

1 of 19

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3 November 1998

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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.

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Subsidiary Body for Scientific and Technological Advice
1st meeting

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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 *Phillippines* 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

REVIEW AUTHORITY: Alan Flanigan, Senior Reviewer

5717

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

69 178

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. MacIons) 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)

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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 (b) (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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8717

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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9717

E56D

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.]

REVIEW AUTHORITY: Alan Flanigan, Senior Reviewer

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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
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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

1

REVIEW AUTHORITY: Alan Flanigan, Senior Reviewer

129 177

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

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- 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

14 7 19

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.