



With Compliments

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IPIECA REPORT
FRAMEWORK CONVENTION ON CLIMATE CHANGE (FCCC)
COP2
8-19TH JULY, GENEVA

The second Conference of Parties (COP2) for the FCCC took place from 8-19th July. Meetings of the Subsidiary Bodies for Scientific and Technological Advice (SBSTA) and for Implementation (SBI) and of the Ad Hoc Groups on the Berlin Mandate (AGBM) and Article 13 took place concurrently. In addition informal workshops were held on Policies and Measures (PAMs), Quantified Emissions Limits and Reduction Objectives (QELROs) and National Communications for Non Annex I Parties and by the IPCC (Intergovernmental Panel on Climate Change) on Technology Assessment. A Ministerial session was held on 17th and 18th July. The main objectives of the meeting were to take stock of progress made in implementing the convention since COP1 and to intensify efforts to negotiate a protocol for consideration at COP3. IPIECA held a side meeting on Technology Cooperation and Capacity building on 11th July.

Present for at least part of the meeting were either on the IPIECA or other delegations were Robin Aram (Shell - ICC delegation), Lenny Bernstein (Mobil - GCC delegation), Brian Flannery (Exxon - IPIECA), Charlotte Grezo (IPIECA), Lois Johnston (Texaco - ICC delegation), Klaus Kohlhase (BP - IPIECA delegation), Clem Malin (Texaco - ICC delegation), Jean Marvillet (Total - IPIECA delegation), Bill Mulligan (Chevron - GCC delegation), Tito Sale (ENI - WEC delegation), Peter Scupholme (BP - IPIECA delegation) and John Shinn (Chevron - IPIECA delegation). This report draws on a report by Lenny Bernstein.

SUMMARY

Overall the positions of a number of countries became clearer. The US committed to legally binding targets and timetables for reduction in GHG emissions, but rejected mandatory policies. Saudi Arabia and Kuwait who have played a prominent role in arguing against new commitments were joined by 12 other principally OPEC countries including Russia. Australia, New Zealand and Norway, whilst supporting a protocol, make the case that economic considerations must be taken into account. The European Union reiterated its support for mandatory policies and commitment to quantified reduction objectives for the EU as a single party and for setting a maximum allowable atmospheric concentration for CO₂ of 550 ppm.

The ministerial session resulted in a declaration which endorsed the IPCC Second Assessment Report (SAR) and reaffirmed commitment to negotiate new GHG emission reduction commitments by Annex I countries. Fourteen countries including Saudi Arabia and Kuwait disassociated themselves from the declaration. In addition Australia, New Zealand and the US reserved their position on specific provisions of the statement.

The scene has been set for intensive negotiating sessions between now and COP3. Although the Ministerial Declaration is not a binding document it is likely to be used to justify stronger positions in the negotiations. The pressure on negotiators to produce a protocol in time for COP3 has stepped up significantly.

There are likely to be three or even four further negotiating sessions prior to COP-3. The following dates have been scheduled:

9-18th December 1996, Geneva
24 February -7 March 1997, Bonn

COP-3 1-12th December, Kyoto, Japan

The main outcomes of the meetings were as follows:

MINISTERIAL SESSION

The Ministerial Declaration clearly endorsed the SAR of the IPCC and recognised it as a scientific basis for strengthening action to limit and reduce GHG emissions. By introducing the concept of a legally binding protocol and repeating it with respect to QELROs the Declaration has effectively expanded the scope of the Berlin Mandate. In particular the Declaration noted that the balance of evidence suggests a discernable human influence on global climate; that projected changes will result in significant, often adverse impacts on ecological systems and socio-economic factors and that reductions in GHGs are technically possible and economically feasible. The Declaration interpreted the finding of the IPCC as indicating that continued rise in GHG concentrations in the atmosphere will lead to dangerous interference with the climate system, given the serious risk of an increase in temperature. Representatives were instructed to accelerate negotiations on the text of a protocol to be completed in time for adoption at COP-3.

Although the declaration is not a legally binding document and has been noted rather than officially approved by COP it will likely add further pressure on the negotiators to produce a substantive agreement for adoption at COP-3.

COP-2

Key items were:

- o **The Bureau** ?

An important administrative item - the election of the bureau was finally achieved. Presumably this will allow the COP to operate more effectively and clears the way for more substantive matters. However it should be noted that Saudi Arabia remains unhappy.

- o **Rules and procedures**

The outstanding issue on the Rules and Procedures concerning voting was not resolved. The COP therefore has no Rules and Procedures in place which could make the adoption of an agreement difficult.

- o **Ratification** - 159 Parties have now ratified the Convention.

- o **COP-3**

COP-3 will be held from 1-12th December in Kyoto, Japan.

AD HOC GROUP ON THE BERLIN MANDATE

No new proposals for a protocol or other legal instrument were put forward, however each of the previously presented proposals including those from the EU and AOSIS (Alliance of Small Island States) were reiterated. There was extensive debate on the nature of the protocol commitments. Key issues were:

- o **Targets**

Australia, Japan, New Zealand, Norway and others argued for a differentiated target which would take into account the differences in the circumstances of developed countries eg current levels of energy efficiency and use of renewable energy. The US and EU and many developing countries supported a single target because the complexity of negotiating a differentiated target. The US, New Zealand and others made the case against annual targets because of the economic benefits of multi-year or cumulative targets.

