

Distr.  
LIMITED

A/AC.237/WG.II/L.6  
23 August 1993

Original: ENGLISH

INTERGOVERNMENTAL NEGOTIATING COMMITTEE  
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE  
Eighth session  
Geneva, 16-27 August 1993  
Agenda item 3 (a)

IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM) PARAS. 1-4

Proposals on policies, programme priorities and eligibility  
criteria for the financial mechanism

Note by the Officers of Working Group II

Explanatory Note

At the end of the Working Group's first round of discussions on the proposals on policies, programme priorities and eligibility criteria for the financial mechanism (A/AC.237/37/Add. 1), the Co-Chairmen of the Working Group were requested to revise the document on the basis of comments made by delegations. The revised texts of sections II, III and IV are submitted in response to that request. The document contains issues on which there was general agreement as well as questions raised by some delegations for consideration by the Intergovernmental Negotiating Committee (INC) or the Conference of the Parties (COP).

The following conclusions on the item drawn from the Convention, the debate and background documents are recommended by Working Group II for adoption by the Committee.

## II. POLICIES

### 1. Policies derived from the Convention

- (a) The financial mechanism as defined by Article 11 of the Convention is to contribute to the objective of the Convention, stated in Article 2, guided, inter alia, by the principles set out in Article 3. It shall function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria related to the Convention.
- (b) The developed country parties and other developed parties included in annex II shall provide new and additional financial resources to the developing country Parties through the financial mechanism to meet agreed costs of activities implemented under Articles 4.1 and 12.1 in accordance with the provisions of Article 4.3.
- (c) The amount of funding necessary and available through the financial mechanism for the implementation of the Convention will be determined in a predictable and identifiable manner, and will be periodically reviewed. The need for adequacy and predictability in the flow of funds shall be taken into account.

### 2. Policies will need to be developed by the INC or the COP regarding:

- (a) Modalities for determining agreed full costs of activities implemented under Article 12.1;
- (b) Modalities for determining agreed full incremental costs of activities implemented under Article 4.1.

### 3. Some delegations have raised the question for consideration by the INC or the COP of whether project economics should be a criterion for access to grants or concessional funding.

### III. ELIGIBILITY CRITERIA

4. Eligibility criteria will apply to countries and to activities. The criteria should be derived from the Convention and should be applied in accordance with Article 11.3.

5. Regarding eligibility of countries, one criterion is:

Upon entry into force of the Convention, only developing countries that are Parties to the Convention would be eligible to receive funding through the financial mechanism;

6. Regarding eligibility of activities, Article 4.1 of the Convention provides an enumeration of activities to be implemented under the Convention. An activity should be considered eligible in accordance with Article 4.3 if it contributes to:

- (a) Develop, periodically update, publish and make available to the Conference of the Parties in accordance with Article 12.1 national inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol on Substances that Deplete the Ozone Layer, using comparable methodologies to be agreed upon by the Conference of the Parties;
- (b) Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, and measures to facilitate adequate adaptation to climate change;
- (c) Promote and cooperate in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors;
- (d) Promote sustainable management, and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems;
- (e) Cooperate in preparing for adaptation to the impacts of climate change; develop and elaborate appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of areas, particularly in Africa, affected by drought and desertification, as well as floods;
- (f) Take climate change considerations into account, to the extent feasible, in their relevant social, economic and environmental policies and actions, and employ appropriate methods, for example, impact assessments, formulated and determined nationally, with a view to minimizing adverse effects on the economy, on public health and on the quality of the environment, of projects or measures undertaken by them to mitigate or adapt to climate change;

- (g) Promote and cooperate in scientific, technological, technical, socio-economic and other research, systematic observation and development of data archives related to the climate system and intended to further the understanding and to reduce or eliminate the remaining uncertainties regarding the causes, effects, magnitude and timing of climate change and the economic and social consequences of various response strategies;
- (h) Promote and cooperate in the full, open and prompt exchange of relevant scientific, technological, technical, socio-economic and legal information related to the climate system and climate change, and to the economic and social consequences of various response strategies;
- (i) Promote and cooperate in education, training and public awareness related to climate change to encourage the widest participation in this process, including that of non-governmental organizations;
- (j) Communicate to the COP of information related to implementation, in accordance with Article 12.

The above activities include investment projects.

7. Some delegations raised the following questions for consideration by the INC or the COP:

- (a) Whether during a transitional period developing countries that are signatories to the Convention can be eligible for funding from the financial mechanism;
- (b) Whether a level of per capita income at a given date should be used as an eligibility criterion for funding through the financial mechanism or for access to grants rather than concessional finance;
- (c) Whether the preparation of country programmes by developing countries should be a criterion for receiving funding under the Financial Mechanism;
- (d) Whether developing country Parties that are particularly vulnerable to the adverse effects of climate change could be eligible to receive funding through the financial mechanism to meet costs of adaptation to these adverse effects;
- (e) Whether all categories of commitments set forth in Articles 4, 5 and 6 are covered by the financial mechanism.

#### IV. PROGRAMME PRIORITIES

8. To implement activities that satisfy eligibility criteria, programme priorities should be followed in order to enhance the efficiency of resource utilization in the implementation of the Convention.

9. Priority should be given to the funding of agreed full costs incurred by developing country Parties in complying with their obligations under Article 12.1 regarding communication of information.

10. Regarding other activities, priorities will need to evolve over time in a comprehensive manner and address all sources and sinks. In the initial period emphasis should be placed on enabling activities undertaken by developing country Parties, such as planning, endogenous capacity building including institutional strengthening, training, research, and education that will make it possible to implement larger scale mitigation activities. Emphasis could then be shifted towards such mitigation activities. Activities in preparation for the adaptation to the impact of climate change should be undertaken.

11. The following programme priorities with regard to mitigation measures may be envisaged:

(a) Priorities among projects should take into account:

- (i) The greatest potential of emissions reduction at the least cost;
- (ii) The importance of carbon dioxide emissions arising from the combustion of fossil fuels and land-use changes and of methane emissions induced by human activities;
- (iii) The improvement of the efficiency of the technology deployed and the cost effectiveness of the projects to reduce greenhouse gas emissions.

(b) Such priorities will lead to emphasis on:

- (i) Reduction of the emissions intensity of energy production through the promotion of technologies applicable to new and renewable sources of energy;
- (ii) Improvements of end-use efficiency in a number of energy consuming sectors;
- (iii) Research and development on and adoption of transportation modes and urban projects, aiming at a reduction in fossil fuel consumption needs;
- (iv) Development and adoption of fuels with low greenhouse gas emissions;
- (v) Reductions in emissions other than carbon dioxide;
- (vi) Other activities including combating deforestation and supporting afforestation and reforestation;
- (vii) The promotion of promising technologies for reducing greenhouse gas emissions

and the preference for replicable projects.

\* \* \*

12. The following elements are envisaged within the priority programme:
- (a) Development, application and diffusion, including transfer of technologies, practices and processes that control, reduce or prevent anthropogenic emission of all GHGs not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors;
  - (b) Conservation and enhancement, as appropriate, of sinks and reservoirs of all GHGs not controlled by the Montreal Protocol, including biomass, forests and ocean as well as other terrestrial, coastal and marine eco-systems;
  - (c) Prepare for adaptation to the impact of climate change, develop and elaborate appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection of areas, particularly in Africa, affected by drought and desertification, as well as floods.