvantage of playing into the scenario under which participation in flexibility mechanisms is conditioned upon ratification of Article 18 procedures.

o Note that, concerning the Secretariat's idea of holding an intersessional "workshop" on compliance in the spring, this idea has the same problems as an ad hoc group and should be opposed.



CONFERENCE OF THE PARTIES *
Fourth session
Buenos Aires, 2-13 November 1998
Item 2 (c) and (f) of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

Note by the Executive Secretary

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I. PROVISIONAL AGENDA

1. Rule 9 of the draft rules of procedure being applied (FCCC/CP/1996/2) provides that, "in agreement with the President, the secretariat shall draft the provisional agenda of each session" of the Conference of the Parties (COP). In preparing the draft provisional agenda for the fourth session for consideration by the President of the Conference of the Parties at its third session (COP 3), the Executive Secretary took account of views expressed by the Subsidiary Body for Implementation (SBI), notably at its eighth session (FCCC/SBI/1998/6, paras. 47-52),¹ and the Bureau of the COP. The provisional agenda has been approved by the President and is presented for adoption as follows:

1. Opening of the session:

- (a) Statement by the President of the Conference at its third session;
- (b) Election of the President of the Conference at its fourth session;
- (c) Statement by the President;
- (d) Addresses of welcome;
- (e) Statement by the Executive Secretary.

2. Organizational matters:

- (a) Status of ratification of the Convention and the Kyoto Protocol;
- (b) Adoption of the rules of procedure;
- (c) Adoption of the agenda;
- (d) Election of officers other than the President;
- (e) Admission of organizations as observers;
- (f) Organization of work, including the sessions of the subsidiary bodies;
- (g) Participation in contact groups;

¹ See also FCCC/SBI/1998/MISC.3 for a position paper on preparations for the COP at its fourth session, submitted by the Group of 77 and China.

- (h) Calendar of meetings of Convention bodies 2000-2001;
 - (i) Date and venue of the fifth session of the Conference of the Parties;
 - (j) Adoption of the report on credentials.
3. Reports of subsidiary bodies: action on conclusions and guidance on future work:
- (a) Report of the Subsidiary Body for Scientific and Technological Advice;
 - (b) Report of the Subsidiary Body for Implementation;
 - (c) Report of the Ad Hoc Group on Article 13.
4. Review of the implementation of commitments and of other provisions of the Convention:
- (a) Review of information communicated under Article 12:
 - (i) National communications from Parties included in Annex I to the Convention;
 - (ii) Initial national communications from Parties not included in Annex I to the Convention;
 - (b) Financial mechanism:
 - (i) Report of the Global Environment Facility to the Conference;
 - (ii) Review process referred to in decision 9/CP.1;²
 - (c) Development and transfer of technologies (decision 13/CP.1);
 - (d) Second review of the adequacy of Article 4.2(a) and (b);
 - (e) Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3);
 - (f) Activities implemented jointly: review of progress under the pilot phase (decision 5/CP.1);
 - (g) Review of information and possible decisions under Article 4.2(f);

² For full texts of decisions adopted by the Conference of the Parties at its first, second and third sessions, see documents FCCC/CP/1995/7/Add.1, FCCC/CP/1996/15/Add.1 and FCCC/CP/1997/7/Add.1, respectively.

- (h) Other matters relating to implementation:
 - (i) Research and systematic observation (Articles 4.1(g) and 5 of the Convention);
 - (ii) Scientific and methodological aspects of the proposal by Brazil.
- 5. Matters related to the Kyoto Protocol:
 - (a) Matters related to decision 1/CP.3, paragraph 5:
 - (i) Land-use change and forestry;
 - (ii) Article 6 of the Kyoto Protocol;
 - (iii) Article 12 of the Kyoto Protocol (clean development mechanism);
 - (iv) Article 17 of the Kyoto Protocol (international emissions trading);
 - (v) Impact of single projects on emissions in the commitment period.
 - (b) Matters related to decision 1/CP.3, paragraph 6: preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Protocol.
- 6. Voluntary commitments by non-Annex I Parties.³
- 7. Administrative and financial matters:
 - (a) Arrangements for administrative support to the Convention;
 - (b) Income and budget performance:
 - (i) Financial performance in the biennium 1996-1997;
 - (ii) Initial report on financial performance in the biennium 1998-1999;
 - (c) Scale of contributions to the core budget.
- 8. General statements:
 - (a) Addresses at the Presidential ceremony;
 - (b) Statements by ministers and other heads of delegation of Parties at the high-level segment;
 - (c) Statements by observer States;

³ Requested by Argentina under rule 10 (d) of the draft rules of procedure being applied.

- (d) Statements by intergovernmental organizations;
 - (e) Statements by non-governmental organizations.
9. Other matters.
10. Conclusion of the session:
- (a) Adoption of the report of the Conference of the Parties on its fourth session;
 - (b) Closure of the session.

II. ANNOTATIONS TO THE PROVISIONAL AGENDA, INCLUDING SUGGESTIONS FOR THE ORGANIZATION OF WORK

1. Opening of the session

2. The Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) will hold its fourth session from 2 to 13 November 1998. In accordance with rule 3 of the draft rules of procedure, the session will be opened at the Centro de exposiciones del Gobierno de la Ciudad de Buenos Aires, Buenos Aires, Argentina at 10 a.m. on Monday, 2 November 1998.
3. Pursuant to rule 26 of the draft rules of procedure, the session will be opened by, or on behalf of, the President of COP 3.
- (a) **Statement by the President of the Conference at its third session**
4. The outgoing President of the Conference will make a statement.
- (b) **Election of the President of the Conference at its fourth session**
5. According to rule 22 of the draft rules of procedure, the office of President is subject to rotation among the five regional groups. Two regional groups have not yet provided a President of the Conference: the Latin American and the Caribbean Group and the Eastern European Group. In accordance with established practice, the hosting of a session of the COP away from the headquarters of the secretariat confers the Presidency upon the head of the delegation of the host country. Following both these criteria, the President of COP 3 will call for the election of the head of the delegation of Argentina as President. The Government of Argentina has informed the secretariat that its head of delegation will be Her Excellency Ms. María Julia Alsogaray, Secretary of Natural Resources and Sustainable Development.

(c) **Statement by the President**

6. The President will make a statement after her election.

(d) **Addresses of welcome**

7. Addresses of welcome will be made by a representative of the host country and the Governor of the city of Buenos Aires.

(e) **Statement by the Executive Secretary**

8. The Executive Secretary of the UNFCCC secretariat will make a statement on the tasks to be undertaken by the Conference.

2. Organizational matters

(a) **Status of ratification of the Convention and the Kyoto Protocol**

9. A status report on the ratification of the Convention, including declarations made under Article 4.2(g), will be before the Conference for its information (FCCC/CP/1998/INF.5). This will confirm which States are Parties to the Convention and are therefore eligible to participate in decision-making.

10. For each State that ratifies, accepts or approves the Convention or accedes thereto after the deposit of the fiftieth instrument of ratification, acceptance, approval or accession, the Convention enters into force on the ninetieth day after the date of deposit with the Depositary of its instrument of ratification, acceptance, approval or accession. The number of Parties will total 175 during the COP at its fourth session (COP 4), including 174 States and one regional economic integration organization.

11. A status report on the signature and ratification of the Kyoto Protocol, including any declarations made by Parties, will also be provided for the information of the COP (FCCC/CP/1998/INF.5). Delegations of States that have not signed the Protocol are invited to inform the secretariat, in writing, of their Governments' plans to do so. Information on plans for ratification may also be given to the secretariat.

12. No provision is made for statements under this sub-item; relevant information may be communicated in statements made under other items.

(b) **Adoption of the rules of procedure**

13. According to Article 7.2(k) of the Convention, the COP “shall agree upon and adopt, by consensus, rules of procedure ... for itself and for any subsidiary bodies”. The Conference was unable to adopt its rules of procedure at previous sessions; it decided to apply the draft rules with the exception of draft rule 42 on voting, and has requested its successive Presidents to conduct consultations thereon. The draft rules have been similarly applied, *mutatis mutandis*, to the subsidiary bodies (FCCC/CP/1995/7, para. 10; FCCC/CP/1996/15, para. 12; and FCCC/CP/1997/7, para. 21).

14. In an effort to advance deliberations, the President of COP 3 conducted consultations on the rules of procedure during the June 1998 sessions of the subsidiary bodies and the period leading up to the fourth session of the COP. A report on these consultations, and the likelihood of adoption of the rules of procedure, will be presented. In the absence of consensus, the COP will, at the start of its fourth session, be invited to continue applying the rules of procedure contained in document FCCC/CP/1996/2. The President of COP 4 may be invited to undertake consultations to try to achieve adoption of the rules before the close of the session.

(c) **Adoption of the agenda**

15. The provisional agenda for COP 4, prepared in accordance with rule 9 of the draft rules of procedure, is presented for adoption (see section I above of this document).

16. A list of documents relating to the provisional agenda, as well as other documents available at the session, will be issued in an addendum to this document.

17. The provisional agenda for the ninth sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the SBI can be found in annexes I and II to the present document.

(d) **Election of officers other than the President**

Election of officers of the Conference of the Parties other than the President

18. Rule 22 of the draft rules of procedure provides that “at the commencement of the first meeting of each ordinary session, a President, seven Vice-Presidents, the Chairmen of the subsidiary bodies established by Articles 9 and 10 of the Convention, and a Rapporteur shall be elected from among the representatives of the Parties present at the session. They will serve as the Bureau of the session. Each of the five regional groups shall be represented by two Bureau members and one Bureau member shall represent the small island developing States. The offices of President and Rapporteur shall normally be subject to rotation among the five regional groups”. Rule 22 further states that “no officer may serve on the Bureau for more than two

consecutive terms of one year". Accordingly, the representatives of Canada and Germany, who are serving as Vice-Presidents for a second consecutive term, are not eligible for re-election to the Bureau.

19. During the June 1998 sessions of the subsidiary bodies, a representative of the President of COP 3 started consultations with the aim of advising the future President of COP 4 on the election of the other members of the Bureau. It is hoped that a complete list of candidates for the Bureau of COP 4 will be presented to the Conference at its first plenary meeting and that the Conference will elect the officers by consensus.

Election of other officers of the subsidiary bodies

20. Rule 27 of the draft rules of procedure provides that "each subsidiary body shall elect its own Vice-Chairman and Rapporteur". The subsidiary bodies were unable to elect their Vice-Chairmen and Rapporteurs at their eighth sessions. These elections should be concluded as soon as possible during the session so that officers are available to assist the Chairmen in fulfilling their responsibilities at the ninth and tenth sessions of the subsidiary bodies.

(e) Admission of organizations as observers

21. The admission of intergovernmental and non-governmental organizations as observers is governed by Article 7.6 of the Convention, which provides, *inter alia*, that "any body or agency, whether national or international, governmental or non-governmental, which is qualified in matters covered by the Convention, and which has informed the secretariat of its wish to be represented at a session of the Conference of the Parties as an observer, may be so admitted unless at least one third of the Parties present object".

22. In accordance with the practice established by the UNFCCC, the secretariat will invite those intergovernmental and non-governmental organizations accorded observer status at previous sessions of the Conference to attend COP 4 (with the exception of those organizations which were admitted to COP 3 only). Thus the procedure for admission to the Conference will apply only to new applicants for observer status and to those organizations which have expressed their wish to attend COP 4 only.

23. The COP Bureau has considered the provisional list of applicants drawn up by the secretariat, with a view to establishing that the organizations contained in the list meet all requirements, and has authorized the secretariat to advise those applicants of their "pre-admittance status", on the understanding that the final authority for the admission of observers rests with the COP. At its first plenary meeting, the Conference will have before it for approval a document containing the list of organizations recommended for admission as observers (FCCC/CP/1998/14).

(f) Organization of work, including the sessions of the subsidiary bodies

Purpose of the session

24. Article 7.2 of the Convention provides that "the Conference of the Parties, as the supreme body of [the] Convention, shall keep under regular review the implementation of the Convention ... and shall make, within its mandate, the decisions necessary to promote the effective implementation of the Convention". Certain provisions of the Convention and decisions of the COP at its previous sessions require further action by the COP by dates prior to COP 5, and COP 4 will be expected to address such issues. The COP will also be expected to take up matters arising from decisions adopted at COP 3, particularly those relating to the prompt start of the Kyoto Protocol, as specified in decision 1/CP.3, and to decision 3/CP.3.

Approach to the organization of COP 4

25. The fourth session of the COP will entail meetings of the Conference plenary and of the two subsidiary bodies. Plenary will organize the work of the session, allocate tasks to, and oversee the work of, the subsidiary bodies (see paragraph 30 below) and deal with a number of procedural and substantive matters. The bulk of the work of the session will be conducted in the subsidiary bodies, which will have the responsibility of developing draft decisions and conclusions for submission to the Conference for adoption. The subsidiary bodies will complete their work on Tuesday, 10 November and report to the plenary on results achieved and on any outstanding issues.

26. The agendas of the subsidiary bodies reflect this approach (see annexes I and II below). Most of their work will be undertaken under the item of their provisional agendas entitled "Matters referred to the SBSTA/SBI by the plenary of the COP".

27. The high-level segment of the session attended by ministers and other heads of delegation will take place on 12 and 13 November. During this period, national statements will be delivered and negotiations will be undertaken to resolve outstanding issues. This segment will be preceded on 11 November by a ceremonial event to be addressed by the President of the Republic of Argentina and possibly by other dignitaries.

28. Decisions are expected to be adopted by the Conference plenary, on the basis of recommendations from the subsidiary bodies, on 11 November and, if further consultations and negotiations are required, on 13 November.

29. The Bureau of the COP will monitor and guide the work programme of the Conference and the subsidiary bodies. The linkages between the agendas of the COP and the subsidiary bodies call for a special effort by the Bureau to integrate and ensure consistency in the outputs of their work. This will be particularly important with regard to issues being addressed jointly by the SBSTA and the SBI.

Allocation of tasks

30. The COP at its first plenary meeting may consider allocating relevant sub-items of items 4, 5 and 7 of the provisional agenda to the subsidiary bodies, in accordance with their specific mandates. That would allow the subsidiary bodies sufficient time to carry out their work. The annotations to items 4, 5 and 7 below provide advice to the COP on how to allocate the items to the subsidiary bodies. The proposed allocation of items to the subsidiary bodies is summarized in annex III below. The proposal envisages that certain provisional agenda items will not be allocated to subsidiary bodies but retained for consultation by the President or another member of the COP Bureau. In two cases (items 4 (d) and 4 (g)), alternative allocation options are proposed.

31. In cases where responsibility for a particular item is shared by both subsidiary bodies, it would be useful to consolidate different elements into a single draft decision, or for the bodies to work together from the start through a joint process.

32. The number of contact groups to be established at the session should be minimized so as to reduce the burden on Parties with small delegations. Alternative methods of developing decisions and conclusions may be used, namely discussion of texts at subsidiary body meetings, informal bilateral consultations and preparation of draft texts by the Chairman to facilitate consensus.

33. Should further work prove necessary on any given item after the subsidiary bodies have ended their sessions, the President of the Conference may decide to undertake consultations or delegate this responsibility to another member of the Bureau.

Schedule of meetings

34. A proposed schedule of meetings is contained in annex IV below. The scheduling of meetings during COP 4 is based on the availability of conference servicing facilities during normal working hours. Given the heavy workload of the session, provision has been made for holding two simultaneous meetings, with full interpretation facilities, in the mornings and afternoons of the entire period when the subsidiary bodies are meeting, including Saturday, 7 November.

35. The plenary of the COP will convene on the morning and afternoon of Monday, 2 November for the opening of the session and the consideration of issues under agenda items 1, 2 and 3. The SBSTA and the SBI would then meet until 10 November, when they will be expected to complete their work. The subsidiary bodies are expected to hold a joint meeting on Tuesday, 3 November and, as necessary, later in the session. A meeting of the plenary is envisaged for the afternoon of Friday, 6 November to enable the Conference to hear status

reports from the Chairmen of the subsidiary bodies and officers of the COP Bureau holding consultations and to provide guidance as necessary. The Chairmen of the subsidiary bodies will report on the work of their ninth sessions in the afternoon of Wednesday, 11 November, and submit draft decisions and conclusions for adoption by the Conference.

36. On Wednesday, 11 November, the President of the Republic of Argentina will address the plenary at a ceremonial event. Representatives of observer States and non-governmental organizations and heads of intergovernmental organizations will also be invited to make statements on that day. The high-level segment of the Conference session will open on 12 November with the morning, afternoon and evening of that day devoted to statements by ministers and other heads of delegation of Parties. Finally, a plenary meeting is scheduled for the afternoon of Friday, 13 November to allow the COP to finalize discussions and adopt remaining decisions. Additional plenary meetings may be scheduled if necessary during the sessional period.

(g) Participation in contact groups

37. At its eighth session, the SBI requested the secretariat to prepare a draft decision on participation of non-governmental organizations in contact groups (see FCCC/SBI/1998/6, para. 83). This draft decision, which also addresses the participation of intergovernmental organizations, will be before the COP as document FCCC/CP/1998/L.1.

38. Since this matter affects the COP and all of its subsidiary bodies, any consultations required on the above-mentioned draft could be conducted by a Vice-President of the COP. That Vice-President could be invited to report to the plenary on Friday, 6 November for final decision on this item.

(h) Calendar of meetings of Convention bodies 2000-2001

39. The SBI at its eighth session took note of General Assembly resolution 52/445, and recommended that future calendars of meetings for the Convention continue to be based on a 12-month calendar. It also took note of the calendar of meetings approved by COP 3 for the biennium 1998-1999 and decided to return to the issue of calendar of meetings for the year 2000 and beyond at its ninth session, when it would also prepare a relevant decision for consideration and adoption by COP 4 (see FCCC/SBI/1998/6, para. 60). It also noted that the following sessional periods have already been adopted for 1999: (a) a first sessional period from 31 May to 11 June and (b) a second sessional period from 24 October to 5 November, including the fifth session of the COP (COP 5).

40. Because of the need to reserve commercial facilities in Bonn and to book United Nations conference services well in advance, as well as the usefulness to Parties and the secretariat of planning as far in advance as possible, a decision on the calendar of meetings needs to be taken by COP 4. The following dates are proposed for consideration:

- (a) First sessional period in 2000: from 5 to 15 June;
- (b) Second sessional period in 2000: from 16 to 25 October;
- (c) First sessional period in 2001: June;
- (d) Second sessional period in 2001: November.

Following current practice, and assuming that the COP continues to meet annually, the second sessional period in each of these years would include a session of the COP.

41. It may be recalled that at the eighth session of the SBI, a Party requested that the calendar of meetings be based on three meetings a year, consisting of two one-week sessional periods and one two-week session, the latter of which would include a meeting of the COP.

42. The COP may wish to allocate this item to the SBI. In dealing with the calendar, the SBI may wish to take into account the impact of the calendar on the programme of work and the programme budget for the biennium 2000-2001. The matter could be taken up in the same informal consultative process that will consider the budgetary and financial issues with a view to developing a recommendation to the COP for adoption.

(i) Date and venue of the fifth session of the Conference of the Parties

43. Rule 3 of the draft rules of procedure states that "the sessions of the Conference of the Parties shall take place at the seat of the secretariat, unless the Conference of the Parties decides otherwise or other appropriate arrangements are made by the secretariat in consultation with the Parties". Rule 4, paragraph 2, of the draft rules specifies that "at each ordinary session, the Conference of the Parties shall decide on the date and duration of the next ordinary session". Hence a decision on these matters will be required at COP 4.

44. As of COP 4, sessions of the Conference will have been held in States belonging to three regional groups: Western Europe and Others, Asia, and Latin America and the Caribbean. The Presidency will have been occupied in addition by a Party from the African Group.

45. At its eighth session, the SBI was informed by the secretariat that an offer to host the COP 5 had been received from the Hashemite Kingdom of Jordan, a State member of the Asian Group. The SBI took note of the generous offer, and invited any other Party desirous of making an offer to host COP 5 to communicate such proposal to the secretariat before 30 September 1998 (see FCCC/SBI/1998/6, para. 61).

