

13 September 2000

**To:** Please See Attached List  
**From:** USDEL/Lyon, Mark G. Hambley ~~LA~~  
**Subject:** SB13, Update No. 13 for Wednesday, 13 September 2000

Attached is an edited unofficial and informal report on events at the 13<sup>th</sup> Sessions of the Subsidiary Bodies of the UN Framework Convention on Climate Change (SB13) that are meeting in Lyon between September 4-15, 2000. A copy of the **Earth Negotiations Bulletin** covering activities on September 12 is included with this report.

Although unclassified, this report is intended for the information of the addressees only.

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**Update No. 13 (9/13/00)**

Wednesday, 13 September 2000

**SB13, Update No. 13: Parties Continue to Jockey for Position as the Mountain of Work Looms Large****Atmospherics**

The enormity of the task facing delegations at COP6 is finally starting to hit home. The mechanisms' discussion read through only about two pages at the September 12 session. Thus far, not one paragraph in the over 140 page document has been approved. Chairman Chow Kok Kee clearly has his work cut out for him in terms of coming up with a new text that can be more easily digested and negotiated.

Other processes are more manageable, but some are now nearing an end as far as further progress at this meeting is concerned. Compliance is now being somewhat stymied by Saudi insertions of its language on adverse impacts of response measures into the enforcement section, and by additional bracketing. Land Use and Land Use Change and Forestry is dealing with a new chapeau proposal by Brazil (on behalf of the G-77) which outlines some basic (and unacceptable) principles. Useful discussion in technology transfer has largely been stopped by the G-77 spokesperson from the Philippines, while useful discussions on Articles 5/7/8 are also nearing completion, after earlier progress on a myriad of important technical details with regard to eligibility and reporting. The policies and measures discussion is still in its infant stages, while discussion on adaptation/compensation will probably not enter its "hottest" phase until Article 3.14 is discussed on September 14.

One bright spot may be in the area of capacity building. This is the one topic that the Executive Secretary has pushed as offering hope for a positive signal from the Lyon meetings. We are trying to meet with the G-77 to try to hammer out a compromise view. We should know by tomorrow the chance that we might be successful. The decision, if taken, would be *ad referendum*. Nothing will be officially agreed until other elements of the Kyoto Package are also satisfactorily resolved.

**JUSCANZ Meetings**

Complete reports on the September 12 and 13 meetings are attached for reference.

## Specific Issues

Following are some details on the status of specific issues. We are including with this report copies of the latest edition of the **Earth Negotiations Bulletin** that provides some of the details for the meetings on September 11. Reports on additional meetings by USDEL members are included as the supplement in Update 12.

**Mechanisms ((JI, International Emissions Trading, and the Clean Development Mechanism (CDM)):** Progress continues to be laboriously slow. At the September 12 meeting, the group went through the first portion of the CDM text. This focused mostly on the functions of the executive board and of the COP/mOP. A text was introduced regarding eligibility which was broadly endorsed by the EU. We also received backing from the EU on our registry proposals. India indicated that it will be submitting a formal proposal on principles. This will be made with specific reference to the CDM, but we anticipate that it will be extended to the other mechanisms, as well. The EU and the umbrella have also agreed on a JI text (largely drawing on ideas developed by EPA's David Doniger). Meanwhile, Jennifer Macedonia has done excellent work in coordinating an emissions trading effort with the EU, the hardest issue being related to eligibility requirements. As has been suggested, the biggest plus from Lyon has been the exceptional off-line progress we have made on technical issues with our umbrella partners -- and, in many instances, with the EU -- in the mechanisms and on several other issues.

**Compliance:** A portion of the text dealing with structure and procedure was reviewed on September 12. The co-chairs (Norway and Samoa) indicated that they are only interested in substantive comments at the moment and will develop a new text following this session. The Saudis repeatedly disrupted the procedures with procedural points, questioning the ability of the co-chairs to produce a new text. The Saudis also bracketed a portion of the text in reaction to the bracketing of their proposed insertion on Protocol 3.14 on the impacts of response measures.

**Land Use and Land Use Change and Forestry (LULUCF aka sinks):** The considerable progress of the past ten days has been tested by the introduction, by Brazil, of several principles for inclusion in the document's chapeau. Some of these concepts are unacceptable; some more properly belong in the mechanisms' discussion; while others can be negotiated. Among the critical points in Brazil's proposal is a concept that would permit no credit for carbon fertilization that Brazil says largely accounts for most of Annex I's sinks. Moreover, Brazil argues that carbon sequestration should be only for a limited period of time -- delaying, rather than displacing carbon. This point is also unacceptable to the umbrella group. Reaction to the co-chairs' text is required by Wednesday night.

