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9 June 1999

To: Please See Attached List

From: Climate Change USDEL/Bonn -- Mark G. Hambley ~~WA~~

Subject: Update No. 8 for the Subsidiary Body Meetings of the UN Framework Convention on Climate Change (June 8/9, 1999)

Attached is an unofficial and informal report on the tenth meetings of the Subsidiary Body on Implementation (SBI) and the Subsidiary Body on Scientific and Technological Advice (SBSTA) to the UN Framework Convention on Climate Change. These meetings are being held in Bonn from May 31 to June 12, 1999.

This report contains information on, and gleanings from, these meetings and related activities from the afternoon of Tuesday, June 7, through the morning session on Wednesday, June 8. Also included with this report is the latest issue of the **ECO**, a periodic publication by various environmental groups which is sometimes informative, often insulting, and generally anti-U.S., along with the copy of the **Earth Negotiations Bulletin** which tries to keep tabs on the open sessions and which should be read as a complement to our reporting.

A supplement (entitled Supplement No. 8) to this report contains additional, detailed reporting on recent events and meetings. It should also be read in conjunction with this Update.

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

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9 June 1999

Subject: Climate Change Update No. 8 on the SBI/SBSTA-10 Meetings in Bonn: Mechanisms Discussion Opens Smoothly with no Bombshells or Mud Slinging; Compliance Working Group Decides Dates for Next Submissions but Decision on Intersessional Gathering Blocked by G-77 (i.e., Saudi Arabia)

The Atmospherics

The atmospherics were moderate to calm throughout the day with windier weather expected to be in the forecast for late Wednesday and Thursday. Tuesday afternoon and evening saw continued work in both plenary and contact group sessions.

Intergovernmental Work Schedule: One Step Forward; Two Steps Back

Antigua/Barbuda's Ambassador John Ashe tried, without success, on June 8 to move the EU and JUSCANZ representatives towards accepting the G-77 proposals concerning the intergovernmental process, including the organization of COP-5 in October and timing of COP-6 in October/November 2000. A new draft proposal was circulated and discussed on June 9 with some compromise in the dates for the high level segment suggested. However, the G-77 is in considerable disarray on this issue, so that the spokesman for the group, Venezuela's Ambassador Herrera, frequently had to admit there was no G-77 consensus on the various points raised.

It does appear that COP-5 will start on October 25, although this agreement has not as yet been formalized. More concern is focused on the dates for the high level segment. Ashe proposed a compromise by suggesting that the high level segment will be held from Tuesday to Thursday, Nov 2-4, 1999. Everyone remains scattered on the page on this point.

It does appear broadly accepted that the plenaries will be oriented around two interactive discussions (or, "exchanges of view" to pacify those uncomfortable with the term "interactive"). Two topics were initially proposed: (1) national experiences dealing with climate change and best practices and their effects plus (2) the way forward: promoting implementation of the Buenos Aires Plan of Action and the early entry into force of the Kyoto Protocol. However, developing countries thought that "best practices" sounds patronizing. "Lessons learned" might be better. In addition, China has proposed adding a (3) third topic on reviewing progress towards achieving the Buenos Aires Plan of Action and issues for COP-6. In addition, it has been proposed that no general statements would be made by Parties, although this is still resisted by some countries.

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The offer of the Netherlands to host COP-6 was warmly received, although the question of when (in late 2000 or early 2001) will be left open for decision at COP-5. Thus far, there has been nothing said about the Committee of the Whole issue. Herrera warned last night that the G-77 has strong views: no COW for COP-5; the matter for COP-6 can be decided at a later date. This tussle resumes at 6 PM on Wednesday.

(Comment: One can imagine all sorts of possibilities from the two interactive topics chosen – those dealing with ways forward and issues needed for COP-6. While we would have to be careful not to provoke any untoward or counter-productive reaction, the dialogue could be very interesting. End Comment.)