46. The COP may wish to invite one of its Vice-Presidents to undertake consultations on this matter, based on offers received, and to propose a draft decision to the Conference for adoption.

(j) Adoption of the report on credentials

47. According to rule 19 of the draft rules of procedure, the credentials of representatives of Parties, as well as the names of alternate representatives and advisers, shall be submitted to the secretariat not later than twenty-four hours after the opening of the session. Any later change in the composition of the delegation shall also be submitted to the secretariat. The credentials shall be issued either by the Head of State or Government or by the Minister of Foreign Affairs or, in the case of a regional economic integration organization, by the competent authority of that organization. The Bureau of COP 4 shall examine the credentials and submit its report to the Conference (see rule 20 of the draft rules of procedure). Representatives shall be entitled to participate provisionally in the session, pending a decision by the COP to accept their credentials (see rule 21 of the draft rules of procedure).

3. Reports of subsidiary bodies: action on conclusions and guidance on future work

48. According to Article 7.2(j) of the Convention, the Conference of the Parties shall review reports submitted by its subsidiary bodies and provide guidance to them. The subsidiary bodies established by the Convention are the SBSTA and the SBI. The Ad Hoc Group on Article 13 (AG 13) completed its work at its sixth session in June 1998.

(a) Report of the Subsidiary Body for Scientific and Technological Advice

(b) Report of the Subsidiary Body for Implementation

49. The reports of the SBSTA and the SBI on their eighth sessions, held in June 1998, will be before COP 4 (FCCC/SBSTA/1998/6 and FCCC/SBI/1998/6). The Conference will be invited to take note of these reports at its first plenary meeting.

50. Owing to the shortness of time, reports on the ninth sessions of the SBSTA and SBI will only be presented orally by their Chairmen on Wednesday, 11 November. The Chairmen will also submit draft decisions and conclusions, as agreed in the subsidiary bodies, for adoption by the Conference. Any outstanding issues from the subsidiary bodies will be referred to the plenary for further consideration.

(c) Report of the Ad Hoc Group on Article 13

51. The Chairman of the AG 13 will present a report on the work of the Group's sixth session at the first plenary meeting. The Conference may wish to take note of it.

52. There are still outstanding issues to be resolved in connection with the Group's final report and its recommended draft decision on the establishment of a Multilateral Consultative Committee (FCCC/AG13/1998/2). The President of the Conference may initiate informal consultations in order to resolve these issues, which pertain to the composition of the proposed Multilateral Consultative Committee (MCC). A successful outcome of the informal consultations would lead to the adoption of the draft decision and the subsequent establishment of the proposed MCC. Parties should therefore be prepared to nominate experts in relevant fields, such as those of science, socio-economics and the environment, for the MCC so that the Conference can designate the Committee's members for the first period of office, recognizing that the terms of the members of the Committee for the first period are to be determined by lot.

4. Review of the implementation of commitments and of other provisions of the Convention

(a) Review of information communicated under Article 12

53. In accordance with Article 12, each Party is required to communicate to the COP, through the secretariat, information related to implementation of the Convention. The second national communications from Parties included in Annex I to the Convention were to be submitted by 15 April 1997; for Parties with economies in transition, the deadline was 15 April 1998. National inventory data on emissions by sources and removals by sinks on an annual basis are also to be submitted by Annex I Parties by 15 April of each year, beginning in 1997 (decision 9/CP.2). Guidelines for the preparation of initial communications from non-Annex I Parties have also been approved by the COP (decision 10/CP.2), and eight communications have since been submitted.

(i) National communications from Parties included in Annex I to the Convention

54. This sub-item comprises several elements:

(a) *Compilation and synthesis of second national communications:* At its second session, by its decision 9/CP.2, the COP requested Annex I Parties to submit to the secretariat, in accordance with Article 12.1 and 12.2 of the Convention, a second national communication and requested the secretariat to provide a first compilation and synthesis of second national communications to the COP at its third session. The COP, having considered the relevant

recommendations of the subsidiary bodies, by its decision 6/CP.3, requested the secretariat to prepare a full compilation and synthesis of second national communications for consideration at its fourth session. This report will be contained in document FCCC/CP/1998/11 and Add.1 and 2;

(b) *Interim assessment of in-depth reviews and scheduling of subsequent national communications:* The SBI, at its seventh session, expressed its intention to conduct an interim assessment of the in-depth reviews of second national communications (see FCCC/SBI/1997/21, para. 11 (e)). To facilitate this task, the secretariat has prepared document FCCC/CP/1998/4 containing recommendations and suggestions to improve the process of future in-depth reviews. The SBI, at its eighth session, initiated a discussion on the scheduling of third and subsequent national communications from Annex I Parties on the basis of document FCCC/SBI/1998/INF.1 and agreed with the thrust of the proposals made in that document. It also invited Parties to submit their views on the scheduling of subsequent national communications. These views will be contained in document FCCC/CP/1998/MISC.8;

(c) *Annual inventory data:* The COP will have before it a summary compilation of the annual inventory data from Parties included in Annex I received by the secretariat to date (FCCC/CP/1998/INF.9);

(d) *Approach to the comparison of data:* The SBI, at its seventh session, requested the secretariat to evaluate the feasibility of compiling and maintaining available supplementary data from authoritative sources on greenhouse gas emissions for the purpose of comparison with national submissions from Annex I Parties and to present a report to the SBI at its ninth session (see FCCC/SBI/1997/21, para. 11 (d)). In response the secretariat has prepared document FCCC/CP/1998/5 containing a possible approach to the comparison of data.

55. The COP may wish to refer this sub-item, including all of the elements mentioned above, to the SBI for consideration with a view to developing conclusions and/or draft decisions to submit to the COP for adoption.

(ii) Initial national communications from Parties not included in Annex I to the Convention

56. This sub-item comprises several elements:

(a) *Process for considering non-Annex I Party communications:* The COP, at its first session, requested the subsidiary bodies to develop, for consideration at its second session, recommendations on guidelines for the preparation of national communications from non-Annex I Parties and proposals for the process to consider these recommendations, in accordance with Article 10 of the Convention (decision 8/CP.1). The COP, at its second session, approved guidelines for the preparation of initial communications from non-Annex I Parties (decision 10/CP.2). The COP, at its third session, decided that the SBI will have overall

responsibility for developing guidelines on the process for consideration of national communications (decision 13/CP.3). The SBI, at its seventh session, decided to "continue its deliberations on a process for considering initial national communications from non-Annex I Parties with a view to recommending a decision to the Conference of the Parties at its fourth session" (see FCCC/SBI/1997/21, para. 13 (a)). At its eighth session, 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. A workshop was held on 3 and 4 August 1998 in Kuala Lumpur, Malaysia, to assist Parties in their deliberations on a process for considering non-Annex I Party communications. A report will be presented to the SBI at its ninth session by the Co-chairs of the workshop;

(b) *Information on relevant action by the Global Environment Facility (GEF)*: By its decision 10/CP.2, the COP also requested the secretariat to make available to the SBI, at each of its sessions, details of the financial support provided by the GEF to non-Annex I Parties for the preparation of their initial communications. This information will be contained in document FCCC/CP/1998/MISC.4;

(c) *Provision of financial and technical support*: At its second session, by its decision 10/CP.2, the COP requested the secretariat, in accordance with Article 8.2(c), to facilitate assistance to Parties, particularly developing country Parties, in the preparation of their initial communications and to provide a report to the SBI and the SBSTA at each of their sessions. The progress report by the secretariat and updated information on the status of preparation of the initial national communications of non-Annex I Parties will be presented in document FCCC/CP/1998/INF.2.

57. By decision 10/CP.2, the COP also requested the secretariat to facilitate assistance through the organization of workshops at the regional level and to provide a forum for the exchange of experience in the development of emission factors and activity data for the estimation of the inventory. In response to this, the secretariat has convened a workshop on emission factors and activity data in Havana, Cuba, from 16 to 18 September 1998. The results of this workshop will be made available by the secretariat to the Parties at COP 4. In addition, in conjunction with COP 4, the secretariat will organize a special event which will be the first in a series of regular meetings providing a forum for the exchange of experience in the development of greenhouse gas emission factors and activity data. The secretariat will also organize additional workshops at the regional level provided that the required supplementary funding for this is made available by Parties through voluntary contributions to the Trust Fund for Supplementary Activities.

58. The COP may wish to refer this sub-item, including all of the elements mentioned above, to the SBI for consideration with a view to developing a draft decision to submit to the COP defining the process for consideration of communications from non-Annex I Parties and taking note of relevant information. Any provision of guidance to the GEF related to non-Annex I communications could be reflected in the outcomes under item 4 (b)(i) of the provisional agenda.

(b) Financial mechanism

(i) Report of the Global Environment Facility to the Conference

59. The Memorandum of Understanding (MOU) between the COP and the Council of the Global Environment Facility provides, *inter alia*, that the COP should receive and review at each of its sessions a report from the GEF which should include specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention (decisions 11/CP.2 and 12/CP.2). Accordingly, the COP will have before it a report from the Council of the GEF (see FCCC/CP/1998/12 and Add.1).

60. The MOU between the COP and the Council of the GEF further provides that the Conference of the Parties will, after each of its sessions, communicate to the GEF any policy guidance approved by the COP concerning the financial mechanism. The COP at its first session decided on initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism (decision 11/CP.1) and at its second session provided further guidance (decision 11/CP.2).

61. The SBI, at its eighth session, after considering matters related to the financial mechanism, including any guidance thereto, invited Parties to submit further views and comments. The SBI decided to continue its discussions at its ninth session (see FCCC/SBI/1998/6, para. 32 (b)). The Parties will have before them documents FCCC/SBI/1998/MISC.4 and Add.1 and FCCC/CP/1998/MISC.3 which contain views and comments on these matters received from Parties.

62. The COP may wish to refer this sub-item to the SBI for its consideration with a view to developing conclusions and/or draft decisions to submit to the COP concerning the report of the GEF and any further policy guidance to the financial mechanism that may be appropriate. The SBI will also need to take account of deliberations under other agenda items that could be relevant to the provision of policy guidance. In this context, the SBSTA has requested the SBI, in considering additional guidance to the 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 has noted that funding is essential to the implementation of Article 6 (see FCCC/SBSTA/1998/6, para. 58 (b)).

(ii) Review process referred to in decision 9/CP.1

63. In accordance with Article 11.4 of the Convention, the COP at its first session decided to review the financial mechanism within four years and to take appropriate measures, including a determination of the definitive status of the GEF in the context of the Convention (decision 9/CP.1). Accordingly, the COP should conclude this process at the present session.

64. The review process began at the fifth session of the SBI, at the request of the COP at its second session (decision 11/CP.2), and on the basis of guidelines contained in paragraph 20 of document FCCC/SBI/1997/6. The process continued throughout the sixth, seventh and eighth sessions of the SBI. The SBI decided to continue its discussions at its ninth session (see FCCC/SBI/1998/6, para. 32 (b)). The COP will have before it documents FCCC/SBI/1998/MISC.4 and Add.1 and FCCC/CP/1998/MISC.3 which contain views and comments on these matters received from Parties.

65. The COP may wish to refer this sub-item to the SBI for consideration with a view to developing conclusions and/or draft decisions to submit to the COP on the conclusion of the review process referred to in decision 9/CP.1.

(c) Development and transfer of technologies

66. At its first session, the COP decided, *inter alia*, "to review, at the second session of the Conference of the Parties, and at each session of the Conference of the Parties thereafter, the implementation of Article 4.5 and 4.1(c) of the Convention as a separate agenda item" (decision 13/CP.1). This decision was reaffirmed by COP 2 (decision 7/CP.2) and by COP 3 (decision 9/CP.3).

67. At its eighth session, the SBSTA requested the secretariat to prepare an initial draft of a work programme on the development and transfer of technologies (see FCCC/SBSTA/1998/6, para. 58 (c)). This is included in the progress report on development and transfer of technologies presented in document FCCC/CP/1998/6.

68. The SBSTA also invited Parties to provide, by 15 August 1998, their views regarding technology development and transfer, capacity building, the tasks described in the secretariat's progress report on technology and technology transfer (see FCCC/SB/1997/1), any additional tasks, and the strategic focus of the secretariat's work programme on the development and transfer of technologies. Submissions from Parties on these topics will be contained in document FCCC/CP/1998/MISC.5.

69. The SBSTA also requested the secretariat to organize a technology round table in conjunction with COP 4. The focus of this round table was specified as the analysis of barriers to the development and transfer of technology (in both Annex I and non-Annex I Parties) and the identification and elimination of these barriers in order to facilitate the development and transfer of technology (see FCCC/SBSTA/1998/6, para. 58 (e)). Further information on this round table will be conveyed in due course.

70. In addition, the SBSTA urged the secretariat to complete the technical paper on barriers and opportunities related to the transfer of technology for the ninth session. This will be submitted as document FCCC/TP/1998/1. Information in this document may be directly relevant to the consideration of the draft work programme mentioned in paragraph 67 above.

71. Parties may also wish to consider aspects of the second compilation and synthesis of second national communications from Annex I Parties (see FCCC/CP/1998/11 and Add.1 and 2) related to financial resources and transfer of technology.

72. The COP may wish to refer this sub-item to the SBSTA, whilst inviting that body to forward any conclusions regarding technology information centres and enhancing support for national or regional centres to the SBI for its consideration (in accordance with decision 9/CP.3, paragraph 4). The SBSTA may wish to continue its deliberations on the development and transfer of technologies, with a view to submitting a draft omnibus decision to COP 4 on all aspects of the development and transfer of technology. During their discussions on this sub-item, Parties may wish to recall that a draft decision was submitted to the SBSTA at its eighth session by the Group of 77 and China (FCCC/SBSTA/1998/CRP.1).

(d) Second review of the adequacy of Article 4.2(a) and (b)

73. Article 4.2(d) provides that a second review of Article 4, paragraphs 2 (a) and (b), shall take place not later than 31 December 1998.

74. The COP, at its third session, decided to place the issue of the second review of the adequacy of Article 4.2(a) and (b) on the agenda for its fourth session, and requested the subsidiary bodies and the secretariat to make all necessary preparations to facilitate future consideration of the item (see FCCC/CP/1997/7, para. 63). The SBI, at its eighth session, invited Parties to submit their views on this item. Any views submitted by Parties will be contained in document FCCC/CP/1998/MISC.6.

75. The Conference could refer the item to the SBI for consideration with a view to developing conclusions and/or a draft decision to submit to the COP for adoption. Alternatively, given its political nature, the President may wish to conduct informal consultations on this item so as to lighten the workload of the SBI.

(e) Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3)

76. The SBI, at its eighth session, in response to a request by COP 3 (decision 3/CP.3), decided to undertake a process to identify and determine actions necessary to meet the specific needs of developing country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures. The SBI decided to continue its consideration of this matter at its ninth session with a view to preparing a draft decision for adoption by COP 4 (see FCCC/SBI/1998/6, para. 44 (d)).

77. It should be borne in mind that the SBI at its eighth session also considered Articles 2.3 and 3.14 of the Kyoto Protocol, in conjunction with decision 3/CP.3. In this context, the decision to be adopted under item 5 (b) of the provisional agenda on the preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Protocol (COP/MOP 1) is also relevant.

78. The COP may wish to refer this item to the SBI for consideration so that it can conclude its work and submit a draft decision to the COP for adoption.

(f) Activities implemented jointly under the pilot phase (decision 5/CP.1)

79. By its decision 10/CP.3, the COP, at its third session, reaffirmed decision 5/CP.1 and the provisions governing activities implemented jointly (AIJ) under the pilot phase contained therein. These provisions include, *inter alia*, a request for the COP to review, at its annual session, "the progress of the pilot phase on the basis of the synthesis report with a view to taking appropriate decisions on the continuation of the pilot phase" and, in so doing, to "take it to 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 COP at its third session further invited Parties submitting reports on the AIJ pilot phase to provide suggestions on the uniform reporting format (URF), with a view to improving it (decision 10/CP.3).

80. The second synthesis report on AIJ under the pilot phase is contained in document FCCC/CP/1998/2. This report is based on the approximately 100 projects submitted by Parties in accordance with the URF and received prior to the deadline set for incorporation into the report (30 June 1998). Reports on projects, as well as information on progress made in the work on the list of methodological issues, are contained in the document FCCC/CP/1998/INF.3. This includes reports on the outcome of two workshops organized by the secretariat on project-based mechanisms which dealt with methodological, technical and institutional issues and which related not only to AIJ, but also to the mechanisms referred to in Articles 6 and 12 of the Kyoto Protocol.

81. The COP may wish to refer this sub-item to both the SBSTA and the SBI for initial consideration in a joint meeting with a view to submitting conclusions and/or a draft decision for adoption by COP 4. In particular, Parties may wish to take note of the information contained in the documents listed above, and provide views on the need, timing and modalities for a comprehensive review of the pilot phase (including its continuation or conclusion). While noting the differences, Parties may also wish to express views on the linkages between work carried out under the AIJ pilot phase and preparatory work on the project-based mechanisms referred to in Articles 6 and 12 of the Kyoto Protocol.

(g) Review of information and possible decisions under Article 4.2(f)

82. Article 4.2(f) of the Convention states that the COP shall "review, not later than 31 December 1998, available information with a view to taking decisions regarding such amendments to the lists in Annexes I and II as may be appropriate, with the approval of the Party concerned". At its third session, the COP adopted amendments to the list in Annex I to the Convention (decision 4/CP.3). The secretariat will submit an update on the entry into force of the amendments to the list in Annex I to the Convention in document FCCC/CP/1998/13. It will also draw to the attention of the COP any additional requests to be included in Annex I or Annex II to the Convention.

83. Turkey, which is not yet a Party to the Convention, has requested the deletion of its name from Annex I and Annex II to the Convention. A submission by Turkey on this matter is contained in document FCCC/CP/1997/MISC.3. The COP, at its third session, requested the SBI, at its eighth session, to consider this request, and to present a report to COP 4 for consideration and definitive action.

84. At its eighth session, the SBI, after an initial consideration of the request from the COP, asked Vice-President Herrera Marcano (Venezuela) to conduct consultations and report back to the SBI. Since the consultations did not result in an agreement, the SBI concluded that informal consultations should continue during the ninth session of the SBI with a view to achieving a consensus decision that could be recommended to COP 4 for consideration and definitive action (see FCCC/SBI/1998/6, para. 40).

85. The COP may wish to allocate this item to the SBI. Alternatively, to avoid overburdening the SBI, the President may wish to request a member of the Bureau to conduct consultations on both the request of Turkey and any requests received by Parties to be included in Annex I or Annex II to the Convention. This Bureau member could be asked to report definitively to the plenary on Wednesday, 11 November, and to submit conclusions and/or a draft decision for adoption by the Conference.

(h) Other matters relating to implementation

(i) Research and systematic observation (Articles 4.1(g) and 5 of the Convention)

86. By its decision 8/CP.3, the COP, at its third session, requested the SBSTA, with the assistance of the secretariat and in consultation with the Intergovernmental Panel on Climate Change (IPCC), to consider the adequacy of the global observational systems, namely the Global Climate Observing System, the Global Ocean Observing System and the Global Terrestrial Observing System, and to report its conclusions to COP 4. The World Meteorological Organization and the organizations participating in the Climate Agenda agreed to prepare the report, and in this regard, provided preliminary information to the SBSTA at its eighth session.

87. At its eighth session, the SBSTA invited these organizations to complete the report and to make it available for consideration at its ninth session (see FCCC/SBSTA/1998/6, para. 27 (c)). A summary is contained in document FCCC/CP/1998/7; the complete report is given in document FCCC/CP/1998/MISC.2.

88. The COP may wish to refer consideration of this agenda item to the SBSTA. The SBSTA may then wish to submit conclusions and/or a draft decision, as appropriate, to COP 4 on the further development of observation networks.

(ii) Scientific and methodological aspects of the proposal by Brazil

89. The COP, 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 its advice regarding scientific and methodological aspects. It further requested the SBSTA to make its advice available to COP 4 (see FCCC/CP/1997/7/Add.1, section III.3).