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**Technology Transfer:** There was little progress at the September 12 meeting. This was due to both a conflict in the timing of the meeting involving G-77 coordination. It was also due to continued posturing by the G-77/China spokesperson from the Philippines. Discussion will continue later on September 13. One difficulty may be that this meeting is scheduled at a time that coincides with both the meeting on capacity building and with a scheduled G-77/China coordination meeting.

**Capacity Building:** There was no formal meeting on September 12. As has been indicated, we are trying to work with the G-77 and the EU to see if we can come up with an acceptable conclusion by Friday, September 15. Stay tuned.

**Policies and Measures (PAMs):** The new contact group under Swiss and Tanzanian chairs met on September 12 to discuss the draft text. Progress has been slow, largely because of U.S. insistence that each paragraph of the proposed text be carefully vetted. Discussions continue on September 12.

**Convention Articles 5/7/8:** A proposed draft decision on Article 7 has largely been concluded. Other facets of this complicated set of issues have probably been addressed as much as they can at this meeting. We will have an authoritative wrap up by our exceptional coordinator, Clare Breidnich, in a forthcoming update. One footnote, the Saudis found a new "ally" of sorts in their efforts to introduce their language on Articles 4.8/4.9 and Article 3.14 into aspects of the reporting, review and inventory requirements. Raoul Estrada, speaking in his new role as Argentinian head of delegation, indicated on September 12 that the U.S. should think about compensation. In commenting on the difficult discussions on inventories, Estrada reportedly accused the U.S. of having "...the highest emissions, growing emissions, and the most difficult country to deal with" in these negotiations.

**Convention Articles 4.8, 4.9 and Protocol Article 3.14 (Adaptation and Compensation) or Impacts of Climate Change and Adverse Impacts of Response Measures:** There were two meetings on this topic on September 12. The first was a small consultation involving Annex I, Samoa, Nigeria and Saudi Arabia that dealt with the way forward. No agreement was reached. The second was a formal session at which, in the words of our senior coordinator: "We came, we talked, we cared." The focus was on adaptation, and we anticipate completing this discussion at the September 13 session. On September 14 (Thursday), we should get into the most fractious and difficult topic on the response of Annex II Parties to the adverse impacts of response measures (Protocol issue 3.14).

**Activities Implemented Jointly:** No change from earlier reporting.

**Greenhouse Gas Emissions from International Transportation (Bunkers):** No decision was taken. As noted in the attached report prepared by DOD's Dave Peters, the matter has been referred back to ICAO and IMO for further consideration at SB14 in 2001.

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**Impact of Single Projects:** This issue is largely of concern to Iceland (for which it was drafted initially) but has been stuck primarily to objections from the EU and Canada (although AOSIS has also raised objections). In the first completed draft decision, the group which met for consultations under Oleg Ploughman of Denmark on September 13 decided that the issue will be raised at the resumed session of SB13 (in November during the first week of the COP), with a view to arriving at a decision by the Conference itself.

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JUSCANZ—12 September 2000  
Jack Schick

Harald Dovland informed JUSCANZ that the Bureau is debating whether to wait until after the October Ministerial consultations to publish the documents for The Hague negotiations or to take the Lyon output as is and forward it to The Hague. The G 77 is concerned to have a fully translated set available in the six UN languages as soon as possible. The Bureau could not reach consensus even on this issue, which, to Dovland, indicated that the atmosphere is not as good this week as it was last week. Michael Cutajar will consult further, reminding that it is a matter of resources and timing.

In speaking of the calendar, Dovland reported that the Bureau also discussed the sensitive issue of the need for geographic balance with the invitations to The Hague Ministerial in early October. Canada understood that three workshops were planned for October on sinks, compliance, mechanisms, and maybe 4.8/4.9. Canada made clear, however, that Ottawa could not host a 5, 7, and 8 workshop, suggesting Geneva as an alternative venue (since slated for Bonn). Dovland noted that Saudi Arabia had rejected the whole list because of the TBD status of the 4.8/4.9 workshop.

The US underscored the change of atmosphere this week to a darker, cloudier prospect. First, he noted Brazil's action last night in tabling 6 points for a very restrictive use of sinks among the principles to be included in the chapeau of the sinks decision. This will slow down the negotiating process in the sinks group, which has been moving at a rapid pace. Secondly, he regretted Chairman Ashe's role in a dispute last night over which text to use for the capacity building decision—the Chair's text (as is the case with all the other Contact Groups) or a last minute G 77 text. Ashe deferred to the G 77 with the comment that capacity building is for the developing countries anyway and went further to threaten retribution in the Mechanisms Contact Group unless the G 77 text were given priority in the Capacity Building Group. This was inappropriate conduct. Moreover, it is a bad precedent for one party's text (the G 77) to pose as the negotiating text for all parties.