Compliance Update: Once Again, the Saudis are apparently Blocking Consensus

The compliance discussions moved along slowly during a June 8 meeting, with an August 1 date for the next due date for submissions tentatively agreed (this is in order to accommodate a demand by Saudi Arabia and others for papers to be prepared in all languages). Decision about accepting an EU offer to host an intersessional "informal discussion" on compliance was blocked by the G-77. Annex I wants these discussions to take place prior to COP-5; the G-77 insists that they take place after COP-5. Sensing that this would, in fact, imperil the likelihood for a compliance decision by COP-6 (especially if it is held in November 2000), AOSIS agreed with the position taken by the G-77 and then, in a move of startling clarity, indicated that it supported the EU/umbrella suggestion that the meeting be held prior to COP-5.

(Comment: We understand from the Chinese that the only G-77 member with strong views on the topic of the timing for the intersessional is Saudi Arabia. We will talk to Mohammad al-Sabban to try to change his views but we are not sanguine as to the prospects for success, given his negative and recalcitrant behavior. End Comment.

"The Mechanisms Discussion Have Begun": End Comment!

After all of the delays by bomb threats and G-77/caucusing, the mechanisms discussion occurred in a session of the joint SB/SBSTA working group on June 8. Although the G-77 (especially China and the group's spokesman on this issue, India) suggested that the new G-77/China "consensus paper" should serve as the basis for the discussion, the chairman of the Subsidiary Body on Scientific and Technological Advice, Chow Kop Kee of Malaysia, doggedly pursued his determination to follow the headings listed in the synthesis document.

These headings are somewhat controversial for some Parties, but Chow emphasized that he was using them for this discussion only for the sake of expediency. For the next composite text which he said he will prepare, he will use the headings agreed to by Parties at COP-4.

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The discussion went on for several hours. It was stultifyingly boring and incomprehensible to anyone who did not have the voluminous synthesis papers, plus the G-77 text readily at hand. Much of the conversation involved Parties (usually the EU, the US, India, China, and a few others) identifying paragraphs from the multiple texts noting where there appeared to be convergence. Norway's Georg Borsting was a particularly brilliant practitioner of this verbal ballet. With little advance notice, he juggled paragraph numbers in a way which was admired by all of those who realized how difficult and tedious a task this was.

(Comment: Only two sections remain for discussion at the afternoon session of the joint working group on June 9. Both Saudi Arabia's al-Sabban and Venezuela's Herrera indicated that the G-77/China will now turn its attention to developing a group position on joint implementation and emissions trading. Al-Sabban implied that further discussion of these items in the SBI/SBSTA working group will have to await these results; Herrera indicated that he thought this discussion could go ahead, but without the participation of the G-77/China. Chairman Chow also told us on June 9 that this is his intention, although it will be interesting to see how this actually plays out when push comes to shove during the afternoon session. End Comment)

The Sinks Discussions: "Suddenly Afloat Again"

There has been some progress in the seemingly endless discussions on land use and land use change and forestry discussions (LULUCF). The proposed decision will recommend a workshop to study the results of the IPCC Special Report on Article 3.4 once this has been released. In addition, there appears to be a consensus agreement whereby data release would be linked to a decision-making framework. Also, there will be a recommendation made to the IPCC to get it started on methodology issues. Some additional new text will be submitted at the LULUCF meeting scheduled of June 9.

Bunker Fuels: Still Mired in Controversy but Light is Dawning

One of the more controversial issues with NGOs is the decision being proposed on bunker fuels. The ins and outs of the discussion are covered in reports by DOT and DOD in Supplements 7 and 8. Suffice it to note that Saudis, while they were our inadvertent allies in deleting specific references to allocation, are also obstructing any language referring to elements of the Kyoto Protocol, using the feeble argument that it has not entered into force. They explicitly said that Article 2.2 is one of the items that needs further work but was not captured in the Buenos Aires plan of action.

We have been accused by some of our NGOs of working in collusion with the Saudis and preventing consideration of the IPCC Special Report. We have denied this is the case, and pointed out that the one point where we called for deletion of a reference to this report was because of its inclusion in a paragraph which contained other unacceptable language. The fact that the Saudis supported us was not the result of any

collusion. The Saudis obviously saw this as in their best interests. We support the IPCC report and have moved that a reference to it be retained in an appropriate place in the report. We have spoken to Annie Peterson of the EDF about our concerns and believe we have assuaged her for the moment.