90. The SBSTA considered this issue at its eighth session. It noted that the portion of that proposal referring to a clean development fund had been subsumed by decisions taken at COP 3. The SBSTA recognized that there are a number of scientific and methodological issues raised by the remainder of the proposal and that they are still being investigated by scientists in several countries. The SBSTA welcomed the offer by the delegation of Brazil to host a workshop to further understanding of the scientific and methodological aspects of the remainder of the proposal and invited that delegation to report back to the SBSTA, at its ninth session, on the workshop (see FCCC/SBSTA/1998/6, para. 51).

91. The COP may wish to refer this agenda item to the SBSTA for its consideration. The SBSTA may wish to consider any new information on this topic and, as appropriate, provide advice to COP 4.

5. Matters related to the Kyoto Protocol

(a) Matters related to decision 1/CP.3, paragraph 5

(i) Land-use change and forestry

92. The COP, at its third session, identified as an issue for consideration by COP 4, the determination of modalities, rules and guidelines as to how, and which, additional human-induced activities related to changes in greenhouse gas emissions by sources and removals by sinks in the agricultural soils and the land-use change and forestry categories shall be added to, or subtracted from, the assigned amounts for Parties to the Protocol included in Annex I to the Convention, as provided for under Article 3, paragraph 4, of the Protocol, (decision 1/CP.3, para. 5 (a)).

93. In preparation for COP 4, the SBSTA considered this matter at its eighth session. It took note with appreciation of the document prepared by the secretariat (FCCC/SBSTA/1998/INF.1) and reached an understanding on the meaning of Article 3.3 of the Kyoto Protocol (see FCCC/SBSTA/1998/6, para. 45). The SBSTA also invited Parties to submit information related to the implementation of Article 3.3 of the Kyoto Protocol and to the modalities, rules and guidelines for additional activities which might be included under Article 3.4, in both cases addressing questions and issues raised in the document prepared by the secretariat. The submissions are contained in documents FCCC/CP/1998/MISC.1 and FCCC/CP/1998/MISC.9, respectively. Among the suggested elements for a work programme on the mechanisms are methodological/technical and institutional issues, issues related to participation and to process as well as linkages to work envisaged on other Articles of the Kyoto Protocol (see annex to FCCC/SBSTA/1998/6).

94. In response to a request from the SBSTA, the secretariat has organized a workshop in Rome on 24 and 25 September 1998 coincident with an IPCC expert meeting, to consider data availability in relation to Article 3.3 and to consider any further inputs to the IPCC. A report on this SBSTA-IPCC workshop will be contained in document FCCC/CP/1998/INF.4. The SBSTA further requested the IPCC to prepare and provide information to the SBSTA and the COP, in particular a special report on land-use, land-use change and forestry. A representative of the IPCC is expected to make a report on the status of this request.

95. The COP may wish to refer this agenda item to the SBSTA for its consideration. The SBSTA may wish to continue its discussion on this issue, including plans for a second workshop. Such discussions may lead to the submission of a draft decision for adoption by COP 4.

- (ii) Article 6 of the Kyoto Protocol
- (iii) Article 12 of the Kyoto Protocol (clean development mechanism)
- (iv) Article 17 of the Kyoto Protocol (international emissions trading)

96. In adopting the Kyoto Protocol, the Conference of the Parties, at its third session, requested the Chairmen of the SBSTA and the SBI to give guidance to the secretariat on the preparatory work needed for consideration by COP 4 of matters related to Articles 6, 12 and 17, and to allocate work thereon to the respective subsidiary bodies as appropriate (decision 1/CP.3, para. 5 (b), (c) and (e)). Paragraph 6 of the same decision calls for the allocation of preparatory work for the first session of the Conference of the Parties serving as the meeting of the Parties to the Protocol (see paragraphs 102-104 below).

97. At their eighth sessions, the SBI and SBSTA agreed to carry out their work through joint meetings, which gave rise to a joint consultative process. At their final joint meeting, the subsidiary bodies took note of the 'Suggested elements for a work programme on mechanisms for the Kyoto Protocol', as contained in the annex to the report of the SBSTA session, and invited Parties to submit views on the mechanisms referred to in decision 1/CP.3 (see FCCC/SBSTA/1998/6, para. 63 and annex and FCCC/SBI/1998/6). Views received from Parties by 10 September 1998 will be contained in document FCCC/CP/1998/MISC.7. Views received after this date will be available during the session as addenda to this document.

98. The COP may wish to refer these sub-items to the subsidiary bodies for their further joint consideration with a view to submitting a draft decision to the COP. This may include elements of a work programme, the allocation of related preparatory work for COP/MOP 1 to the subsidiary bodies (see also paragraphs 102-104 below) and, in this context an agreement on the modalities and schedule for carrying out the work programme and the assignment of tasks to the secretariat, as well as any requests for other organizations to carry out tasks.

(v) Impact of single projects on emissions in the commitment period

99. By its decision 1/CP.3, paragraph 5 (d) the COP, at its third session, identified as an issue to be considered by COP 4, the "consideration of and, as appropriate, action on suitable methodologies to address the situation of Parties listed in Annex B to the Protocol for which single projects would have a significant proportional impact on emissions in the commitment period".

100. The SBSTA held an initial discussion of this matter at its eighth session. It took note of the information provided by a Party, contained in document FCCC/SB/1998/MISC.1 and Add. 2 and 4, and invited Parties to consider this information during the inter-sessional period, in preparation for further consideration at its ninth session (see FCCC/SBSTA/1998/6, para. 48).

101. In the light of the above, the COP may wish to refer this agenda item to the SBSTA for its consideration. The SBSTA may wish to continue its discussion on this issue with a view to submitting a draft decision for adoption by COP 4.

(b) Matters related to decision 1/CP.3, paragraph 6: preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Protocol

102. By its decision 1/CP.3, paragraph 6, the COP, at its third session, invited the Chairmen of the subsidiary bodies to make a joint proposal to those bodies, at their eighth sessions, on the allocation to them of preparatory work to enable COP/MOP 1 to accomplish the tasks assigned to it by the Protocol. The SBSTA and the SBI considered the proposal from their Chairmen (FCCC/SB/1998/1) at their eighth sessions and decided to defer consideration of these issues until their ninth sessions. They also invited the Chairmen, if they considered it useful, to formulate points which might provide a basis for deliberations at their ninth sessions (see FCCC/SBSTA/1998/6, para. 20 and FCCC/SBI/1998/6, para. 19).

103. In order to facilitate the work of the Conference, the Chairmen of the subsidiary bodies have, following consultations at the eighth session, prepared a draft decision that could serve as the basis for consultations at COP 4 (FCCC/CP/1998/3).

104. The Conference may wish to refer this item to the SBSTA and the SBI for consideration at their joint meeting, with a view to submitting a draft decision to the Conference on the allocation to the subsidiary bodies of preparatory work for COP/MOP 1 and on possible work programming.

6. Voluntary commitments by non-Annex I Parties

105. This item has been placed on the provisional agenda, in accordance with rule 10 (d) of the draft rules of procedure, following the request of the Government of Argentina, and it is understood to be the object of informal consultations. The President will inform the Conference of such outcomes as may be conveyed to her and propose a course of action.

7. Administrative and financial matters

106. The SBI, at its eighth session, considered matters pertaining to administrative arrangements for the Convention, financial performance in the biennium 1996-1997, the programme budget for the biennium 1998-1999 and the indicative scale of contributions. It agreed that the conclusions reached should be incorporated into a draft omnibus decision on administrative and financial matters for consideration by COP 4 (see FCCC/SBI/1998/6, paras. 69-77). This draft decision will be contained in an annex to document FCCC/CP/1998/8/Add.1.

107. The COP may wish to refer this item to the SBI for its consideration, requesting it to submit a draft omnibus decision for adoption by the Conference. Informal consultations are expected to assist in consideration of the various sub-items and the finalization of the draft decision.

(a) Arrangements for administrative support to the Convention

108. The COP, by its decision 17/CP.3, requested the Executive Secretary to "continue his discussions with the United Nations regarding administrative arrangements for the Convention, and to inform the Conference of the Parties, through the Subsidiary Body for Implementation, as appropriate, of any significant developments". At its eighth session, after taking note of the Executive Secretary's oral report on the administrative arrangements, the SBI requested him to continue his discussions, with a view to bringing them to a successful conclusion, and to report on any significant developments.

109. An update on the the review of administrative arrangements with the United Nations Office at Geneva, and any development on the support the secretariat receives from United Nations Headquarters to fulfil its financial management and administrative obligations in Bonn, is included in document FCCC/CP/1998/8. Additional information will be provided in an addendum to this document.

110. The COP may wish to take note of the information provided by the Executive Secretary, and express its views on any significant developments on the administrative arrangements for the Convention. Any consequential amendments in the delegation of authority to the Executive Secretary and/or the financial procedures of the Convention will be brought to the attention of the COP 5.

(b) Income and budget performance

(i) Financial performance in the biennium 1996-1997

111. By its decision 16/CP.3, the COP requested the Executive Secretary to submit to COP 4, through the SBI, a final report on financial performance in the biennium 1996-1997, including audited financial statements and reports from the internal and external auditors.

112. The audited financial statement for the biennium 1996-1997 is contained in document FCCC/CP/1998/9. This report is submitted by the United Nations Board of Auditors, endorsing with amendment, as appropriate, the financial statement as at 31 December 1997 prepared by UNOG, which maintains the accounts of the secretariat.

113. The internal and external auditors audited the secretariat in September 1997 and May 1998, respectively. The internal audit report, prepared by the United Nations Office of Internal Oversight Services, and the report of the United Nations Board of Auditors will be before the Conference as documents FCCC/CP/1998/INF.1 and FCCC/CP/1998/10. The secretariat will report on its implementation of the recommendations of the auditors and provide additional information in document FCCC/CP/1998/10.

114. The COP may wish to take note of the information contained in the audited financial statement and the reports of the auditors, as well as the secretariat's comments, and provide guidance to the secretariat as necessary.

(ii) Initial report on financial performance in the biennium 1998-1999

115. At its third session, the Conference of the Parties approved a programme budget for the biennium amounting to US\$ 21,345,900 (decision 15/CP.3, para. 1). After taking note of the annual contribution of the host Government of DM 1.5 million, which offsets planned expenditures, the COP approved the sum of US\$ 19,570,700 to be raised by means of contributions by Parties. It invited all Parties to the Convention to note that contributions to the core budget are due on 1 January of each year in accordance with paragraph 8 (b) of the financial procedures (decision 15/CP.1) and to pay promptly and in full.

116. In decision 15/CP.3, paragraph 9, of the COP also requested the Executive Secretary to report to COP 4 on income and budget performance, and to propose any adjustments that might be needed in the Convention budget for the biennium 1998-1999.

117. At its eighth session, the SBI endorsed the Executive Secretary's proposed deployment of the post-Kyoto contingency resources (see FCCC/SBI/1998/6, para. 72).

118. Document FCCC/CP/1998/8 includes a report on income and expenditures during the first half of 1998 under all sources of funds administered by the secretariat. The income will include the cash transfer made from the last biennium owing to late payments of contributions. The Executive Secretary's recommendations on the use of these funds will be included in this report. The document will also report on the results achieved by each programme in comparison with the expected results indicated in the programme of work document (FCCC/CP/1997/INF.1).

119. Information on the status of contributions by Parties to the core budget and the other three trust funds administered by the secretariat will be contained in document FCCC/CP/1998/INF.6.

120. The COP may wish to take note of the Executive Secretary's report. It may also wish to take note of the status of contributions, to express its appreciation to the Parties which have made their contributions, and to encourage Parties which have not paid their contributions to do so without delay.

(c) Scale of contributions to the core budget

121. Following the General Assembly resolution to revise the United Nations scale of assessment (resolution 52/215 of 22 December 1997), the SBI, at its eighth session, recommended revising the modalities to be used in determining the indicative scale of contributions for the core budget of the Convention. After considering the various options presented 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 follow the principle that all Parties should contribute to the Convention budget. It also recommended that the financial procedures (as contained in decision 15/CP.1, annex I, paragraph 7 (a)), be amended to reflect this new modality, and authorized the Executive Secretary to use this new scale as a basis for notifying Parties of their contributions due for 1999 (see FCCC/SBI/1998/6, paras. 75-76).

122. The SBI also requested the secretariat to incorporate this recommendation into the draft omnibus decision on administrative and financial matters to be considered by COP 4 referred to in paragraph 106 above.

123. The COP may wish to adopt the new indicative scale of contributions and the amendment to the financial procedures, as recommended by the SBI, so as to reflect the new modality in determining the indicative scale.

8. General statements

124. The President of the Republic of Argentina, possibly accompanied by other dignitaries, will address the Conference at a ceremonial event on Wednesday, 11 November 1998.

125. As recommended by the SBI at its eighth session, the high-level segment of the session attended by ministers and other heads of delegation is scheduled for 12 and 13 November. Statements by ministers and other heads of delegation of Parties will be made during the morning, afternoon and evening of Thursday, 12 November. Statements on behalf of groups of Parties by one member of a group would be welcome in order to reduce the overall number of speakers.

126. In view of the number of Parties and the time available for statements, it will be necessary to limit the duration of each statement by ministers and other heads of delegation of Parties. The recommended time limit is five minutes. Those speaking on behalf of a group of Parties, where the other members of that group do not speak, would be allowed an additional three minutes. The Conference should establish the time limit for statements at the start of the session, on the basis of the number of speakers inscribed on the list to be maintained by the secretariat. This would facilitate the preparation of statements during that period.

127. The list of speakers will be open from Tuesday, 15 September to Tuesday, 20 October 1998. Inquiries regarding the list of speakers may be sent to office of the Secretary of the Conference, UNFCCC secretariat, telephone number (49-228) 815-1107, fax number (49-228) 815-1999 and e-mail: secretariat@unfccc.de.

128. The representatives of observer States and of non-governmental organizations, along with the heads of intergovernmental organizations, will make their statements to the Conference on Wednesday, 11 November. Statements by other representatives of intergovernmental organizations are scheduled for Friday, 6 November. The recommended time limit for all such statements is five minutes.

9. Other matters

129. Any other matters for the attention of the COP will be taken up under this item.

130. The Conference of the Parties to the Convention on Biological Diversity at its fourth session took a number of decisions related to the work of the UNFCCC. These include decisions related to coral reefs, forest biological diversity, the relationship between the two Convention processes, and information management. It is recommended that these items be taken up by the subsidiary bodies at their tenth sessions. Such a conclusion could be adopted by the Conference.

10. Conclusion of the session

(a) Adoption of the report of the Conference of the Parties on its fourth session

131. A draft report on the work of the session will be prepared for adoption by the Conference at the end of its session. In accordance with established practice, the COP is invited to authorize the Rapporteur to complete the final report after the session, with the guidance of the President and the assistance of the secretariat.

(b) Closure of the session

132. The President will declare the session closed.

Annex I

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE (SBSTA)

Ninth session

Provisional agenda

1. Opening of the session.¹
2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work;
 - (c) Election of officers.
3. Matters referred to the SBSTA by the plenary of the Conference of the Parties.
4. Other matters.²
5. Adoption of the report.

¹ The Chairman of the Intergovernmental Panel on Climate Change (IPCC) will be invited to make a statement.

² This item covers issues the SBSTA must consider at its ninth session which are not on the provisional agenda of COP 4, and on which the SBSTA need not report to the plenary. The only such issues are methodological issues relating to national communications from Annex I Parties.

The SBSTA, at its seventh and eighth sessions, requested the secretariat to prepare a number of documents on methodological issues identified while processing national greenhouse gas inventories. In response, the secretariat has prepared FCCC/SBSTA/1998/7, which provides data based on analysis of national communications, and FCCC/SBSTA/1998/8, which identifies policy options resulting from the analysis of the data. Views from Parties on these issues are available in documents FCCC/SBSTA/1998/MISC.2 and FCCC/SBSTA/1998/MISC.6.

As requested by the SBSTA at its eighth session, the secretariat plans to organize an expert workshop on methodological issues arising from the review of national communications from Annex I Parties, drawing on the roster of experts, during the second week of December 1998 in Bonn. Pending further advice from Parties, the documents identified above will be the primary focus of this workshop. In this regard, Parties may wish to provide initial comments on this matter during the ninth session. A report on the results of the workshop will be provided to the SBSTA at its tenth session.

Annex II

SUBSIDIARY BODY FOR IMPLEMENTATION (SBI)

Ninth session

Provisional agenda

1. Opening of the session.
2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work;
 - (c) Election of officers.
3. Matters referred to the SBI by the plenary of the Conference of the Parties.
4. Adoption of the report.

Annex III**PROPOSED ALLOCATION OF ITEMS FROM THE PROVISIONAL AGENDA FOR
COP 4 TO THE SUBSIDIARY BODIES**

		SBSTA	SBI
2 (h)	Calendar of meetings of Convention bodies 2000-2001		x
4 (a)(i)	National communications from Parties included in Annex I to the Convention		x
4 (a)(ii)	Initial national communications from Parties not included in Annex I to the Convention		x
4 (b)(i)	Report of the Global Environment Facility to the Conference		x
4 (b)(ii)	Review process referred to in decision 9/CP.1		x
4 (c)	Development and transfer of technologies (decision 13/CP.1)	x	
4 (d)	Second review of the adequacy of Article 4.2(a) and (b)		x*
4 (e)	Implementation of Article 4.8 and 4.9 of the Convention (decision 3/CP.3)		x
4 (f)	Activities implemented jointly: review of progress under the pilot phase (decision 5/CP.1)	x	x
4 (g)	Review of information and possible decisions under Article 4.2(f)		x*
4 (h)(i)	Research and systematic observation (Articles 4.1(g) and 5 of the Convention)	x	
4 (h)(ii)	Scientific and methodological aspects of the proposal by Brazil	x	
5 (a)(i)	Land-use change and forestry	x	
5 (a)(ii) 5 (a)(iii) 5 (a)(iv)	Article 6 of the Kyoto Protocol Article 12 of the Kyoto Protocol (clean development mechanism) Article 17 of the Kyoto Protocol (international emissions trading)	x	x
5 (a)(v)	Impact of single projects on emissions in the commitment period	x	
5 (b)	Matters related to decision 1/CP.3, paragraph 6: preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Protocol	x	x
7	Administrative and financial matters		x

* Indicates that the sub-item may be referred to the SBI or to the Bureau for informal consultations.