- o **Mandatory Common Measures**

The EU position was that negative impacts on competitiveness of many measures to control GHGs requires that they be implemented by all developed nations. The US strongly opposed common measures. Australia, New Zealand, the US and others argued that parties should have the freedom to choose the measures that made the most sense for their individual economies.

- o **Economic Efficiency**

The need for international cooperation to reduce the cost of controlling GHGs was universally accepted. Developing countries vigorously reemphasised their opposition to any mechanism which would transfer any responsibility for reduction in GHG emissions to them. This position was accepted by the developed world at COP-1 and was not challenged at COP-2. All parties supported Joint Implementation (joint projects to reduce GHG emissions between **developed** countries). Since Eastern European countries come into this category there is some scope for JI, although this will be dependent on the nature of any targets that are agreed. The EU claimed that it should be treated as a single Party rather than as individual countries. This was opposed by the US. The Netherlands and the US both proposed emissions trading but gave no details about how this might operate.

- o **Impacts on Developing Nations**

It is now widely accepted that mandatory GHG emissions reductions will have negative impacts on developing countries. Some claimed that they should be compensated for these impacts. This was not accepted by developed countries.

SUBSIDIARY BODY ON SCIENCE AND TECHNOLOGICAL ADVICE

The major outcomes from SBSTA were as follows:

- o **IPCC Second Assessment Report**

There was extensive debate surrounding the Second Assessment Report. There was a strong divergence of views on the SAR. Many delegations including the EU, the US, Norway, Canada and New Zealand strongly supported the SAR as the most comprehensive assessment of scientific information on climate change and regarded it as a basis for urgent action. In contrast many others including Russia, Saudi Arabia, Kuwait, Venezuela and Australia believed that given the uncertainty of much of the data, the SAR did not provide a basis for immediate action. Ultimately the report sent by SBSTA to the COP contained two bracketed paragraphs giving these opposing views. Both paragraphs were deleted in the final plenary leaving the status of the SAR unresolved. This was overcome to some extent by the Ministerial Statement which strongly supported the SAR (see above).

- o **Communications from Annex I Parties**

Revised and more comprehensive guidelines were adopted for National Communications from Annex I countries. However Guidelines will be the subject of further review at the next meeting of SBSTA.

- o **Communications from non-Annex I Parties**

Initial guidelines were adopted for non-Annex I Parties. They include national inventories of anthropogenic GHG emissions, GHG removed by sinks, proposed steps to implement the Convention.

- o **Mechanisms for Consultations with NGOs**

New Zealand and Canada acknowledged the important role of industry in implementing the Convention and endorsed the development of a business consultative mechanism. ICC, on behalf of business NGOs, supported a separate business consultative mechanism given industry's key role in implementation. A contact group lead by New Zealand recommended that current mechanisms should be explored further

and procedures proposed to improve efficiency. See Business Consultative Mechanism section below.

SUBSIDIARY BODY ON IMPLEMENTATION

The main outcomes of SBI were as follows:

o **GEF (Global Environment Facility)**

GEF is the interim financial operating mechanism for the FCCC. Many developing countries objected to conditionalities placed by the GEF Council on project proposals. In addition there was a major difference of opinions over the Memorandum of Understanding between GEF and the COP. Developing countries were unhappy with what they saw as an attempt to shift the burden of implementation from Annex I to non-Annex I Parties. This issue was not resolved.

o **Activities Implemented Jointly**

Work on the pilot stage is to be continued

AD HOC GROUP ON ARTICLE 13

The remit of this body is to "consider the establishment of a multilateral consultative process". This meeting considered other international environmental agreements compliance procedures. However the meeting was organisational in nature with the intent to put AG13 in a position to take up it's formal work in December.

IPCC INFORMAL WORKSHOP ON TECHNOLOGY ASSESSMENT

IPCC have produced a draft paper on technology assessment and an informal workshop was held to review the first draft. The IPIECA input to IPCC on this issue was evident in the draft and indeed Bob Watson acknowledged the IPIECA contribution as a major source.

IPIECA TECHNOLOGY COOPERATION MEETING

The key messages from the IPIECA/UNEP booklet on Technology Cooperation and Capacity Building were presented at a side meeting. The meeting was chaired by Clem Malin, presentations were given on the template for success by Charlotte Grezo. Case studies from Senegal and Papua New Guinea were presented by Jean Marvillet and John Shinn respectively. The meeting was well received and despite the busy meeting schedule attended by delegates from a reasonably good cross section of Parties and Intergovernmental Organisations. The meeting was a good opportunity to demonstrate the positive role that the oil and gas industry can play on the issue of technology cooperation and capacity building. However the significance of the meeting was wider and provided further evidence of IPIECA as a respected player in the climate change issue and a more general demonstration of the industry's positive response to environmental concerns in the normal course of business.

BUSINESS CONSULTATIVE MECHANISM

Little progress has been made on the establishment of a business consultative mechanism with the FCCC process. The business sector report of the NGO workshop on potential mechanisms was discussed briefly in SBSTA (see section on SBSTA). Discussions indicated that if a more detailed proposal was made it would be given a sympathetic hearing. An industry meeting will held during the 3rd Quarter to discuss possible next steps.