NGO Meetings – Process, Compliance, Sinks, Budget and One Major Complaint are the Focus of Interest

At the Tuesday night meetings with environmental NGOs (about 16 U.S.-based NGOs are present), the major issues raised were bunkers (as noted), compliance, sinks and process issues. Unlike last Friday's meeting, the concern about compliance at this session was more in terms of where we see the process heading, rather than any specifics. NGOs were impressed with the progress made on the sinks issues and praised USDA's Margot Anderson and her team for their collective efforts. No mention was made about the data issue which had dominated last week's meetings. As noted in the section of sinks, this issue has apparently been resolved by the contact group.

The business NGOs (some 40 or so) raised a greater variety of issues. They were interested in how we see the process shaping out over the next few days. Don Pearlman asked about the compliance deliberations about an informal session and implied that he hoped this would be open to outside participants and observers. (In response, the reporting officer told him that that would depend on the nature of the meeting; some are for governments only; others are open to outside observers; some are sponsored by governments which have a big say as to who is invited; others are more open-ended as is the case with the current meetings.)

The business groups also expressed their deep concern over an NGO consultation meeting organized by the Secretariat on June 8 to discuss ways to "improve" relations with the NGOs and to "facilitate" their participation in the process. The Secretariat had attempted to bar many of the major groups from participation in this meeting (including both the GCC and the International Chamber of Commerce). We agreed that the Executive Secretary may have erred in convening a meeting at this time and will discuss the matter with Mr. Cutajar.

Side Events Proceeding Smoothly

David Doniger, Dick Morgenstern, Rick Bradley, and Jennifer Macedonia are among USDEL members who have been either speakers or presenters at various side events. Reporting officer will address a business group organized by the Business Council for Sustainable Energy tonight. Some of their reports on these events are contained in the supplemental to our periodic updates.

David spoke at an event last week on emissions trading, while Dick acquitted himself well at a panel hosted by Swedish Climate Action Network last night. On Monday, Jennifer Macedonia displayed her insights on the registries issue. She handled Jo Simons of the UK quite deftly when the latter challenged Jennifer's reference to the need to register the trades internal to the EU "bubble" under Article 4.

COP-4 Bureau Meeting

Under the Chair of COP-4 President Maria Julia Alsagaray of Argentina, the Bureau of COP met at noon on June 8. Nothing momentous emerged from the two hour conversation, other than to note that Saudi Arabia was represented by its chief delegate, Mohammad al-Sabban for the first time.

Dates were proposed for COP for meetings through COP-9 in 2003. (We mildly chastised our Bureau representative (Norway) for not making these conditional on the timing of COP-6.)

The Saudis continued their effort to slow down the process by insisting that documents all be prepared in six languages prior to meetings (a legitimate complaint but it was not made out of concern for non-anglophone representatives).

Kazakhstan was reported to have submitted its request to join Annex I in time for it to be considered at COP-5. Norway reported that this submission was made in accordance with the provisions of Article 4.2(g) of the Convention, a much easier notification process rather than the Article 5 amendment procedure which was contained in the initial letter we saw from Kazakhstan. (We will try to check this point with the Kazakhs if they are still in Bonn.)

Providing his report to the Bureau, SBSTA Chairman Chow expressed optimism that he would be able to get through all three of the mechanisms under discussion which would provide the basis for a new text. He was not challenged in either his assessment or his indication of future action.

The next Bureau meeting is tentatively planned for September 19 – the day before the informal ministerial being organized by Alsagaray in Warsaw, the seat of her heir apparent, the Polish Environment Minister.

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Final Comment

We are not quite at the end game for this meeting. This will have to await the treatment of the remaining two mechanisms – joint implementation (JI) and international emissions trading (IET). However, there is acceptable progress on either key items of interest – technology transfer, sinks, bunkers, compliance and communications, so it appears likely that we will be comfortable in characterizing this conference as a success, despite the fits and starts on the mechanisms issue. However, these fits and starts have strengthened our arguments as to the need for an additional series of subsidiary body meetings in 2000, prior to hosting COP-6 in March or April of 2001. **End Comment.**