Annex IV

**TENTATIVE SCHEDULE OF MEETINGS FOR THE FOURTH SESSION
OF THE CONFERENCE OF THE PARTIES**

	Item of the provisional agenda of the Conference and related meetings	
<u>Monday, 2 November</u> 10 a.m. - 11 a.m.	Item 1 (a) (b) (c) (d) (e)	Opening of the session: Statement by the President of COP 3 Election of the President of COP 4 Statement by the President Addresses of welcome Statement by the Executive Secretary
11 a.m. - 1 p.m.	Item 2 (a) (b) (c) (d) (e) (f) (g) Item 3 (a) (b) (c)	Organizational matters: Status of ratification of the Convention and the Kyoto Protocol Adoption of the rules of procedure Adoption of the agenda Election of officers other than the President Admission of organization as observers Organization of work: • Allocation of items • Schedule of meetings Participation in contact groups Reports of the subsidiary bodies: Report of the SBSTA Report of the SBI Report of the AG 13
3 p.m. - 6 p.m.	Items 2 and 3	(Continued as necessary) <i>Subsidiary bodies to meet on conclusion of plenary</i>
<u>Tuesday, 3 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 6 p.m.		• <i>Joint SBSTA-SBI meeting</i> • <i>Informal consultations arising from the plenary as needed</i>
<u>Wednesday, 4 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 6 p.m.		• <i>SBSTA and SBI</i> • <i>Informal consultations</i>

	Item of the provisional agenda of the Conference and related meetings	
<u>Thursday, 5 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 6 p.m.		• <i>SBSTA and SBI</i> • <i>Informal consultations</i>
<u>Friday, 6 November</u> 10 a.m. - 1 p.m.		• <i>SBSTA and SBI</i> • <i>Informal consultations</i>
3 p.m. - 6 p.m.	Item 8 (d) Item 2 (g) (i) Item 9	Plenary: <i>stock-taking reports by the President and the subsidiary body Chairmen</i> General statements: Statements by intergovernmental organizations Organizational matters: Participation in contact groups Date and venue of COP 5 Other matters
<u>Saturday, 7 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 6 p.m.		• <i>SBSTA and SBI</i> • <i>Informal consultations</i>
<u>Monday, 9 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 6 p.m.		• <i>SBSTA and SBI</i> • <i>Informal consultations</i>
<u>Tuesday, 10 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 6 p.m.		• <i>SBSTA and SBI: completion of work</i> • <i>Informal consultations</i>
<u>Wednesday, 11 November</u> Scheduling of items to be determined.	Item 8 (a) (c) (d) (e) Item 3 (a) (b)	General statements: Addresses at the Presidential ceremony Statements by observer States Statements by intergovernmental organizations Statements by non-governmental organizations Reports of subsidiary bodies: Report of the SBSTA Report of the SBI <i>Reports on informal consultations</i> <i>Adoption of conclusions and decisions</i>

	Item of the provisional agenda of the Conference and related meetings	
<u>Thursday, 12 November</u> 10 a.m. - 1 p.m. and 3 p.m. - 12.00 a.m.	Item 8 (b)	General statements: Statements by ministers and other heads of delegation of Parties at the high-level segment <i>Informal consultations and negotiations as needed.</i>
<u>Friday, 13 November</u> 10 a.m. - 1 p.m.		<i>Preparation of documents</i>
3 p.m. - 6 p.m.	Item 2 (j) Item 10 (a) (b)	Organizational matters: Adoption of the report on credentials <i>Adoption of conclusions and decisions</i> Closure of the session: Adoption of the report of the Conference of the Parties on its fourth session Closure of the session

Position Paper for COP 4

Summary

o The key U.S. objective for COP 4 should be to establish reasonable end-dates for completion of work on elaborating the Protocol's flexibility mechanisms. This needs to be accomplished:

- without prejudicing U.S. substantive positions (for example, on "supplementarity");
- without allowing the CDM to get more expeditious treatment than emissions trading (given the leverage we would then lose with developing countries); and
- without agreeing to unacceptable demands of other Parties on other issues (for example, OPEC demands on "compensation" or EU demands on harmonized policies and measures).

o The U.S. should also seek to make progress on developing countries, including:

- by supporting appropriate agenda items;
- by making strong statements on the need for global participation;
- by supporting individual non-Annex I countries that come forward with statements about their own proposed actions; and
- by conducting vigorous private diplomacy.

o The challenges we are likely to encounter include, for example:

- efforts by the EU to bias a procedural workplan in favor of their substantive positions;
- efforts by the G-77 to insist on a workplan that includes their issues (i.e., a greater emphasis on Convention issues, such as funding and technology transfer);
- efforts by OPEC to get something on "compensation" that is more than we can accept; and
- the risk that an over-emphasis on developing country action could hinder achievement of our objectives regarding flexibility mechanisms.

Topics

o Attached are positions on numerous specific topics that will certainly, or are likely to, come up at COP 4.

COP Administration and Planning

Background

o At the recent extended bureau meeting, there were various proposals for when the next COP would take place. The Secretariat has publicly proposed the following dates:

COP V	24 October-5 November 1999
COP VI	16 October-25 October 2000

Position:

o The US delegation can agree to a COP in the fall of 1999, but can also explore options involving 18 months between COPs. The US delegation should also explore the issue of alternating ministerial and "regular" COPs.

o The US delegation must oppose and prevent holding a COP during the dates suggested by the Secretariat for COP VI.

Flexibility Mechanisms

Background

- o Further work is contemplated with respect to all three flexibility mechanisms (emissions trading, CDM, JI), although, strictly speaking, further work on JI is optional rather than mandatory.
- o Although substantive progress may be made informally or among certain Parties, it is unlikely that such progress will be enshrined in any COP decision. Rather, it is expected that COP 4 will take procedural decisions aimed at setting end-dates by which work on the mechanisms should be completed.
- o Below, the flexibility mechanisms are discussed individually. However, there are a few important points that need to be considered regarding the linkages among them:
 - For us, emissions trading and CDM are both more urgent than JI, for which additional rules are optional. As between CDM and emissions trading, it makes logical sense that CDM could precede trading (given that CDM can start counting as of the year 2000); however, because the G-77 is more interested in CDM than in trading, it would not seem advisable to agree to a timetable that accords CDM an earlier end-date than emissions trading.
 - It is likely that other Parties will insist upon parallelism in the substantive treatment of the mechanisms in terms of any COP 4 decisions. Thus, if the CDM decision becomes detailed (as opposed to general), it may be difficult to prevent a detailed emissions trading decision. This should be borne in mind as each individual decision is being negotiated.

Emissions Trading

- o In terms of the substantive U.S. position, the delegation can draw from:
 - the Umbrella Group paper distributed at the Bonn meeting in June;
 - the U.S. paper on registries [**which version is the latest and cleared?**];
 - the U.S. paper on Points of Convergence between the Umbrella Group and the EU on Emissions Trading; and
 - the Umbrella Group's responses to the questions from the G-77.
- o The highest profile substantive issue will likely be the issue of "caps" or proposals to assigned a quantitative meaning to the term "supplemental" in Article 17 of the Protocol. While the U.S. has not shut the door on every form of elaborating

“supplemental” (for example, through some kind of qualitative reporting requirement), we have taken a firm position against quantitative limits.

o Another potentially divisive issue is that of allocation of risk (“liability”). We and the Umbrella Group have rejected a pure seller liability approach, i.e., with neither penalties on an overselling Party nor discounting of previously sold tons. We have also rejected a pure buyer liability approach, arguing that it would chill the market, raise the cost of trading, and make the system less efficient. We have signalled interest in exploring various “seller-plus” options. At the same time, we do not want to give away anything on this issue in the absence of closure on all major trading issues.

o In terms of a procedural decision on carrying work forward on emissions trading, the best outcome would be a general decision that did not identify particular elements/issues but simply set forth a date by which work should be completed. Otherwise, there is likely to be an extensive, unproductive debate, with various delegations seeking to bias substantive outcomes through elements of the workplan.

o Examples of various approaches to a decision on trading, including on the tricky issue of “supplementarity,” is attached.

Clean Development Mechanism

o In terms of the substantive U.S. position, the delegation can draw from:

- the Umbrella Group responses to the questions from the G-77;
- the attached summary paper;
- U.S. comments on the Brazilian paper prepared for the Ottawa Ministerial.
- other?

o As with emissions trading, the highest profile substantive issue is likely to be proposals to cap the extent to which an Annex I Party can use CDM to meet its target. The U.S., while conceding that the COP/moP has the authority to decide on such a cap (unlike in the case of emissions trading), has argued that it would be a bad idea. It would raise Annex I costs, chill the CDM market, reduce the amount of resources available to host countries for projects, and reduce the amount of resources available for adaptation as a by-product of certified CDM reductions.

o There will also be numerous institutional issues, including composition of the Executive Board, nature of the operating entities, etc.

o In terms of a COP 4 decision, as with emissions trading, we should seek a general decision as a first choice, with a fallback to a more detailed decision that does not prejudice any of our substantive positions.

Joint Implementation

o In terms of the substantive U.S. position, the delegation can draw from:

- the Umbrella Group responses to the questions from the G-77;
- other?

o In terms of a COP 4 decision,

[DAN/JP TO FILL IN]

o We should continue to press the issue of adequacy of developing country commitments in the context of the review of adequacy of commitments generally under Articles 4.2(a) and (b) of the Convention.

o In case 4.2(a) and (b) could be a useful vehicle for discussion of developing country meaningful participation in the future, US delegation should support a decision calling for a third review of adequacy [three or more years from now].

Other Issues

o We should maximize public opportunities to promote our views on the need for developing country participation.

o Should an agenda item on voluntary commitments (or its functional equivalent) not be achievable, we should make a strong statement.

o At the same time, we should not allow our public vociferousness on the developing country issue to derail (assuming it is on track) achievement of our objectives on flexibility mechanisms; rather, we should look for private and other off-line opportunities to press our developing country case.

Developing Countries

[DAN TO EXPAND]

Background

o Numerous public and non-public opportunities will exist at COP 4 for continuing to promote our agenda concerning the meaningful participation of developing countries.

o Public opportunities at COP 4 could include:

- discussion under a review of the adequacy of commitments under Article 4.2(a) and (b) of the Convention;

- discussion under the review of the Convention annexes (Article 4.2(f));

- insertion of a new agenda item under Article 7.2(a) of the Convention;

- the Brazilian proposal;

- discussions under agenda item 6 (proposed by Argentina), calling for voluntary commitments by non-Annex I Parties, should such an agenda item be accepted;

- a strong U.S. statement in the context of opposition of developing countries to inclusion of an agenda item on voluntary commitments by non-Annex I Parties.

o In addition to whatever public opportunities exist, private diplomatic opportunities, including bilaterals, will be available to press our agenda.

Position

Agenda Item

o We should support Argentine efforts to keep voluntary commitments by non-Annex I parties on the agenda. If Argentina concludes that there is insufficient support for keeping the item on the agenda, and seeks to remove the item (even the chair says that it will nevertheless conduct consultations on the issue) the US delegation should object vigorously, including in a public statement. The US delegation will not, however, block further proceedings of the COP on account of the agenda issue.

Review of Adequacy of Commitments

AG 13

Background

- o Article 13 of the Framework Convention calls for consideration of the establishment of a multilateral consultative process for the resolution of questions regarding the implementation of the Convention.
- o An Ad Hoc Group on Article 13 ("AG 13") has met several times over the last few years.
- o Up until the Bonn meeting in June, the main divisive issue was whether the process could be invoked by one Party with respect to another Party (the option largely supported by developed countries) only by a Party with respect to its own implementation issues (the option largely supported by developing countries). As of June, that issue was resolved essentially in favor of the developed country position.
- o Now, the key outstanding issue is the composition of the body that will implement the multilateral consultative process.
 - Developing countries insist that the body follow the traditional UN formula "based on equitable geographical distribution" (which would result in a body composed mainly of developing countries).
 - We have objected to this formula, proposing instead that the body be composed of an equal number of representatives from Annex I and non-Annex I Parties.
- o If no precedent were involved concerning the composition of other Convention/Protocol bodies of limited membership, it might have been acceptable to agree that this particular body (which will largely address developing country implementation issues) follow the "equitable geographical distribution" formula.
- o However, it was clear from the negotiations that developing countries are seeking to set a precedent for the composition of other Convention/Protocol bodies, including, for example, the Executive Board of the CDM, where the precedent would not be acceptable to us.

Position

- o We should hold firm to our view.

o To assuage the potential concern that the Article 13 process might get lost forever if it is not approved at COP 4, we can support a decision that we have been discussing with the AG 13 Chairman and the Secretariat. The decision (draft attached) would:

- approve the agreed, unbracketed sections of the process;
- set an end-date for resolving the unagreed issues (i.e., composition);
- make the end-date the same as that for the flexibility mechanisms, so that a package "composition" deal for all bodies could be decided at the same time.

Rules of Procedure

Background

- o The rules of procedure under the Framework Convention have never been adopted, principally because of disagreement over what the voting rules should be for:
 - the adoption of protocols; and
 - decisions regarding the financial mechanism.
- o There was a flurry of activity before Kyoto to try to agree on a voting rule, because it was feared that the default consensus rule for the adoption of protocols might prevent a protocol from being adopted.
- o It is possible, now that a protocol has been adopted, that no serious effort will be made at COP 4 to try to come to closure on the rules. (The agenda notes that the President of COP 4 may be invited to undertake consultations.)
- o However, we need to be prepared should such an effort be made.
- o We have a potential problem.
- o Our position to date has been:
 - that, in general, decisions should be taken by a super-majority (e.g., 2/3 or 3/4 of the Parties);
 - that protocols should also be adopted by a super-majority; and
 - that financial decisions should be taken by double majority (e.g., 3/4 of all Parties, including 3/4 of the donor Annex II Parties).
- o This position arguably makes sense for the Convention.
- o However, the Protocol provides (in a provision that we sought to resist) that the Convention rules of procedure will apply to the Protocol, unless otherwise agreed by consensus. This is tantamount to providing that the Convention rules will apply to the Protocol.
- o It is not clear that we could live with a voting rule under the Protocol that allows decisions -- which would include decisions on topics such as emissions trading, CDM, and sinks -- to be taken by 2/3 or 3/4 majority. We have basically been counting on the default consensus rule to protect our interests.

Position

- o Seek to avoid having the rules come up as an issue for resolution at COP 4.
- o If the rules do come up, seek to ensure that continued divisiveness over the protocol adoption rule and the financial mechanism rule divert prevent agreement, rather than focusing on the general decision rule.

"Compensation"

Background

o There are two provisions in the Framework Convention, and two provisions in the Protocol, of relevance to the OPEC/AOSIS-driven insistence on addressing the potential impacts on developing countries both of climate change itself (e.g., sea level rise) and of response measures to climate change (e.g., decreased demand for oil).

o In terms of the Convention:

-- Articles 4.8 calls for the Parties to consider what actions are necessary, "including actions relating to funding, insurance and the transfer of technology," to meet the needs of developing countries arising from the adverse effects of climate change and/or the impact of the implementation of response measures. Several categories of vulnerable countries are listed, including countries "whose economies are highly dependent on income generated from...export...of fossil fuels."

-- Article 4.9 calls for the Parties to take full account of the specific needs and situations of the least developed countries in their actions related to funding and transfer of technology.

o In terms of the Protocol (during the negotiation of which OPEC unsuccessfully sought a compensation fund):

-- Article 2.3 (in the context of the article on policies/measures) calls for the Parties to "strive" to implement policies and measures to meet their targets in such a way as to "minimize" adverse effects, including adverse effects of climate change and adverse economic impacts. The COP/moP is authorized to take further action, as appropriate.

-- Article 3.14 (in the context of the article on targets) is a less helpful version of Article 2.3. It turns the collective obligation of Article 2.3 into an individual one (i.e., on each Annex I Party); it also turns the authorization for the COP/moP to act in Article 2.3 into a mandate to the COPmoP, at its first session, to consider what actions are necessary.

o One of the COP 3 decisions accompanying adoption of the Protocol tasked the SBI with taking up the Convention (as distinct from Protocol) mandate.

o At the Bonn meeting in June, in line with Article 4.8 of the Convention,

the SBI decided to undertake a process to identify and determine actions necessary to meet the needs of developing countries arising from climate change and/or response measures to climate change. The SBI will be preparing a draft decision for COP 4.

o There is a strategic question about whether it is appropriate for us to accede to discussions on an issue of importance to the OPEC states (and to which we have major objections) when at the same time OPEC along with others prevent us from even raising the issue of developing country voluntary commitments.

Position

o We should continue to oppose the creation of any special group to address this issue.

o Work on "compensation" should not be allowed to proceed faster than work on flexibility mechanisms, developing country issues, and other issues of importance to us.

o We can accept continuation of this item in the SBI workplan, provided:

- it is not tilted toward eventual compensation;
- any studies are to be undertaken by the Secretariat, rather than by individual Parties;
- [other?]

[Dan -- can you expand this as appropriate?]

Harmonized Policies and Measures

Background

o The EU pushed hard during the negotiation of the Protocol for a requirement on Annex I Parties to harmonize or “coordinate” enumerated policies and measures. This proposal met with resistance from both non-EU developed countries (which wanted maximum flexibility in determining national measures to implement their targets) and the G-77, which feared potentially greater economic impact on them if Annex I measures were coordinated.

o The resulting Protocol provision, Article 2.4, is a victory for the opponents of mandatory coordination. It sets up a two-tiered requirement, namely, only if the COP/moP decides that it would be beneficial to coordinate any of the policies and measures identified in Article 2 (taking into account different national circumstances) does it have to consider ways and means to elaborate the coordination of such policies and measures. This provision was critical to our agreeing to include any reference in the Protocol to coordination of policies/measures, because it meant that we could veto any “coordination” work if we did not agree that coordination of a particular policy/measure would be beneficial.

o According to its October 6th Meeting Document, the EU wants to move forward (for example, by setting up a Working Group) with coordinated policies and measures. The EU ignores the two-tiered requirement of Article 2.

Position

o We should oppose the EU proposal.

o We should remind the EU that the Protocol sets up a “bottom-up” (rather than “top-down”) requirement, i.e., that it must be first be agreed that a particular policy/measure should be coordinated before any coordination work is undertaken.

o (We are likely to have allies on this issue.)

Compliance -- COP 4 Process Issues

Issue

- o Although not squarely on the agenda, COP 4 may take up the issue of how to take forward the “unfinished business” of the Protocol related to compliance. (The EU has already proposed that COP 4 do so.)
- o A COP 4 decision on compliance would be procedural, rather than substantive; however, the compliance issue is so complicated that it is necessary to have some idea of our desired substantive outcome in order to judge the proper procedural approach to take.

Background

- o The Protocol contains numerous provisions related to compliance, some of which call for future elaboration.
- o Largely thanks to U.S. proposals, many of the existing provisions of the Protocol are intended to promote compliance, such as:
 - legally binding targets, to highlight seriousness of commitment;
 - availability of market mechanisms, to lower costs of compliance;
 - requirement for measurement systems, to foster accuracy of emissions data;
 - stringent reporting requirements, to promote honesty and enable outside review;
 - an expert review process, to create incentives to comply and identify potential non-compliance issues.
- o However, in three major ways, the Protocol requires further elaboration:
 - 1) it does not contain many of the underlying rules for emissions trading and the CDM;
 - 2) it does not elaborate the procedure by which compliance with the rules of the Protocol (including rules of the flexibility mechanisms) will be judged;
 - 3) for the most part, it does not elaborate the consequences for a Party found to be in non-compliance with Protocol rules (the JI article does spell out some consequences).
- o Substance aside, Parties seem to agree that, procedurally, the emissions trading and CDM rules should be elaborated under Articles 17 and 12, respectively.
- o There is less agreement on:

-- whether there should only be one non-compliance procedure for everything under the Protocol, to be negotiated under Article 18 (as opposed, for example, to having a separate procedure for addressing issues related to the flexibility mechanisms); and

-- whether the consequences for non-compliance should be elaborated only under Article 18 (as opposed, for example, to spelling out the consequences for breach of the trading rules in the trading rules themselves).

o The reason this matters is because negotiating everything under Article 18:

-- would mean that if the non-compliance procedure could lead to binding results (which we would need, at least in certain respects), it would require an amendment;

-- could lead to calls (already heard from the EU) that Parties must ratify the Article 18 amendment in order to use flexibility mechanisms;

-- could lead to having the wrong people negotiating consequences for non-compliance (i.e., international lawyers versed in dispute settlement but not in the substance of the Protocol or in the economics of proper penalties for violations of the trading rules);

-- could lead to a weakening of the entire compliance system, given that the G-77 will likely seek a very weak regime under Article 18 (which applies to them in a way that the trading regime does not).

Position on Substance/Process

o At this stage, we have not yet fully sorted out our overall position on the unfinished compliance issues.

o Under any treaty, compliance is a complicated issue involving a careful balance between our desire to have a stringent enough regime to keep other Parties in compliance and our concerns about an overly intrusive and punitive procedure as potentially applied to the United States.

o Under the Protocol, it is even more complicated than usual, given that compliance issues come up under the flexibility mechanisms and that Article 18 requires an amendment for any procedure thereunder that can lead to binding consequences.

o At this stage, we do know at least a few things:

-- We want to be able to address certain compliance-related aspects of the

flexibility mechanisms (such as certain results for breach of the rules) in the rules for those mechanisms, rather than under Article 18). Such aspects may include consequences for violations of the compliance rules we set up, for example, violation by a Party of emissions trading rules could result in that Party's not being permitted to trade.

-- We oppose linking a Party's ability to use any flexibility mechanisms to its ratification of the procedure under Article 18.

-- We want to keep open the option of specifying not only the substantive rules and results in the rules for the various flexibility mechanisms, but the procedure for determining non-compliance with such rules as well.