The US further commented that it was disappointed with the G 77 Chair's (Nigeria) statement in plenary yesterday, a radical position that seemed to move the bar up for aid and technology transfers to developing countries to implement the Convention. Maybe, it was tactics for maximum leverage if developed countries have inadvertently given the impression that we are desperate for a deal. Or perhaps, it suggests that the G 77 is giving higher priority to the Convention rather than to the Protocol even though, in our view, developing countries would benefit more from the Protocol. Moreover, Canada was distressed by the Saudi Co-chair's (of the 4.8/4.9 Group) remarks yesterday in plenary in referring to developing countries as the "majority view" and to developed countries as the "minority" on 4.8/4.9 issues.

Although agreeing that Brazil's move will slow down the sinks negotiation, Canada did note that Brazil at least told us specifically what the G 77 wants in this case. We have no alternative to taking on his criteria point by point and to working them through. In this sense, Brazil has pointed the way forward. Similarly, he suggested that the EU's reservations on sinks were fortunately caveated with an "unless our concerns are addressed." Let's address them, he said.

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JUSCANZ—12 September 2000  
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The Norwegian chair reported that COP President Szyszko's consultations on the COP rules of procedure were fruitless (the dispute over voting rules has become a hardy perennial). The word on elections for the new Bureau is confused because, according to Norway, the Saudis' effort to extend their term for one more year was an unexpected result of extending John Ashe and Harald Dovland for another year. Australia had a different view—that the outcome was scripted anyway.

Norway opined that the G 77 paper on capacity building for developing countries was not too bad—after the concern yesterday over Ashe substituting it for his own. The US said it had met with the Umbrella Group to reach a common understanding on the G 77 paper and also with the EU, but the EU seemed to be having difficulty with internal coordination. The US is open to "substantively correct" progress even with the G 77 paper. In the US view, the Chairs' text on capacity building for the EIT countries is anodyne.

The US observed that progress in the Mechanisms Group was slow slogging and achieving a useable text was difficult. Norway agreed, adding that Protocol issues in general were lagging. Convention issues being considered here.

Republic of Korea (ROK) asked for consultations with other JUSCANZ members on para. 34 of the Mechanisms draft, suggesting that rules for unilateral, host country CDM projects should be the same as for bilateral CDM projects. Mexico added that host country-generated projects are a very sensitive issue for Latin America.

In addition, ROK reported a rough session in the Technology Transfer Group yesterday. Evidently, the Philippines asserted that developed countries' broad-based, integrated approach is diluting Annex 2 donors' commitments. He thought there is room to close the gap with the G 77 and asked to consult with JUSCANZ on this issue as well.

Japan, at the close of the meeting, approached USDEL to express its concern that the Saudis may move today to disrupt the process simply because today, Wednesday, is about their last opportunity to do so (he had no evidence per se).

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## **Greenhouse Gas Emissions from International Transportation**

Under "Other Matters", the Secretariat received reports from both the IMO and ICAO. The ICAO and IMO reports were presented in writing. A representative of the IMO read their report text to the SBSTA.

There were three interventions. They were from Switzerland, France (on behalf of the European Union (EU)), and the United States (US). Each intervention thanked the IMO and ICAO for their efforts. They also encouraged the IMO and ICAO to rapidly conclude their work, and announced that they looked forward to the IMO and ICAO reporting their results at SBSTA-14.

Additionally, Switzerland wanted the IMO and ICAO to take action to reduce emissions, and thanked both bodies for allowing the UNFCCC to attend their meetings in observer status.

France, speaking for the European Union (EU), stated that GHG emissions from international transportation are really important to the overall agreement. They urged IMO and ICAO to complete their work and implement actions to reduce emissions at least by 2001. They also urged Parties to ensure their delegations, to all international bodies dealing with climate change, coordinate closely.

The US intervention is at attached. The US supported the work of the IMO and ICAO and encouraged others to work with them to develop concrete plans of action. Like the EU, the US urged Parties to ensure their delegations to the FCCC, ICAO and IMO coordinate closely on climate change activities. The US stated that it looked forward to the discussions to be held as precursors to decision on concrete emission reductions.

The Secretariat closed discussion and referred this item back to IMO and ICAO. He directed them to complete their work so that the parties can consider their plan of action at SBSTA-14. The Secretariat stated that GHG emissions from international transport (Bunkers) would be an agenda item at SBSTA-14.