-- To the extent possible, we will need to know what consequences for violations will be, including under Article 18, by the time we submit the Protocol to the Senate. That being the case, it is desirable to link workplan completion dates so that compliance aspects of the flexibility mechanisms and those under Article 18, to the extent these are developed by different bodies, are resolved at the same time. Thus, for example, the US delegation should support resolution of Article 18 and other compliance issues by COP VI.

-- We need to explore appropriate "binding consequences" that can properly be placed in the rules for the flexibility mechanisms, which would, unlike binding consequences under Article 18, not require an amendment.

-- At the same time, we should avoid a compliance regime that has greater negative consequences:

- o for violation of trading rules than for violation of bubble rules/obligations;
- o for a trading Party that exceeds its target than for a non-trading or bubbling Party that exceeds its target.

In this regard, any non-compliance consequences included in the rules for the flexibility mechanisms need to be bracketed pending the inclusion of parallel consequences under Article 18.

o COP 4 process options include, for example:

1) continue addressing compliance-related aspects in the rules for the various flexibility mechanisms,

- (a) without yet addressing the more general non-compliance issues under Article 18;

(b) also beginning to address overall compliance issues in an ad hoc compliance group

(c) also beginning to address overall compliance issues under SBI without any ad hoc compliance group

2) address all compliance-related issues, including those related to flexibility mechanisms, in a "compliance" group (ad hoc or under SBI).

o The US delegation should support option 1(c) (subject to the timing and other caveats noted above), as it will best promote U.S. substantive interests at this time:

-- It allows us to go along with calls to begin addressing compliance issues generally, yet it also allows compliance-related issues particular to the flexibility mechanisms to be addressed in those contexts.

-- As noted above, it is more likely that officials acquainted with the substance of the Protocol would participate.

o Option 1(a) would have the disadvantage of making us look resistant to discussing compliance, when that has been one of the U.S. trademarks.

o Option 1(b) would have the disadvantage of, as noted above, attracting fewer officials familiar with the Protocol.

o Option 2 would have the disadvantage of playing into the scenario under which participation in flexibility mechanisms is conditioned upon ratification of Article 18 procedures.

o Note that, concerning the Secretariat's idea of holding an intersessional "workshop" on compliance in the spring, this idea has the same problems as an ad hoc group and should be opposed.

A Growth Target for Argentina: Technical Considerations

Introduction

Now that developed countries have agreed to greenhouse gas (GHG) targets in the Kyoto Protocol, some non-Annex I countries have begun to consider adoption of their own binding targets. For developing countries, adoption of such a target could yield significant ancillary economic and environmental benefits through increased energy efficiency, improvements in air quality and conservation of resources. In addition, adoption of a growth target would allow developing countries to participate in international trading of greenhouse gas allowances.

Realistic targets for developing countries must accommodate their sustainable development and accommodate some emissions growth. However, the targets should also result in real reductions in emissions below the projected business as usual (BAU) level. In response, some analysts have proposed an emission growth targets for developing countries. A growth target is a target set higher than the current emission levels, but lower than the business as usual (BAU) projection. Emission growth targets would provide for continued economic development but with a lower emission growth rate.

Determination of the appropriate level of a target is a challenging task for any country, and requires assessment of key factors such as economic output, the size and structure of the energy sector, and the cost and benefits of emission abatement. It was clear in the negotiations of the Kyoto Protocol, that Annex I countries vary greatly in their national circumstances, and that these differences influenced the cost and availability of emission abatement opportunities. Ultimately, the differentiated targets in the Kyoto Protocol, and for some countries the EU burden-sharing agreement, reflect variations in countries national circumstances. Table I illustrates these differences and countries adopted targets.

These same factors will be important for a developing country's consideration of a GHG growth target. This task may be complicated by the particular challenges facing a specific developing country. These challenges may include volatile economic growth rates, evolving energy structures, availability of long-term data resources, and limited resources. While these factors create additional difficulty in assessing an appropriate target, they may also present significant opportunities for developing countries to cost-effectively reduce emissions. This paper outlines some of the issues involved in designing a growth target for Argentina, and suggests some related areas of potential collaboration between the United States and Argentina.

Target Formulation

Setting an emissions target is, in the end, a decision based on political, economic, and environmental factors. It is important to inform this decision with relevant analysis, including the projected business as usual emissions, the costs of abating greenhouse gas emissions, and the benefits of emissions abatement.

Business As Usual

Projections of greenhouse gas emissions, like any long-term projection, is an inherently difficult task, since these projections are premised on several uncertain variables, such as economic growth. For example, if Argentina's emissions grew at a rate comparable to what it experienced during the 1980s, its emissions would be much lower than if emissions grew at a rate comparable to what it has experienced during the 1990s.

Projections of future emissions can be further complicated based on several other issues. First, the relationship between carbon emissions and economic growth has varied significantly over the past twenty years in Argentina. During the 1980s, carbon emissions grew while the economy contracted. However, during the first half of the 1990s, carbon emissions grew at less than half the rate of economic growth. Second, the Kyoto Protocol sets targets for a comprehensive "basket" of greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆), and includes carbon sinks. Data availability on the emissions and their sources may be limited in some cases. Despite these challenges, by developing a solid understanding of the trends in the economy and the energy sector and in the other sectors that are sources to emissions of greenhouse gases other than carbon dioxide, projections of emissions can be made that can help inform decision-makers.

Cost of Abatement

To evaluate the effects of a percentage reduction below business as usual, it is important to understand the costs of the opportunities to abate emissions. This task involves identifying the technologies, processes, and fuel-switching options that can reduce emissions, the costs of switching to these climate-friendly options, and the policies necessary to stimulate their adoption. The first of these is related to "bottom-up" studies that evaluate the technological potential for products and processes that can result in substituting climate-friendly capital for the existing capital stock. To gain a sense of the larger macroeconomic effects of reducing emissions, "top-down" models, such as macroeconomic and computable general equilibrium models, can assess the impact of reductions on GDP, energy prices, energy consumption, and, in the case of the macro models, employment. These models can be used to effectively develop a marginal abatement cost curve for specific energy sub-sectors or for the country as a whole. Finally, the policies under consideration to reduce emissions can also affect the evaluation of costs. Most top-down models assume that emissions are reduced cost-effectively (e.g., through a tradable permit system or a carbon tax). However, if other approaches to reduce emissions are pursued because of other policy criteria, it is important to understand how the costs of these policies may vary from what the models may estimate.

Benefits of Abatement

In addition to the costs of abatement, it is important to evaluate the benefits of abatement when considering an emissions target. First, by reducing emissions of greenhouse gases, the climate benefits from lower global emissions. However, it is quite difficult to assess the long-term

climate benefits associated with emissions reductions undertaken by one country. In addition to the climate benefits, reducing greenhouse gas emissions can generate ancillary benefits, such as improved air quality. Since emissions of several local air pollutants, including particulate matter, sulfur dioxide, NO_x, and volatile organic compounds are associated with the combustion of fossil fuels, any policies that reduce emissions of combustion-related carbon dioxide would also reduce emissions of these pollutants. Depending on the extent of existing pollution, and the magnitude of the emissions reduction, the public health benefits could be significant. Further, policies to stimulate sink activity could result in multiple ancillary benefits, such as watershed protection and wildlife habitat.

Opportunities through International Trading

By taking on an emissions target, Argentina could participate in international trading of emissions allowances. This participation would provide two benefits. First, it mitigates the risk that a target could impose significant economic costs, because there would be the option to purchase emissions allowances at a lower cost from other countries were Argentina's reductions costly. Second, if Argentina found that reducing its emissions cost less than the international trading price for emissions allowances, it could undertake reductions beyond those specified in its target, sell these excess allowances to other countries, and earn economic gains from these trades.

Next Steps

Data Development

To improve an understanding of the potential range of BAU over a 10 to 20 year horizon, it is important to develop and refine projections of economic output and of energy consumption.

Argentina may have, or may have the capacity to have, significant carbon dioxide sequestration activity. Resolving the uncertainties regarding data on carbon sinks may be helpful to better understand the costs of complying with a specified target.

The Argentine National Communication provides estimates of emissions of some, but not all, greenhouse gases. It is important to complete an inventory of all greenhouse gases, and to refine estimates of emissions from sources where there may be significant uncertainties, such as from agriculture.

Abatement Studies

To develop reliable estimates of the economic cost of carbon mitigation, a computable general equilibrium model, incorporating detailed treatment of the energy sector, or a macroeconomic model of the Argentine economy would be needed. The former is more appropriate for longer

time horizons while the latter can assess short-term transition effects. Coupled with the cost of abating carbon emissions, the analytic capacity to evaluate the reduction in emissions of local air pollutants and the resulting change in public health should also be developed. The U.S. Government could work with Argentine researchers to develop this capacity.

Identification of Policy Mechanisms

The Kyoto Protocol stipulates that all Annex B countries have the discretion to implement their own policies and measures to comply with their targets. It is important for the Argentine Government to assess which policies and measures may be most appropriate for Argentina's circumstances. Possible policies include a domestic cap and trade program, a carbon tax on energy, efficiency standards, tax incentives, removal of subsidies, investment in R&D, etc. The United States could share its experiences with these various policies with the Argentine Government.

Table I: Comparison of Annex I Country Indicators and Emission Targets

Country	1990 Carbon Intensity 1	1990 GDP per capita ²	Kyoto Protocol Target	Internal EU Target
Australia	2.95	14,440	+ 8%	NA
Japan	1.63	14,330	-6%	NA
Hungary	3.16	5,350	-6%	NA
Iceland	1.62	13,360	+10%	NA
Poland	6.54	3,820	-6%	NA
United States	2.93	18,050	-7%	NA
France	1.22	13,900	-8%*	0%
Germany	2.03	14,340	-8%*	-21%
Ireland	2.50	9,270	-8%*	+13%
Portugal	1.55	7,480	-8%*	+27%
United Kingdom	2.05	13,220	-8%*	-12.5%

1 Ton of Carbon Equivalent per \$100 Gross Domestic Product (1985 International Dollars)

2 1985 International Dollars

* Common European Union Target

Sources: Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory;

Penn World Data Tables;

United Nations Population Division.

Illustrative Business As Usual Projections for Argentina

Carbon Growth Rate, 1995-2010	Source of Carbon Growth Rate	Projected 2010 BAU Emissions	Percent Above 1990 Emissions
1.25%	Assumes Argentina's 1980-95 carbon growth rate applies through 2010	42.5 MMTCE	42%
2.7%	Assumes Argentina's 1990-95 carbon growth rate applies through 2010	52.7 MMTCE	76%
4.2%	Assumes the EIA carbon growth rate for Other Central/South America region for 1995-2020 applies through 2010	65.5 MMTCE	119%
5.0%	Assumes Argentina's GDP grows 5% through 2010 and carbon grows at the same rate	72.8 MMTCE	143%

This table is based on 1995 emissions of 35.3 MMTCE (Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory). Argentina's 1995 combustion-related carbon emissions were about 18% higher than its 1990 level of 30.0 MMTCE.

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October 28, 1998

TO: Ambassador Elsa Kelly

FROM: Rafe Pomerance

RE: Your Non-Paper

Thank you for giving us the opportunity to comment on your non-paper, which, as you know, we view as an extremely positive contribution to the process. I would offer the attached comments, noting that some of them are simply comments to you that would not be accompanied by any recommended changes to your non-paper.

- o When indicating that Argentina is prepared to limit its carbon dioxide emissions, it would seem advisable to indicate that such emissions would be limited below that which they would otherwise be. (Otherwise, one could anticipate unhelpful comments from some, relating to the perceived undesirability of allowing trading with countries with targets at or above business-as-usual.)
- o We note that the non-paper is silent as to when the commitment to limit emissions would apply. As discussed, from our perspective, it is critical that you expressly state that the commitment would be in respect of the first commitment period.
- o Concerning the non-paper's focus on carbon dioxide, we recognize that Argentina is perhaps currently in a better position to measure this gas than other greenhouse gases, such as methane. You should be aware, however, that this will raise significant issues when it comes to trading with Annex I Parties (with all-gas approaches).
- o Paragraph 2 of point 1 could be read as relating only to the CDM or possibly JI ("activities" and "credits"). If you intend to state also that you intend to participate in emissions trading, which we would favor, the points probably need to be more explicit. This could be fixed either in that sentence (by, for example, stating that "we intend that those activities will enable participation in all the Protocol's market mechanisms") or by adding something at the end of point 3 (for example, "and be able to participate in emissions trading" or "and be able to participate in all of the Protocol's market mechanisms"). We are not exactly clear on what you mean by linking "credits" to the objective of the Convention.
- o The idea of creating a new category of countries is very interesting. It could be a way to achieve the same environmental result while avoiding what has become for some countries political baggage associated with the terms "Annex I" or "Annex B." We also think your reference to creating a legal basis for these new commitments such as those that Annex I countries have is very helpful. (Some have mistakenly considered that "voluntary" commitments do not have to be legally binding.) We would make two additional points:
 - First, we are assuming that the "new legal instrument" you refer to is one that would modify the Kyoto Protocol before it enters into force, rather than an instrument unrelated to the Protocol. (It does not seem that an unrelated instrument could achieve the result of allowing trading between Annex I Parties and the new category of countries.) This point might be clarified by adding, in point 4, after "incorporate this issue" the phrase "into the Protocol."

-- Second, we are assuming that the "new legal instrument" would need to incorporate not only the quantified targets for the new category of countries, but also: 1) necessary corresponding obligations, such as measurement and reporting; and 2) necessary conforming changes to existing Protocol provisions, such as fixes to Articles 6 and 17 to ensure that JI and trading could take place between Annex I Parties and the new category of countries. The first point could be clarified by, for example, adding at the end of point 3 "and take on corresponding commitments, such as related to measurement and reporting." The second point we understand to be covered by the language "new legal instrument that will incorporate this issue...."

**Speech by Stuart E. Eizenstat
Under Secretary of State for Economic, Business,
and Agricultural Affairs**

**FIGHTING GLOBAL WARMING: FROM KYOTO
TO BUENOS AIRES AND BEYOND**

**Center for National Policy
October 28, 1998**

Good morning. I am especially pleased to be at the Center for National Policy. I was present at its creation and involved in its initiation, served on its Board for many years, and became a great admirer of Mo Steinbruner, the Center's talented President. I want to talk about the progress the Administration has made on climate change, and what we hope to accomplish at the upcoming negotiations in Buenos Aires. I had the privilege of heading the U.S. team in Kyoto, and will do so again in Buenos Aires. We have a fine team of experts working on this issue. It shows in the tremendous progress we have made towards achieving an international approach that can insure at a reasonable cost against the potential damage of climate change.

In just under a year since some 160 countries reached the historic Kyoto agreement on climate change at the third Conference of the Parties (COP3), we have made significant progress on multiple fronts. We look to COP4 in Buenos Aires not as a place for spectacular diplomatic breakthroughs as we accomplished in Kyoto, but as a significant milestone in efforts to consolidate our gains and to make concrete and operational our Kyoto achievements.

Kyoto Accomplishments:

Kyoto was a genuine breakthrough. For the first time markets will be put to work to help international efforts to address an environmental problem -- climate change, the most profound environmental challenge of the 21st Century. International action was taken in response to powerful scientific consensus that global warming is indeed

occurring, and that the cause is greenhouse gas emissions related to human activity. In Kyoto, industrialized countries took on binding targets to cut aggregate emissions by 5.2% below 1990 levels.

The Protocol reflects the environmentally and economically sound approach of the United States. It is strong and realistic; it is market-based and flexible. As the U.S. called for, the Protocol established a commitment period of 2008 to 2012, which gives us start-up time to adjust and a five-year period over which to achieve our emissions reduction goal. As we wanted, the Kyoto agreement also provided similar but differentiated targets among developed countries to allow for varying economic profiles and levels of industrialization. We achieved the inclusion of all six gases that contribute to the problem, over the objections of the European Union and Japan. The United States also pressed successfully for coverage of carbon “sinks” in the Protocol, knowing that agriculture and forestry practices can help reduce carbon in the atmosphere and should be recognized as a tool in fighting global warming.

Perhaps the greatest achievement at Kyoto was the inclusion of the market-based, approach with flexibility mechanisms we championed to supplement domestic measures to reduce greenhouse gas emissions. These mechanisms provide the flexibility and incentives to help us find the least-cost reductions worldwide to achieve Kyoto’s overall emissions target. The flexibility mechanisms include international emissions trading, the Clean Development Mechanism (CDM), and Joint Implementation (JI).

Emissions trading enables those countries with binding emissions targets to participate in an international market that for the first time gives explicit value to emissions reductions. If the cost of abatement in a given country is low by world standards, and that country is therefore able to get below its emissions target, it would have allowances to sell to those countries where abatement costs are relatively high. Both a seller and a buyer willing to pay for the allowance would have to play by the rules.

Kyoto's Clean Development Mechanism, involves voluntary, project-based investments by developed countries and their firms in developing countries. These would be win-win investments. Countries with binding emissions targets would get credit toward their targets for making beneficial investments in developing countries that provide capital and clean technology. Developing countries would get world-class technology as developed countries act to meet their targets. Joint Implementation allows developed country investors to share efforts on environment-friendly projects that limit emissions, and to share credit for the results against their emissions targets.

The Administration's economic analysis underscores the importance of trading in achieving emissions reductions agreed at Kyoto in a cost-effective manner. It shows that an effective international market for trading emissions allowances among industrialized countries alone could dramatically lower the resource cost to the United States. At the same time, making agreed reductions in greenhouse gases would help the United States avoid the damage of climate change, which some estimates place in the billions of dollars annually, and enjoy related health and other benefits. Moderate estimates of the economic cost of meeting the Kyoto targets assume implementation of the very flexibility mechanisms for which we fought at Kyoto, and now work to make a reality.

The Kyoto framework reflects both the view that climate change is a serious, global environmental problem which must be addressed at the lowest cost to the world economy, and the experience that it can be done without a large bureaucracy, overly-intrusive regulation or high taxes. The trading system used in our domestic SO₂ program to reduce acid rain, for example, has achieved our environmental goals at just 50 percent of initial cost estimates. Despite the complexity of making Kyoto's provisions operational, and the need to build confidence in the international community that we can make them work to the benefit of all, much has happened in the last year to make this task all the more urgent.

It is becoming harder for skeptics to contest the science. Significant new findings over the past year reinforce the broad, scientific consensus that human activities are disrupting the earth's climate. New analyses of tree ring, ice melt, borehole and satellite data provide further evidence that global temperatures are rising as a result of increasing concentrations of greenhouse gases. Following 1997, the hottest year on record, the first nine months of 1998 have been even hotter. This year's extreme weather events have been of historic proportion and devastating cost – from raging fires in Indonesia, the Amazon, Florida and Mexico, to drought in Texas followed by life-threatening floods, and floods in China and Bangladesh that left tens of thousands homeless, hungry and sick. These events are a window on what the Earth may be like with global warming.

Progress This Year:

The past year has also seen tremendous progress in our fight against global warming. First, we have stepped up our domestic efforts. Since ratifying the original climate change treaty in 1992, the United States has put more than 50 domestic programs in place to help address the problem. There should be no doubt about our commitment to aggressive, domestic action. In just-completed budget negotiations, the Clinton Administration secured a 25 percent increase in investments against climate change -- in energy efficiency, renewables and R&D -- with resources now totaling some \$1 billion for FY1999. These funds will go to a wide array of programs such as the Partnership for the Next Generation Vehicle, where we expect to see new U.S. cars in production early in the next decade with triple the gas mileage of today's cars, and the Partnership for Advancing Technology in Housing, or PATH, which will make new housing up to 50 percent more energy efficient. In addition, the Administration's electricity restructuring plan will increase efficiency, spur renewables and help cut emissions as well.

The Administration will come back with a request for more in the FY2000 budget, including added emphasis on incentives for farmers and others to explore opportunities in biofuels and to identify how land use practices can help clean carbon from the air. These are promising areas through which our agriculture and forestry sectors may well benefit from our efforts against global warming.

Second, the Administration has undertaken intensive consultations and mutual education efforts with business, agriculture and other citizens groups. We have successful discussions with industry groups to improve energy efficiency and cut emissions. Credit for early action on climate change is high on their list of priorities and on ours, so we welcome the bipartisan legislation on this issue recently introduced by Senators Chaffee, Lieberman and Mack. Industry is taking active steps already. Important companies such as IBM, Sunoco, British Petroleum, Shell, United Technologies and Intel have recently committed to reduce significantly their greenhouse gas emissions. BP is putting in place an internal trading system designed to keep the cost of meeting this goal as low as possible. We will be very interested in the results of these innovative efforts.

Third, over the last year, we have also mounted a comprehensive diplomatic effort to encourage developing countries to become meaningfully involved in limiting the increase in their emissions, consistent with needed growth. While we intend to sign the Protocol to help lock in the gains made at Kyoto, the President has indicated he will not submit the Kyoto Protocol for advice and consent by the Senate without meaningful participation by key developing countries. Many developing countries remain resistant to emissions targets, and mistrust the flexibility mechanisms. But our discussions with them have become more regular, substantive and detailed and they are becoming aware of their potential vulnerability to climate change, and of the benefits of taking action.

— We are engaged with dozens of developing countries through our bilateral assistance programs to encourage them to take steps toward sustainable development. With \$193 million appropriated for the Global Environmental Facility in this year's budget talks to cover U.S. arrears, the Facility should be able to complement some of these efforts through their climate-related programs.

Developing Countries:

In our approach to developing countries, we find it helpful to group them into several categories. This recognizes the substantial differences among them in terms of

emissions profiles, levels of development, capacity for effective action, and economic and political conditions. One category of developing countries combines relatively high-income developing and newly industrialized countries. This includes new members of the OECD and those nations that aspire to OECD membership. We have not only pressed hard bilaterally for their participation, but have achieved the backing of other countries to urge them to take on binding growth targets to limit the rate of increase in their emissions.

In another category are large emitters with low incomes. While none of these countries to date has indicated a willingness to take on quantitative targets, we have engaged vigorously with them at the highest levels and will continue to do so. In our discussions we emphasize strongly that flexibility mechanisms such as emissions trading and the Clean Development Mechanism will not only reduce greenhouse gases, but offer powerful financial incentives for new investments in their economies. The United States now has in place a high-level dialogue with China, for example, through which we have stressed the potential impacts of climate change on China as well as the health, energy efficiency and other benefits of early action.

There is another, mixed category of middle-income countries of varying sizes and emissions levels. Here we see particular opportunities in Latin American and the Caribbean. Argentina, as chair of the COP4 meeting is an important leader in this process. Brazil introduced the Clean Development Mechanism at Kyoto, and has led on renewable energy and alternative fuel strategies in the region. We have had setbacks in our progress with other middle income countries in Asia due to recent economic events, but we continue to work with them bilaterally and multilaterally.

Finally, there is a sizeable category of poor countries with low emissions and low incomes. Although climate change often poses serious potential threats to them, they have limited capacity to undertake the kinds of actions and commitments that we expect

of countries with more advanced economies. These include, for example, most of Sub-Saharan Africa and the small island states that are uniquely vulnerable to climate change. We are working with such countries to build their capacity to participate in solving the global problem of climate change.

Buenos Aires and Beyond:

At Kyoto we created the architectural structure of international efforts to address climate change. We hope Buenos Aires will create a process for installing the interior plumbing and circuitry to make Kyoto a reality.

First, in Buenos Aires we will oppose any backsliding on the grand bargain that was struck in Kyoto. At Kyoto, we joined others in taking on a strong emissions reduction target. We did it with the clear understanding that, like the European countries have done with their Bubble, we would be able to use the flexible, market-based Kyoto mechanisms without arbitrary limits to meet our obligations cost-effectively. That agreement must hold.

We have formed a successful alliance since Kyoto with eight other like-minded countries (including Canada, Japan and Russia) the "Umbrella Group" to develop common positions on Kyoto's flexibility mechanisms. With us they strongly oppose efforts by the EU countries to restrict the legitimate use of emissions trading and the other agreed flexibility mechanisms.

There should be no limit on how much the United States can do at home -- and we are making aggressive efforts -- but neither can there be a limit on what we can accomplish through agreed flexible mechanisms. We will adamantly oppose efforts to set arbitrary limits on trading. They threaten to undo the Kyoto agreement, and would impose unsustainable costs on the U.S. economy and actually discourage deeper reductions in greenhouse gas emissions.

Second, we will stress that Buenos Aires should avoid divisive polemics regarding caps on the flexibility mechanisms and concentrate instead on developing a work plan and a working group process, with clear timetables for elaborating the rules for trading and the other market mechanisms. This is urgent if we are to make sufficient progress to have the CDM up and running by 2000 as the Protocol provides. At the same time, the rules must not entail too much red tape or excessive bureaucracy. The Buenos Aires work plan must also recognize the need to develop appropriate mechanisms for measurement, reporting and compliance in a system with high standards.

Third, we will hold intensive bilateral and multilateral discussions directly with developing countries and work to build the momentum for action. We cannot solve the problem without them. It is critical that we strongly encourage discussion of these issues among the Parties in Buenos Aires and strive for progress on developing country participation. We will encourage developing countries to see that it is in their interest to take committed action and to view the Conference of the Parties as a venue to work together to address climate change responsibly, so that it promotes their sustainable development.

November's international negotiations on climate change in Buenos Aires will not have the glamour and novelty of Kyoto. But they can advance the tough work needed to make Kyoto's remarkable promise a reality. We hope to get beyond rhetoric and ideology and shape the tools needed to get the job done for the benefit of all.

- -
Thank you.

The OECD on Sustainable Development and Climate Change

Responding to climate change is integral to achieving sustainable development

The Organisation for Economic Co-operation and Development (OECD), as the lead agency and in close co-operation with its affiliates — the International Energy Agency (IEA), the Nuclear Energy Agency (NEA), the European Conference of Ministers of Transport (ECMT), and the OECD Development Centre — has embarked upon a broad, three year effort to advance progress toward sustainable development (see box 1). Climate change is a central element of this work, which aims to develop an analytical and comparative framework for policy and to produce recommendations to governments. A major report to OECD Ministers is planned for mid-2001 with a number of intermediate outputs over the period.

1. OECD Ministers Prioritise Work on Sustainable Development and Climate Change

In April 1998, the OECD Council at Ministerial Level (Ministers of Finance, Economy, Foreign Affairs, and Trade) agreed: "...that the achievement of sustainable development is a key priority for OECD countries..." and called for elaboration of the Organisation's strategy "...over the next three years in the areas of climate change, technological development, sustainability indicators and the environmental impact of subsidies...". Further, "Ministers asked the OECD to enhance its dialogue with non-member countries in these areas and to engage them more actively, including through shared analyses and development of strategies for implementing sustainable development."

The OECD programme concentrates on three matters of fundamental importance:

- clarification and implementation of the Kyoto Protocol and the Convention;
- the effects of achieving the Kyoto targets, including the quantification of the economic costs of mitigation measures;
- how to move beyond Kyoto to accomplish the longer-term objective of stabilising concentrations of greenhouse gases.

A first round of substantive results from the new work will be released at the Fifth Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC). Some initial results are already available and are summarised here; these cover largely the issue of clarification and implementation of the Protocol and the Convention.

Achieving the Kyoto targets...

To meet the threat of climate change, industrialised countries ("Annex I countries") are taking the lead to reduce greenhouse gas emissions. The Kyoto Protocol establishes challenging new targets for Annex I countries covering all greenhouse gases. The OECD is assessing the costs of meeting these targets. Meeting the Kyoto targets will require Annex I countries to reduce emissions in the 2008-2012 period to a level some 20 to 30 per cent below trend. Domestically, this calls for integrated policies to ensure that decisions to produce, consume and invest take climate goals into account (see box 2). Internationally, it calls for accelerated development and diffusion of climate-friendly technology. International decisions are also needed both to clarify and to implement the various provisions of the Protocol.

2. Climate Change Requires Integrated Policy Responses

Responding to the threat of climate change requires the integration of economic, social and environmental objectives, and cost-efficient measures to achieve them, across all sectors. These include energy production and use, including transport; other industrial sectors; urban waste systems; and land use, particularly forestry and agriculture. Reducing global dependence on fossil fuels is an essential step forward and may require changes in long-lived infrastructure, such as housing and transport systems. Cost-effectiveness of mitigation can also be enhanced by measures to reduce methane and other non-CO₂ greenhouse gases. Accomplishing social, technical and behavioural innovation through a broad range of policies, including economic policies, will also be important. An iterative, responsive policy framework is needed, one which aims to enhance resource efficiency, economic performance and social objectives over time.

... calls for a mix of cost-efficient domestic policies...

OECD assessments conclude that domestic strategies should draw on a mix of policies, adapted to national circumstances, targeting both short-term and long-term emission reductions. An important consideration is cost-efficiency across sectors. This calls for competitive markets and greater use of economic instruments to deliver consistent price signals. Relevant economic instruments include subsidy reform, green taxes, "full cost" resource pricing and emission trading. Other measures can also help to achieve cost-efficient results, including regulations, voluntary agreements, information and education initiatives. Finally research and institution building, undertaken now, could have lasting effects on greenhouse gas emission trends.

... the encouragement of innovation and diffusion of technology...

Governments can encourage innovation and diffusion of new technology. The OECD, the IEA and the NEA assess, on behalf of governments, the potential of technologies to reduce energy demand, increase energy efficiency and harness fossil, renewable and nuclear energy. They also identify barriers to greater development and use of energy-efficient technologies. They will further develop recommendations for OECD governments on how to design environmental and industrial policies to stimulate innovation, and how to orient technology policies (e.g. R&D, technology diffusion, public and private partnerships, verification and certification programmes) so as to achieve environmental goals. The IEA will also provide support to countries participating in the Climate Technology Initiative to accelerate their use of the best available, cost-effective technology to address climate change. More generally, the OECD will continue to encourage governments to maintain open, competitive markets in which technology and innovation diffuse rapidly.

... effective implementation of international mechanisms...

Cost-effective implementation of the Protocol will take into account differences in abatement costs across countries. The Protocol includes a number of international mechanisms that aim to reduce global costs of achieving the Kyoto targets by undertaking emission cuts where they can be made most cheaply. These mechanisms include joint implementation among Annex I countries and international emission trading. OECD analyses indicate that there are large economic gains from emission trading. Agreement on a framework for their implementation is critical, if these mechanisms are to achieve their potential in a timely manner (see box 3). Further elaboration of international mechanisms, notably emissions trading, is an important part of the OECD programme of work.

3. International Emission Trading

International emission trading will enable industrialised countries to meet their emission commitments at lower cost without compromising the objectives of the Kyoto Protocol. OECD analyses suggest that reaping the full gains from trading requires a competitive and efficient market, open to all potential traders, including legal entities such as companies. National governments should have procedures to record transactions, to account for changes to national emission commitments due to trading and to enforce private sector emission limits.

... and the establishment of a compliance system

The Kyoto Protocol recognises the need for better international monitoring of performance and calls for stronger national reporting and international review of performance. Improved national greenhouse gas inventories will be the backbone of a compliance system. The OECD and the IEA are working with the Intergovernmental Panel on Climate Change to assess "good practice" approaches to improve inventory data quality. Further, OECD analyses indicate that national and international information systems will help to uphold

the credibility and to ensure the transparency of market transactions and the achievement of the targets under the Protocol. At the international level, responses to Parties' non-compliance are also essential.

The OECD reinforces national policy responses and the formal UNFCCC review process through its regular peer reviews of Member country performance. OECD, IEA and ECMT cover aspects of climate change policies in their environment, agriculture, energy and transport policy performance reviews. In future regular reviews of overall economic policy and performance, the OECD will examine, inter alia, how well countries integrate climate change and other sustainable development objectives with economic policy.

OECD is building partnerships with business and other key actors...

The OECD works closely with its business and trade union advisory committees (BIAC and TUAC) and engages in dialogue with other constituents of civil society, including environmental organisations and consumer groups. Business and industry strongly influence the pace and the direction of economic development, including technology development and diffusion. Civil society is important, because progress in confronting the challenge of climate change will require a broad public understanding of it, and wide participation in addressing it. Both business and civil society are well placed to advise governments on policies to encourage innovation and stimulate investment in new, cleaner technology and processes. In a recent example of the kind of useful partnership that can be assembled, the E7 (an association of some of the world's major electricity companies), the World Business Council for Sustainable Development, the International Standards Organisation, and other industrial partners, are collaborating with the IEA on the Climate Technology Initiative. The OECD has also established a Round Table on Sustainable Development to enhance co-operation with other international organisations and non-governmental organisations.

4. The Clean Development Mechanism

The Clean Development Mechanism (CDM) under the Kyoto Protocol can positively engage both developed and developing countries, and has potential to be a good example of international co-operation. The IEA is working with the United Nations Environment Programme (UNEP) and local co-sponsors to assess some of the priority issues. Issues requiring attention to make the CDM operational by 2000 include: definition of the role and composition of the executive board to supervise the CDM; rules for project reporting, verification and certification; establishment of baselines; and determination of the eligibility of land use change and forestry projects. The IEA and UNEP are reporting key results of a series of regional workshops — in Latin America, Asia, Africa and Europe — to COP4.

... and with developing countries

The OECD recognises the responsibility of industrialised countries to take the lead in reducing net greenhouse gas emissions. However, achieving the objectives of the Convention requires participation by all Parties, taking into account their "common but differentiated responsibilities." Assisting developing countries to meet their development needs in a climate-friendly manner is an important element of partnerships for sustainable development.

In this partnership spirit, OECD's development co-operation work emphasises developing countries'

lead role in setting out their own development priorities, building on local commitment, ownership and participation. As part of wider efforts to help partners implement their national sustainable development strategies, the OECD is examining the linkages between the biodiversity, climate change and desertification conventions, and related development co-operation efforts. OECD and the IEA are also sharing experiences with developing countries on domestic economic, social and environmental policy frameworks; facilitating practical co-operation on bio-energy, solar energy and other climate-friendly technologies; and examining jointly policies to cope with climate change that can produce benefits for the economy as well as the environment, in both OECD and developing countries (see box 4 overleaf).

Future work on the Kyoto Protocol and beyond

Sustainable development and climate change policy issues are at the top of the OECD agenda for the coming years. OECD work will continue to emphasise domestic policy performance and assessment of options to further implement the Protocol and the Convention. In addition, future OECD contributions will focus on the development and use of models to explore the economic aspects of climate change (see box 5). The OECD will also begin to explore ways of moving beyond Kyoto, including consideration of incentives for the participation of developing countries. The interdisciplinary nature of the Organisation makes it possible to advance coherent policy recommendations across relevant sectors and to help ensure that climate change objectives are present in national economic policies. Through policy dialogue and objective analyses, the OECD seeks to work with all interested nations and stakeholders to advance international action to respond to the threat of global climate change.

5. Modelling and Climate Change

The complexity of climate change calls for a wide-range and detailed set of models to assist policy-makers in drafting policies to limit its impacts. The range of models includes climate, oceanic, atmospheric, soil, economic, and energy. No single model encompasses all facets of the climate change issue. The OECD's research program, relying partially on its own GREEN model, is focusing on some of the economic facets. In particular, the OECD intends to analyse the role of emission trading, including different implementation schemes and market structures, as well as to assess the impacts of introducing greenhouse gases other than CO₂ and carbon sinks, as called for in the Kyoto Protocol. Assessment of longer term issues, i.e. post-Kyoto, will also rely on simulations undertaken with the GREEN model. While the OECD has acquired significant expertise in the economic modelling of climate change, it will continue to rely on the broader modelling community to complement its own analyses.

New Releases for COP4

- Economic Modelling of Climate Change: OECD Workshop Report
- Mapping the Energy Future: Energy Modelling and Climate Change Policy (IEA)
- International GHG Emission Trading under the Kyoto Protocol (OECD)*
- Electricity Trade, the Kyoto Protocol and Emission Trading (IEA)*
- The Clean Development Mechanism: Summary of Regional Workshops (IEA/UNEP Report)*
- IEA Workshop report on emissions trading and joint implementation, Moscow, October 1998 (IEA)*
- Joint Implementation: A Review of Project Baseline Methods (OECD)*
- Monitoring, Reporting and Review under the Kyoto Protocol (OECD)*
- Responding to Non-Compliance under the Climate Change Regime (OECD)*
- IEA World Energy Outlook - 1998
- CO₂ Emissions from Fuel Combustion (IEA)
- Implementing Environmental Commitments in Liberalised Energy Markets (IEA)*
- Nuclear Power: Sustainability, Climate Change, and Competition (IEA)*
- Renewable Energy Policy in IEA Countries: Country Reports
- Renign Energy: The Environmental Implications of Renewables (IEA)
- Nuclear Power and Climate Change (NEA)*
- The Back End of the Nuclear Fuel Cycle: Workshop Summary (NEA Working Paper)c
- Energy Capital Stock Turnover: Critical to Reducing CO₂ Emissions (IEA)*
- The Role of Electric Technologies in Mitigating Greenhouse Gas Emissions (IEA)*

For more information and access to on-line documents (designated by a * above), please visit our web-sites:
<http://www.oecd.org/env/cc>, www.oecd.org/subject/sustdev, www.iea.org and www.nea.fr

US Positions for Buenos Aires

(Notes for the "game")

I. Introduction

- Buenos Aires represents the first major meeting since the conclusion of negotiations on the Kyoto Protocol to the United Nations Framework Convention on Climate Change (FCCC).
 - To date, more than 160 countries are Party to the FCCC; only 42 have signed the Protocol, and it cannot enter into force until 55 countries, representing at least 55 percent of Annex I emissions have ratified. Note that in this context, if the US does not ratify, we cannot single-handedly block entry into force; even with Japan supporting us, we would fall short of the votes to block if all other Annex I Parties ratified.
 - While the Protocol represented a significant achievement in addressing the problem of climate change, it left some "unfinished" business: elements of the operation of the flexibility mechanisms are unresolved, as are any compliance provisions – and perhaps most importantly, it does not require legally binding emissions limits of developing countries.
- Progress on the meaningful participation of developing countries, and flexibility mechanisms are key for the United States.
 - Without some progress on these two items, the Administration will find it difficult if not impossible to continue to move forward with domestic efforts to ratify or begin to consider implementing the agreement.
 - Furthermore, without progress on these, the entire effort mounted in Kyoto will lose some of its momentum – at best delaying international ability to combat the threat of climate change.

II. Meaningful participation of developing countries

- Developing countries can be divided into several categories:
 - (1) current members of the OECD which are not part of Annex I of the FCCC or Annex B of the Protocol;
 - (2) large developing countries – including China, India, and Brazil;
 - (3) richer (albeit small) developing countries which have not taken on commitments (e.g., Singapore, South Africa, Israel, Argentina, and others);
 - (4) OPEC and AOSIS, representing the two outlier groups (one opposed to any action, and the other supporting aggressive next steps well beyond political acceptability); and

- (5) others (including the least developed countries, as well as some of the larger, "mid-level" countries such as Malaysia, Indonesia, Zimbabwe, etc.).
- The U.S. has so far focused its attention on the first two of these groups:
 - For the current OECD members, we have stated that there should be legally binding emissions caps in the same commitment period as our own (e.g., 2008-2012) – although we have been willing to accept growth targets.
 - Thus, we have rejected Korean proposals allowing them to defer their target until the third period, and we have been urging Mexico and Turkey to adopt targets and commit to them as soon as possible.
 - We have not (nor can we expect) these countries to announce targets at COP-4; instead we should seek to develop a program with them (using bilateral and multilateral opportunities) so that announcements of realistic targets can be made at COP-5 or COP-6.
 - At COP-4, we can propose – and hopefully achieve – agreement on a process through which such targets could be adopted – e.g., something along the lines of the Argentinean proposal for "voluntary acceptance of targets" or the old "Article 10". (If we hope to modify the Protocol before it enters into force, we will need the consensus of the COP, which will likely be difficult to achieve.)
 - In exchange for such commitments would be the opportunity to enter into the emissions trading system – anticipated to provide significant revenues to these countries.
 - For the big emitters, a similar path can be followed, except that the near-term focus must be somewhat different:
 - As the highest priority, we must block efforts by this group to prohibit others from voluntarily adopting commitments.
 - Given the suspicion with which the US is viewed, we may seek to use existing international institutions to help develop models that might be used by this group in preparing assessments of potential targets – the development of a workplan for such assessment activities could be on "deliverable" in BA.
 - New term incentives for this group might be generated through the private sector, efforts to see that CDM benefits would not suddenly "disappear" once targets were accepted, and through an effort to inform these countries that continued and sustained economic growth can go hand-in-hand with environmental protection.
 - The other groups may be played off against one another to help achieve US objectives described above:
 - We may be able to diffuse the fear on the part of the smaller, poorer countries by making clear they are not the focus of our attention; recognizing that climate

change impacts will affect them, they may thus be willing to break with China, and India to allow developing country activities to go forward.

- AOSIS should be an ally in the effort to get global commitments; that they have not been is testimony to the ability of the G-77 to maintain cohesion even when group position are at odds with individual national interests.
- Ultimately, OPEC will have to be "rolled".
 - This may prove ever more difficult if the group's ranks are swelled by the non-OPEC Islamic countries (a possibility that may be more likely in the aftermath of the Sudanese/Afghani bombings).
 - Efforts to separate countries with more diverse economies from the "core-OPEC" ranks may be needed if we are to break this coalition; thus, targeting Venezuela could be important.
 - Note that one aspect of OPEC's blocking position is likely to be strong support for "compensation" for countries whose economies might be affected by global mitigation efforts; the US will continue to reject this effort (see further discussion below)

III. Flexibility Mechanisms

- Three flexibility mechanisms have been agreed in the context of the Protocol: emissions trading (Article 17), the Clean Development Mechanism (Article 12), and Joint Implementation (Article 6).
- In general, two issues are likely to be most contentious in the debate on these mechanisms: whether Annex I countries should be restricted in how extensively the mechanisms can be used in meeting the targets (i.e., the issue of caps or supplementarity), and what rules and guidelines should govern the mechanisms' use.
- Emissions trading (ET)
 - Capping the allowed amount for trading is the highest profile issue being debated; caps are currently supported by most in the EU as well as many developing countries, and are opposed by the umbrella group.
 - The US should continue to oppose the imposition of any caps; assessments of domestic costs suggest that overall, flexibility mechanisms are likely to be used to meet approximately 80 percent of reductions, and no country supporting a cap is likely to support such a high number.
 - We understand some internal disputes within the EU regarding caps; we should make efforts to capitalize on this dispute to prevent EU cohesion on this issue.
 - Additional ET debate will focus on liability – or how to allocate the risk, as between the selling and buying Parties, of the selling Party's potentially exceeding its assigned amount.

- All Parties agree that the trading system should be designed to inhibit trading in "bad tons"; concern is especially relevant to Russia, which is thought by many to be likely to sell invalid tons. The concern is particularly acute as few believe the compliance provisions of Article 18 will be stringent.
- The EU has proposed that the buyer of any tons assume the risk of non-compliance; this position has been adopted to seek to create an incentive for any buyer to promote compliance on the part of the seller.
- The US (and most of the Umbrella Group) has rejected a pure buyer liability approach, arguing that it will chill the market, raise the cost of trading, and make the system less efficient. No consensus has yet emerged as to how to address the problems of liability while at the same time insuring a robust and active market.
- Given the still limited agreement between members of the Annex I community (not to mention the lack of understanding of the issues prevalent within the G-77), the best outcome for COP-4 is likely to be decisions on the "easier" issues of monitoring, verification and registries, while agreeing on a workplan setting forth a COP-5 deadline for agreement on other critical issues such as liability and caps.
- Note that the umbrella group itself offers considerable leverage in the debate: a legal reading of text makes clear that global rules are not necessary to begin trading – we could do it with the umbrella members immediately.
- Playing this card is fraught with some longer-term problems – in particular related to developing country participation.
- In order to be used effectively, the umbrella group must also seek to reach agreement on its desired outcome – difficult in light of the differences in views on some issues between the members (including Russia and Ukraine, which right now are not focused on the climate question – and may have no authorized spokespersons to make decisions).
- Clean Development Mechanism (CDM)
 - As with emissions trading, perhaps the highest profile issues in the CDM is the proposal to cap the amount countries can purchase through CDM; such limits are currently supported by most in the EU as well as many developing countries; these too are opposed by the umbrella group.
 - While caps on the CDM are authorized (as opposed to emissions trading and JI), they are a bad idea.
 - The US should continue to oppose the imposition of any caps.
 - Unlike with trading, there may be more allies on the CDM: it offers significant potential for the transfer of resources/technology to the developing world; a surcharge is levied (albeit small) to support adaptation; and because it is project-based, there may be fewer concerns about "bad tons" entering into the system.

- In addition, the Parties will need to consider several operational questions, including:
 - how the institutions are to be established (the US opposes setting up systems which rely on "geographic balance" instead of substantive expertise);
 - where project review occurs (the US favors independence between project proposes and reviewers, with independent auditing); we have supported using existing commercial institutions to do the auditing, and existing international organizations to do project reviews (consistent with guidelines on project criteria to be adopted by the COP; note that the US has opposed any formal government role in choosing projects; this is to be left entirely to the private sector).
 - How large a fund should be created for adaptation, and how such funds should be allocated to projects (the US has not taken a position on this, except to state that the amount should be limited, the fund should be denominated in tons of emissions not in cash, and decisions on which projects are funded should be based on still to be developed criteria.)
 - What guidelines should be established for reporting on projects (the US has supported using, as much as possible, the guidelines adopted by the COP for AIJ).
- Care must be taken in balancing decisions on CDM against decisions on ET; efforts by the G-77 to make progress on CDM should be delayed unless commensurate progress is made on ET.
- Joint Implementation
 - Unlike CDM and ET, we do not expect to make much use of JI in the Kyoto Protocol regime.
 - The EU is expected to promote JI in place of ET as they believe it will forestall trading of "hot air" from Russia; the US should continue to strongly resist this effort.
 - We can note that rules for JI have essentially been agreed – they are contained in the text of the Article, and are not priorities for further refinement.
 - It may be possible to use the demand of the EU to move on JI as a level to prompt them to take action on ET – although this is likely to be a rather weak level.

IV. Other Issues

- "Compensation"
 - As noted above, the OPEC countries are likely to raise this issue during the session – calling for concrete evidence that agreements reached in Kyoto are not to be abrogated.

- The US should continue to maintain flat opposition to any form of financial remuneration; however, we may wish to consider whether to support a call for "studies" on the impacts on countries of Annex I Parties – such studies should be undertaken by the FCCC Secretariat, and not become an obligation of the Party taking the action.
- It should be possible to split G-77 coalitions on this – breaking AOSIS from OPEC and seeking to drive wedges within other parts of the block.
- Rules of Procedure
 - As at Kyoto, we have still not resolved the issue of rules of procedure. Two items remain on the list for discussion: (1) whether to give OPEC a seat on the Bureau (along with AOSIS, it would have additional seats to those assigned under the geographic distribution others live with), and (2) whether substantive votes (e.g., including on any amendments to the FCCC or Protocol) should be adopted by majority, special majority or consensus.
 - The US does not need to take a decision on this issue at this time.

Drafted:

OES/EGC – JCPershing 8/27/98 ext: 7-4069

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3 November 1998

To: Please see the Attached List

From: USDEL/Buenos Aires -- Mark G. Hambley

Subject: COP-4, Supplement to Update No. 3 for Tues/Wed, Nov 3/4, 1998

This supplement provides a copy of the **Earth Negotiations Bulletin** which provides another perspective on the events of Monday, November 2, 1998, at the Fourth Conference of the Parties (COP-4). In addition, we are also enclosing the following more detailed reports prepared by various members of USDEL. Enclosures to this message include the following:

- (A) Copy of the **Earth Negotiations Bulletin** for November 2;
- (B) Notes on the First Meeting of SBSTA, prepared by USDA's Margot Anderson;
- (C) Notes on the afternoon SBSTA and a portion of the joint SBSTA/SBI meeting prepared by DOD's Holly Kaufman;
- (D) Notes from the Nov 3 afternoon sessions of SBI and the SBI-SBSTA Joint Session prepared by State's Jack Schick.; and
- (E) Copy of the U.S. intervention on sinks (LUCF) delivered on Nov 3rd.



A Reporting Service for Environment and Development Negotiations

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Tuesday, 3 November 1998

Delegates to the Fourth Conference of the Parties (COP-4) to the UN Framework Convention on Climate Change (FCCC) heard welcoming remarks and considered organizational matters. Delegates debated the COP-4 agenda at length, focusing on the deletion of an item concerning voluntary commitments for non-Annex I Parties.

PLENARY
Hisashi Ohki (Japan), President of COP-3, recalled the important role played by COP-3 in finding an answer to the Berlin Mandate and said COP-4 faces the challenge of maintaining the political momentum created in Kyoto. He noted the need to review existing economic structures and re-examine lifestyles.

Maria Julia Alsogaray, Secretary of Natural Resources and Sustainable Development of Argentina, was elected President of COP-4. She noted that while Argentina was not one of the countries that has "historic responsibilities" for the climate change problem, it wished to belong to the group holding future responsibilities for commitment leading to a solution. She said she wanted COP-4 to signal a new momentum in the process and said an action plan for future work should be established here. While developing countries share the burden of responsibility in responding to this issue, they have an ethical duty to ensure sustainable development.

Dr. Fernando de la Rúa, Buenos Aires City Government Chief, observed that Buenos Aires translates as "good air" and hoped that this coincidence could be seen as an emblem of this process and a symbol of the success of COP-4.

Michael Zammit Cutajar, Executive Secretary of the FCCC, observed that this was the first COP to be held in a developing country. He anticipated that an action plan with ambitious and politically firm deadlines would be created as a result of this meeting. He noted that COP-4 presents an opportunity to revitalize the FCCC itself, perhaps through strengthening the transfer of technology and know-how, and financial support. COP-4 could mark the occasion where the business community increased its role in combating climate change through efficient programs conducted in an equitable way.

On organizational matters, the Executive Secretary proposed changes to the provisional agenda (FCCC/CP/1998/1). SAUDI ARABIA, supported by KUWAIT, proposed addressing Article 3.14 (adverse impacts) as a separate item on the agenda. MAURITANIA noted that no objections were raised to the proposed agenda changes during informal consultations on November 1. The Executive Secretary proposed expansion of the brackets under Agenda Item 4(c) to include references to Article 3.14. SAUDI ARABIA, supported by VENEZUELA, accepted the proposal, but stressed that discussion under Item 5 (matters related to the Kyoto Protocol) should allow time for Article 3.14.

On Agenda Item 6 (voluntary commitments by non-Annex I Parties), ARGENTINA recalled its request to include this item on the agenda and noted that no consensus had emerged despite its efforts to encourage consultations.

INDONESIA, on behalf of the G-77/CHINA, said this issue had been deliberated at length, but no consensus had been reached. He proposed adoption of the agenda without Item 6. INDIA recalled that the debate at Kyoto rejected the idea of voluntary commitments, stating it is not implied in the principle of common but differentiated responsibilities. SAUDI ARABIA, KUWAIT, VENEZUELA and ALGERIA cautioned that discussion of the issue at this stage would be divisive and distract from discussions of compliance and continuing increases in developed countries' emissions. BRAZIL described the FCCC as an exercise in burden sharing, recognizing differentiated responsibilities between Annex I and non-Annex I Parties. He noted that non-Annex I Parties are well ahead in meeting their existing commitments and, with CHINA, cautioned that this item was not intended to promote the FCCC, but to help some countries avoid existing commitments. IRAN and UNITED ARAB EMIRATES noted that neither the FCCC nor the Kyoto Protocol provides for voluntary commitments and cautioned that the discussion could lead to the imposition of commitments on developing countries. EGYPT said that developing countries were entitled to sustainable development to improve the lives of their people.

CHINA noted that developed country emissions are projected to be 5% above 1990 levels by 2000 and 13% above 1990 levels by 2010. He distinguished developing country "survival emissions" from developed country "luxury emissions," and said developing countries risked losing financial assistance and technology transfer under the FCCC. He said voluntary commitments would create a new category

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Tuesday, 3 November 1998

Parties under the FCCC and could destroy the unity of the G-77/China. He said the COP Presidency should remain neutral. QATAR, OGO, CUBA, THAILAND and UGANDA also supported the G-77/China.

TANZANIA and SOUTH AFRICA said methodological and institutional issues relating to the flexibility mechanisms, such as the JMI, should be the focus of deliberation. ZIMBABWE noted that flexibility mechanisms already seek to further reduce non-Annex I emissions. SAMOA acknowledged that the Convention and its objectives stood to gain from a further discussion of voluntary commitments, but discussion at this stage would be detrimental. Discussions should focus on what could be expected from developing countries and initiatives Annex I countries could take to assist developing countries. COLOMBIA suggested that the vulnerability of developing nations, rather than their commitments, be discussed. CHILE said several developing countries were making serious efforts to limit GHG emissions and favored an exchange of views on voluntary cooperation, without entailing binding obligations or ignoring the principle of common but differentiated responsibility.

AUSTRALIA, in supporting Argentina's bid to include Item 6 on the Agenda, noted that Annex I countries alone cannot fulfill the goals of the FCCC. She said it was a sensitive issue that should be discussed in a non-controversial manner. With JAPAN, she said that non-Annex I Parties wishing to adopt voluntary commitments must be given an opportunity to consider their options under the Kyoto Protocol through discussion.

The US expressed regret that divisions among Parties would prevent delegates from putting all the issues on the table at this session. She said that locking doors to discussion would hinder understanding. An open and full discussion on options could clarify a number of questions. These include: how Parties would join Annex B; how base years would be determined; how Parties would develop targets; and whether Parties would still be able to host CDM projects. With JAPAN and CANADA, NEW ZEALAND supported a discussion on this item. He said if this were not done, the President should use her prerogative to facilitate informal consultations. NORWAY supported the right of a Party to bring forward an issue for discussion, but left the method of conducting the discussion to the discretion of the President.

The RUSSIAN FEDERATION reminded delegates that within 15 years, emissions from non-Annex I countries would exceed those of Annex I countries. The CZECH REPUBLIC, with HUNGARY and SLOVENIA, supported the inclusion of Item 6 and noted that it could foster useful debate and dialogue. POLAND said if Parties wanted to adhere to FCCC goals, they should be encouraged to assume voluntary commitments. This dialogue would reflect the dynamic situation in the global economy and changes within Parties.

AUSTRIA, on behalf of the EU, said the question of broadening commitments in the long term is necessary and unavoidable. He recognized what has been achieved by many non-Annex I countries. He said it may not be possible to resolve this issue in plenary and proposed that the COP President make a decision on how to proceed. KOREA said his country was not in a position to take on binding commitments for several years, but supported convening informal discussions.

ARGENTINA said no aspect of the FCCC and the Protocol limited its ability to raise the issue of voluntary commitments. He said the manner in which delegates address the issue would require discussion. Delegates adopted the provisional agenda without Item 6, as no consensus existed on its inclusion. The President noted that as several Parties had expressed interest in continuing discussion, she would facilitate informal consultations. CHINA cautioned against the

neutrality of the presidency. INDIA and SAUDI ARABIA observed that the item had been deleted because there was no consensus on further discussion. Voluntary commitments should not be considered and the President should not participate in consultations.

Regarding the election of officers, the following delegates were elected: Papa Cham (the Gambia); Mohamed Al Sabban (Saudi Arabia); T. Ozirishvili (Georgia); Harald Davland (Norway); Ole Ploughmann (Denmark); Espen Ronneberg (Marshall Islands); John Ache (Antigua and Barbuda); Bakary Kane (Senegal); Kok Kee Chow (Malaysia); and Maciej Sadowski (Poland).

Delegates also reviewed reports on the work on the subsidiary bodies as presented by their respective chairs. SBSTA Chair Kok Kee Chow (Malaysia) presented document FCCC/SBSTA/1998/3 and SBI Chair Bakary Kane (Senegal) presented document FCCC/SBI/1998/6. AG 13 Chair Patrick Szell (UK) stated that the group reached agreement on its final report with the exception of bracketed text regarding the membership of the Multilateral Consultative Committee (MCC). Some Parties had insisted on equal representation of Annex I and non-Annex I Parties, but the G-77/CHINA said membership should be based on equitable geographic representation. The President said she would consult with the Bureau and report to the Plenary on 6 November.

Delegates considered a draft decision on the attendance of inter-governmental and non-governmental organizations at contact groups (FCCC/CP/1998/L.1/Rev.1). SAUDI ARABIA said Rule 7 of the draft rules of procedure (FCCC/CP/1996/2) provided for the attendance of observers and there was no need for the draft decision. The Executive Secretary recalled that the draft decision was in response to a specific request of the SBI as contained in its report (FCCC/SBI/1998/6). The CENTRAL AFRICAN REPUBLIC, SWITZERLAND and the US noted the FCCC stands to benefit from NGO and IGO experiences. The President noted that the draft decision contained not only rules, but also ways of acting in contact groups. Delegates accepted the draft decision.

A number of countries also presented general statements that outlined their domestic and international programmes, and elaborated their expectations for COP-4 and future negotiations.

IN THE CORRIDORS

Delegates opposed to the host country's initiative on "voluntary commitments" and the COP President's compromise proposal for informal consultations are preparing to stand guard over the remaining deliberations to ensure that the issue does not re-enter the formal deliberations. One concern is whether and how the issue might re-emerge under the guise of other agenda items such as the second review of adequacy of Convention commitments (Item 4(d)). Delegates have noted there are a number of outstanding issues to be resolved under the Convention and several Protocol elements to be elaborated. These issues should take precedence at this point in the negotiations.

THINGS TO LOOK FOR TODAY

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

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**Subsidiary Body for Scientific and Technological Advice
1st meeting**

Agenda Item:

1. Opening of the Session. Bob Watson opened with a report of the work currently underway in the IPCC which includes the Third Assessment Report (TAR), and three Special Reports (underway for the last two years) and the new Special Report on Land Use, Land Use Change, and Forestry (see *IPCC Presentation to SBSTA, November 2, 1998, Robert T. Watson*, attached). Dr. Watson indicated the new Special Report had been approved at the IPCC Plenary in October, 1998 and would focus on purely technical matters, not on policy recommendations. The goal was to produce a report that would assist Parties in the implementation of the relevant articles of the Kyoto Protocol. Dr. Watson also raised the issue of funding. The increased demands on the IPCC, particularly in terms of Special Reports, would require increased funding contributions. Dr. Watson indicated he would be requesting 9-10 million Swiss Francs for the coming year.

2. Organizational Matters:

- a. Adoption of the Agenda - adopted with no discussion
- b. Organization of work - Chair reported availability of 23 new documents for 9th SBSTA session (see Provisional Agenda FCCC/CP/1998/Add.1).
- c. Election of Officers - no discussion. Chair urged regional groups to consult and resolve as early as possible.

3. Land Use Change and Forestry: Chair opened agenda item reminding the SBSTA of the decisions taken in June at its 8th session where: language of the Kyoto Protocol was clarified; the IPCC was requested to prepare a Special Report on land use change issues; and one workshop on Article 3.3 activities was approved and planned, another workshop was planned—approval needs to occur at this SBSTA session. The chair noted the offer by the United States to host this second workshop on Article 3.4. Parties then heard a report on the 1st workshop, held in Rome, September, 1998 (see FCCC/CP/1998/INF.4) and a statement by the FAO on the interconnections among land use, sustainable developing and climate change issues.

The *Philippines* intervened with a request for developing country involvement in the Special Report. *Brazil* raised concerns about the possibility of land use change and forestry (LUCF) activities distorting the goals of the Kyoto Protocol and that LUCF activities could potentially, if not carefully crafted, destroy the Protocol. *Brazil* further argued the need to carefully consider the climate impacts of natural sinks (as opposed to anthropogenic sinks). The *Marshall Islands* was pleased with the information from the IPCC and the SBSTA but was concerned that sinks could potentially create large loopholes and divert Parties from meeting greenhouse gas abatement goals. The *Marshall Islands* questioned the need for an additional workshop prior to the release of the Special Report. *Austria* urged the IPCC to move quickly to complete the task of formulating the policy relevant questions needed for the synthesis report of the TAR and responded favorably to the outline of the TAR. *Austria* also supported Japan's proposal to host and financially support the Technical Support Unit for a new working group on methods

Canada recognized a continuing need for information and dialog on LUCF issues. *Canada*, while fully supporting the Special Report, recognizes the need to hold a second (and perhaps more) workshop in order to keep the sinks discussion active while the Special Report is in production and review. Continued dialog, *Canada* argued, can only help Parties be prepared to make decisions at the COP subsequent to the release of the Special Report. *Canada* further argued the need to focus on agricultural soil sinks, which can be of particular benefit to developing countries. *Iceland* recognized the difficult task of interpreting sinks language in the Protocol, which can only be enhanced through another workshop focusing on selection criteria for additional activities. In addition, *Iceland* urged SBSTA at this session to take up policy relevant decisions that will not be addressed in the Special Report. The *United States* reiterated its offer to host a second workshop; identified the types of activities that should be considered; the criteria for consideration; and a process for taking decisions on adding activities. The *U.S.* also noted the need to coordinate the efforts of TEAP of the Montreal Protocol and the IPCC on CFC substitutes that affect the climate system (see attached intervention).

Australia supported the second workshop and requested the decision from the 9th SBSTA session include a clear and specific work plan on LUCF activities relevant to the implementation of the Protocol. *Australia* also urged SBSTA to deliberate policy relevant questions at the 9th session. *Japan* supported the second workshop. *Switzerland* urged no decisions until the Special Report was completed and asked SBSTA to create an inventory of the policy relevant questions. *Norway* reminded Parties that some interpretations of the Kyoto Protocol could result in significant forest activity being counted as a net source of carbon, instead of a sink, and urged further discussions to clear up these obvious problems of interpretation. *Norway* supported the second workshop and continued momentum on sinks issues.

Mauritius reminded Parties not to forget the central core of the Protocol—addressing reductions in emissions. *Argentina* supported a broad approach to LUCF activities and that obstacles should not halt progress on this issue. *Austria* (on behalf of the EU) recognized the usefulness of the 3.3 workshop in Rome, supported the second workshop in the U.S., but proposes to wait until the Special Report is complete before taking any decisions on LUCF activities. *Barbados* asked that SBSTA not prejudice the outcome of the IPCC report by unduly influencing the outcome. *Indonesia* supported Brazil's concerns. *Mexico* did not want any decisions taken prior to the release of the Special Report.

Greenpeace echoed Brazil's comments about the potential of sinks to undermine the Protocol; urged the importance of science-driven LUCF activities; raised concerns about inadequacies in the outline of the Special Report (atmospheric stabilization not fully treated; negative incentives not specifically addressed; conclusions of Special Report fails to address the implications of interpretations for the first commitment period.) Dr. Watson reported back on the Philippines request for involvement in the Special Report (nominations still being accepted); indicated that the Special Report was likely the most complex report undertaken by the IPCC; recognized Brazil's concerns and indicated they would be addressed in the Report; agreed to finalized policy-relevant questions for the TAR synthesis report at the next IPCC meeting; and recognized important issues raised by Greenpeace and indicated they would be addressed in the Special Report. Watson also proposed a joint workshop between TEAP of the Montreal Protocol and the

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IPCC to address CFC substitutes that affect the climate system.

The 1st session ended with the chair inviting the Rome co-chairs (Mr. Sadowski and Mr. Maclons) to draft a decision reflecting the morning's discussion. Interested parties were urged to contact the co-chairs to contribute.

Report by Margot Anderson

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Notes for November 3, 1998 ~ Afternoon SBSTA and portion of joint SBSTA/SBI
Prepared by Holly Kaufman, DOD
(Mario providing remainder of joint meeting notes)

SBSTA – continuation of morning session

Impact of Single Projects (COP agenda item 5 (a) (v))

The delegate from Iceland presented a draft DOP and stated they had added measures to their proposal to ensure its environmental integrity. These include more detail about the project, regular reporting into the future on project performance and a willingness to hold the project to a standard of environmental efficiency.

A number of countries felt that allowing Iceland's project would set a dangerous precedent and change the Kyoto Protocol through ad hoc considerations. These included the Marshall Islands, Barbados and Antigua and Barbuda. Some countries feared setting a precedent but suggested holding informal consultations. These included Canada, Austria/EU, and Tuvalu. Brazil had precedent concerns, too, and said that the Protocol provides for Annex 1 countries to seek lower cost alternatives for reducing domestic emissions through the flexible mechanisms. Brazil also used this project as an example to promote their theory that it is good to know what the actual climate change effect of such a project would be. Australia said robust methodologies were important to know which single projects could be acceptable, and supported resolving the matter in the SBSTA.

The U.S. said that Iceland's draft DOP was consistent with and builds upon the Protocol, which has to be dynamic and flexible.

The Chair asked Denmark to help conduct informal consultations with delegations and report back on Thursday, November 5.

Brazilian Proposal (4 (h) (ii))

Brazil did not hold the workshop on the scientific and methodological issues of its proposal as planned, but work is ongoing and the workshop will likely be held in early 1999. Brazil will hold a workshop on various aspects of its proposal at the COP tomorrow.

Georgia said there was a need to increase the number of monitoring stations.
Indonesia/G-77 & China wants the SBSTA to work on the proposal.

The USA expressed support for the workshop, and suggested expanding it to include review of other models, indicators of environmental damage other than temperature change, and gases other than CO2.

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Australia also expressed the value of expanding the workshop scope. Netherlands said it would be useful to study the proposal and compare it with others. Austria/EU supported the workshop.

The Chair will draft conclusions on this item and present them on Thursday, November 5.

Joint SBSTA/SBI

AIJ

The protracted discussion on AIJ revealed that the majority of the G-77 & China favored continuation of the AIJ pilot phase in order to learn more from the experiments, including implementation of projects in Africa. Thailand, however, was prepared to stop the pilot phase. Mauritius was in favor of extending it, but suggested that the SBSTA might find some ways to present information on it at COP-5. Columbia, Grenada and Guatemala also suggested ways to get information on AIJ while the pilot phase continued.

Most Annex 1 countries wanted to launch the review of the pilot now at COP-4 for a final decision at COP-5, including the USA. Annex 1 countries felt the review now would help guide the design of the flexible mechanisms.

The Chair will work with Germany on informal consultations and report back on Thursday.

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3 November 1998

Notes from SBI meeting and Joint SBI-SUBSTA (afternoon sessions)

The Contact Group on paragraphs 4.8/4.9* of the Climate Change Convention, co-chaired by Ambassador Kjellen and an Iranian, had a brief opening session in mid-afternoon to organize its work on the issue. The chairs proposed starting where the Group left off at the June meeting, which would focus the discussion on those two paragraphs of the Convention while merely referring to related paragraphs 2.3 and 3.14 of the Kyoto Protocol. Saudi Arabia, Kuwait, and Zimbabwe, however, objected and asserted that 4.8/4.9 are really the same as 2.3/3.14. They suggested that the Contact Group should lay the groundwork for the COP/MOP to act on 2.3/3.14. [Comment: the Saudis want to de-emphasize Convention because the provisions in the Protocol come closer to their demand for a special fund to compensate oil exporters for the effects on oil markets in developed countries that adopt measures to reduce emissions from combustion of fossil fuels.] The Chairs--with the support of Australia, Marshall Islands, and US--did not accept the Saudi view and laid out a work schedule to shape a proposal on 4.8/4.9, but the Saudis are expected to press their view in the days ahead.

The joint SBI-SUBSTA meeting launched into a discussion of the end-phase for the AIJ pilot phase that concludes in 2000. Norway argued that COP 4 should shape the modalities of the review that COP 5 would adopt, pointing out that the CDM looms since for-credit projects can start in 2000. Beginning with Antigua/Barbuda speaking for the Group of 77 developing countries, a parade of those countries preferred instead to extend the timeframe of the AIJ pilot phase past 2000 and left an end-date completely open. Ambassador Ashe criticized the lack of geographic balance in the allocation of AIJ projects, noting, in particular, the neglect of Africa (except for one project in Burkina Faso). He also professed a need for more information because he claimed the benefits of the projects are unclear. Tanzania (speaking for the African Group), Indonesia, Saudi Arabia, Central African Republic, Thailand, Uganda (also claiming to speak for the African Group), Marshall Islands, each in turn supported Ashe. China asserted that AIJ projects to date were "a drop in the ocean" and reminded himself of an old Chinese proverb that "a housewife, however competent she may be, cannot prepare a rice dinner without rice." In other words, AIJ has not had enough experience for COP 4 to make a judgment. Meanwhile, Japan, Austria, US, Slovenia, and several other developed countries all argued for taking the lessons learned from AIJ and preparing to end it. Curiously, Mauritius straddled the north-south fence noting that China, India, and Indonesia have had experience with AIJ and thought that COP 4 should embark on ways to prepare COP 5 for a decision on the pilot phase. [The consensus that the G 77 demonstrated on extending AIJ beyond 2000 was impressive. An intent to keep Africa in the G 77 seemed to be a motivating factor, but another may be a reaction to Argentine Chair Alsogaray's success in keeping the issue of developing country emissions commitments alive yesterday. In any event, the G 77's move today appears to threaten early progress at COP 4 on CDM.]

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* ...the Parties shall give full consideration to what actions are necessary ...including actions related to funding, insurance, and transfer of technology to meet the specific needs and concerns of developing country Parties.... (Article 4.8)

** The Parties included in Annex I shall strive to implement policies and measures...in such a way as to minimize adverse effects....on other Parties, especially developing country Parties (Article 2.3)

Jack Schick

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U.S. Statement: November 3, 1998

**Matters Related to SBSTA 9th Session:
Land Use Change and Forestry (LUCF) Activities**

We thank the IPCC and Dr. Watson for the report on progress made at the Rome workshop and at the IPCC Plenary. We welcome Japan's proposal to host and financially support the Technical Support Unit for a new working group on methods. And we agree with the Austrian recommendation to the IPCC that it seek expeditiously to complete the work on defining the policy-relevant questions for the synthesis report of the Third Assessment Report. We note Dr. Watson's statement that the IPCC and the TEAP of the Montreal Protocol could undertake a joint workshop on CFC substitutes that affect the climate system. We support this idea, noting that the SBSTA has an important role in this process. We will return to this issue later in the agenda.

The U.S. greatly appreciated the thoughtful and open discussion on land use and forestry accounting issues related to Article 3.3 that occurred in Rome at the workshop. We support the IPCC's work on the Special Report on LUCF activities, and commend the IPCC's progress to date. The U.S. thanks Italy, the UN FAO, and all of the Parties that participated in the productive, informative exchange. We appreciate the useful report on the workshop provided by its co-chairs. We note that the end-product for the Article 3.3 and 3.4 discussions will need to include new, specific inventory and reporting methodologies. We took the first step in this direction at our last session, where we focused on Article 3.3. The Rome workshop took the next step, and we anticipate the IPCC's Special Report will further build on that work. As Dr. Watson noted in his statement, and as we see from the Special Report outline included in INF.4, we have a comprehensive effort underway, particularly for Article 3.3. We also have a time frame for completion of that report in May, 2000.

We look forward to building on this excellent beginning at the second workshop that will focus on issues arising from Article 3.4, the comments submitted by Parties, and issues arising from the first workshop. We welcome the opportunity to host the second workshop in February or March, 1999 in Athens, Georgia near the University of Georgia campus.

Additional activities under Article 3.4 would offer many Parties opportunities to use verifiable forest and agricultural activities to help meet some portion of their commitment under the Kyoto Protocol. Some Parties have national circumstances that limit the applicability of Article 3.3 activities, for example Parties with significant agricultural and range/pasture lands but relatively little forest, and they could benefit from the addition of new Article 3.4 activities. Further, many of these activities provide valuable ancillary environmental and economic benefits. For us to overlook opportunities to verifiably increase long-term carbon pools on a variety of land types would not only disregard key national circumstances, but also conflict with the principles of the Framework Convention that call on Parties to cover all relevant sources and

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sinks, comprise all economic sectors, and take into account policies and measures that are cost effective.

The workshop's technical exchange can further a number of mutual goals:

The workshop would improve our collective understanding of various Parties' particular national circumstances and their unique opportunities for verifiably increasing long term terrestrial carbon pools.

- The workshop could provide valuable input to the IPCC's Special Report on Land Use, Land Use Change and Forestry, whose draft chapters are scheduled to be completed in April of 1999. We propose that the convening lead authors for each chapter of the IPCC Special Report be invited to give SBSTA a status report on their chapter. Since the Special Report breaks new ground in the relationship between the SBSTA and the IPCC, we should ensure that the SBSTA and IPCC experts have ample opportunity to communicate.
- The workshop will address important issues such as methodologies, uncertainty, and research and data needs for activities for consideration under Article 3.4. Some of the activities we think should be part of the discussion are outlined below.

Recommended topics for the workshop and IPCC Special Report

In the U.S. Submission to SBSTA on "Methodological Issues Related to Land Use Change and Forestry and the Kyoto Protocol," included in FCCC/CP/1998/MISC.1, the U.S. noted that other activities that should be considered under Article 3.4 should include three broad categories: soil carbon management of forest lands, crop lands, range lands and pasture lands; improvements in forest management; and conservation. Under each of these categories, a range of potential land use practices and management systems should be evaluated for potential inclusion under Article 3.4 by the COP/MOP. Examples of practices and management systems that the report should consider and evaluate are:

- 1) soil carbon management
 - techniques and policies, including market-based incentives, that maintain or increase carbon stocks in forest, cropland, range and pasture soils
- 2) forest and forest product management
 - forest management techniques and policies, including market-based incentives, that maintain or increase carbon stocks
 - ways to increase long term carbon storage in products and reduce waste input to landfills
- 3) conservation and restoration of carbon storage capacity

- techniques and policies, including market-based incentives, that conserve and enhance the carbon stock on existing vegetated land and promote restoration of degraded lands

In our August 1998 submission to the IPCC, "Methodological Issues Related to Land Use Change and Forestry and the Kyoto Protocol," we recommended that the IPCC consider a set of objective questions in evaluating alternative interpretations of key terms. The IPCC should consider similar questions in evaluating additional activities for consideration under Article 3.4:

- Can verifiable inventory methods and reporting guidelines be developed and made available (or are they already available)?
- What are the data requirements for the inventory methods and reporting guidelines?
 - What information gaps and relevant uncertainties exist?
 - How can risk and uncertainty be incorporated into the accounting system?
- What uncertainties exist in our scientific understanding of the effects of the activities on the carbon cycle?
- What structural problems and accounting gaps are associated with the activities?
- What are the greenhouse gas mitigation options that are included and excluded?
 - How significant might be their potential to increase carbon stocks?
 - What are their economic and environmental costs and benefits, including ancillary effects?

Decisions at COP 4

In order to continue our progress on resolution of land use change and forestry issues, the United States feels that three decisions need to be made at this session:

First: As discussed during our deliberations in Bonn, we need to make a commitment to hold the next workshop, hosted by the United States, providing for technical discussions on Article 3.4 activities.

Second: We need to decide that this workshop should address important issues such as methodologies, uncertainty, and research and data needs for activities for consideration under Article 3.4. Parties should be given the opportunity to present technical papers on these matters. In addition, the workshop should provide valuable input to the IPCC's Special Report on Land Use, Land Use Change and Forestry, whose draft chapters are scheduled to be completed in April of 1999. Convening lead authors for each chapter of the IPCC Special Report should be invited to give SBSTA a status report on their chapter. Since the Special Report

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breaks new ground in the relationship between the SBSTA and the IPCC, we should ensure that the SBSTA and IPCC experts have ample opportunity to interact and communicate.

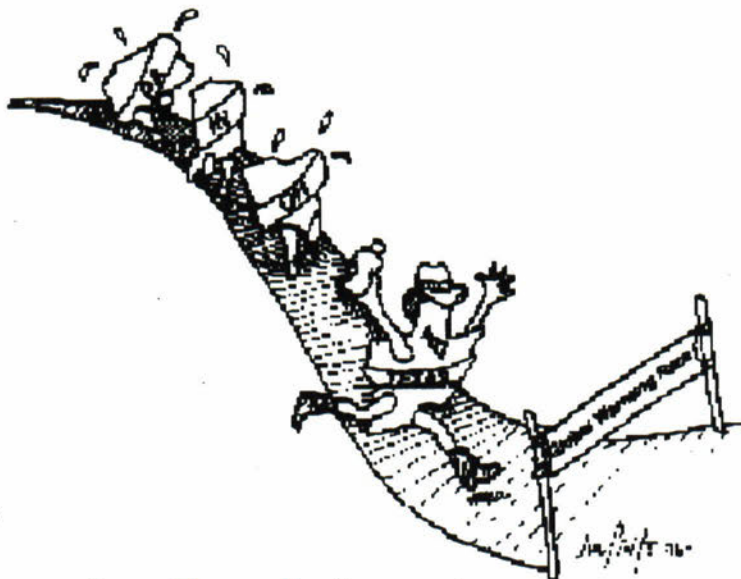
Third: We need to make a commitment that the Parties will be prepared to come to agreement on decisions regarding the language in Articles 3.3 and 3.4 of the Kyoto Protocol at the first COP subsequent to the release of the IPCC Special Report.

We look forward to working with the Parties on discussing land use, land use change and forestry activities to make progress on meeting commitments under the Kyoto Protocol.

SEED COALITION COVER SHEET

Do we really want Texas to win the Global Warming Race?

Texas power plants emit more greenhouse gases than those of any other state - about 200,000,000 tons per year. They are our most concentrated source of carbon dioxide and a key reason why Texas ranks seventh in the world in such emissions.



TO:

Todd Stern, Special Ass't to the President

202 456-2215

FROM:

Texas Fund for Energy and Environmental
Education
Peter Altman

(512) 479-7744

(512) 479-7645 fax

Pages: 2

Date: Wednesday, November 4, 1999

Texas Can Turn it Around...

Texas can generate more electricity from wind and solar power than any other state. By investing in these renewable energy sources, we could cut our emissions, build jobs in a more diverse energy industry, and be a leader in clean energy for the future.

MESSAGE:

Texas Fund for Energy and Environmental Education **SEED Coalition**

401 West 29th Street Austin, Texas 78705 (512) 479-7744

• (512) 479-7645 fax altman@io.com

November 6, 1998

Dear President Clinton and Vice President Gore:

We were very grateful for your work to secure the Kyoto global warming treaty. It is a critical first step to cutting pollution and protecting the global environment. But leave out the LOOPHOLES and commit the US to cut its domestic pollution. Buenos Aires offers the opportunity to provide leadership towards achieving both these goals.

- Stop backsliding on your pledge to cut US pollution. EPA Administrator Browner and your chief negotiator Stuart Eizenstat have argued that treaty should allow the US to meet most of its commitment by purchasing foreign pollution credits -- a position supported by the Global Climate Coalition and other polluters' lobbies. We are strongly opposed to this scheme. Americans would pay all the costs of cutting the pollution, but not receive the benefits of energy efficiency and cuts in pollutants from local dirty power plants.
- Ensure that the use of "Carbon sinks" is scientifically sound and does not take the place of real reductions in global warming pollution. As important, the use of sinks should not jeopardize the last stands of forests that sustain the biodiversity of the world. There should be no loss of pristine forests due to the treaty.
- The treaty must include strong compliance standards that will ensure that nations meet their obligations, and that all reductions are verifiable by independent auditors.

There are a number of steps your administration can take to halt global warming. First of all, close the loophole on power plants that are grandfathered from the 1977 Clean Air Act amendments. Promote renewable energy and energy efficiency; and end subsidies to oil and coal companies.

We have borne witness to the fantastic damage done by extreme weather events, which will get worse as our world warms up. The series of hurricanes that have assaulted the Gulf Coast and Caribbean islands, floods and droughts in many parts of the US: these are the costs of doing nothing: human lives taken away by death or ruined by disaster.

We urge you to take these first indications of global warming as your clarion call for domestic action, and to take world leadership on cutting global warming pollution.

Sincerely,

Peter Altman
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cc: Honorable Senator Kay Bailey Hutchison
Honorable Senator Phil Gramm