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**Item 9 of the provisional agenda**  
**Matters relating to Article 3, paragraph 14, of the Kyoto Protocol**

**Report on the workshop on reporting methodologies in the context of  
Article 3, paragraph 14, of the Kyoto Protocol**

**Note by the secretariat\***

*Summary*

This document provides a summary of the workshop on reporting methodologies in the context of Article 3, paragraph 14, of the Kyoto Protocol, which was held in Abu Dhabi, United Arab Emirates, from 4 to 6 September 2006. Discussions at the workshop focused on country experiences with reporting information relevant to the provisions of Article 3, paragraph 14, and the approach to the reporting under decision 15/CMP.1. This document also includes a list of outcomes of the workshop.

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\* This document was submitted late due to the timing of the workshop.

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## **I. Introduction**

### **A. Mandate**

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), by its decision 31/CMP.1, requested the secretariat to organize before its second session a workshop on reporting methodologies on ways to minimize adverse social, environmental and economic impacts on developing country Parties of the implementation of policies and measures by Parties included in Annex I to the Convention (Annex I Parties) in achieving their quantified emission limitation and reduction commitments under Article 3, paragraph 1, of the Kyoto Protocol.

### **B. Scope**

2. This note provides information on the workshop organized by the secretariat under the guidance of the Chair of the Subsidiary Body for Implementation (SBI) in response to the above mandate. It includes an overview of the proceedings and presents the workshop outcomes, which are summarized in chapter IV below.

3. Although the workshop focused on the identification of reporting methodologies, discussions also covered other related information, such as descriptions of mitigation policies and measures by Annex I Parties, as well as elements relating to a possible implementation process in accordance with Article 3, paragraph 14, of the Kyoto Protocol (Article 3.14).

### **C. Possible action by the Subsidiary Body for Implementation**

4. In accordance with decision 31/CMP.1, paragraph 12, the SBI and the Subsidiary Body for Scientific and Technological Advice are requested to consider the output of the workshop and to make recommendations thereon to the COP/MOP at its second session.

## **II. Proceedings**

5. The secretariat, in collaboration with the Environment Agency of Abu Dhabi, organized the workshop in Abu Dhabi, United Arab Emirates (UAE), from 4 to 6 September 2006. The workshop was co-chaired by Mr. Al Waleed Hamad Al-Malik (UAE) and Ms. Eva Jensen (Denmark) on behalf of Mr. Thomas Becker, Chair of the SBI. It was attended by 32 experts representing Parties, international organizations and non-governmental institutions.<sup>1</sup>

6. The workshop was organized into four sessions. The first included the welcome addresses, introductions and background presentation. In the second session, presentations were made by representatives of Parties on their experiences with reporting information relating to Article 3.14. Each presentation was discussed at length and presenters responded to questions. A panel discussion was held in the third session. The panel included representatives of Ghana, Japan, Saudi Arabia and the European Commission. In the final session, the co-chairs presented a summary of the workshop outcomes.

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<sup>1</sup> The agenda, background paper and presentations are available on the UNFCCC website at: <[http://unfccc.int/adaptation/adverse\\_effects\\_and\\_response\\_measures\\_art\\_48/items/3744.php](http://unfccc.int/adaptation/adverse_effects_and_response_measures_art_48/items/3744.php)>. The list of presentations is included in the annex to this document.

### III. Summary

#### A. Overview

7. The background presentation covered the nature of the requirements for reporting information on Article 3.14 of the Kyoto Protocol and the associated decisions of the COP/MOP. The presentation recalled that Article 3.14 stipulates that each Annex I Party should strive to implement its reduction commitments in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4, paragraphs 8 and 9, of the Convention.

8. In the context of the mandate of this workshop, decision 31/CMP.1, paragraph 3, requested Annex I Parties to submit information relating to the provisions of Article 3.14, as part of their annual inventories. In paragraph 8 of the decision the COP/MOP agreed that Parties included in Annex II to the Convention, and other Parties included in Annex I in a position to do so, should give priority in implementing their commitments under Article 3.14 to the following six actions:

- (a) The progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas (GHG) emitting sectors, taking into account the need for energy price reforms to reflect market prices and externalities, in pursuit of the objective of the Convention;
- (b) Removing subsidies associated with the use of environmentally unsound and unsafe technologies;
- (c) Cooperating in the technological development of non-energy uses of fossil fuels, and supporting developing country Parties to this end;
- (d) Cooperating in the development, diffusion and transfer of less greenhouse-gas-emitting advanced fossil-fuel technologies, and/or technologies relating to fossil fuels that capture and store GHGs, and encouraging their wider use; and facilitating the participation of the least developed countries and other Parties not included in Annex I to the Convention (non-Annex I Parties) in this effort;
- (e) Strengthening the capacity of developing country Parties identified in Article 4, paragraphs 8 and 9, of the Convention for improving efficiency in upstream and downstream activities relating to fossil fuels, taking into consideration the need to improve the environmental efficiency of these activities;
- (f) Assisting developing country Parties which are highly dependent on the export and consumption of fossil fuels in diversifying their economies.

9. Decision 15/CMP.1 includes an annex containing the guidelines for the preparation of information required under Article 7 of the Kyoto Protocol, with a section on reporting on the minimization of adverse impacts in accordance with Article 3.14, as supplementary information in Parties' annual inventories. Paragraphs 23 and 24 of the annex to this decision echo the provisions contained in paragraphs 3 and 8 of decision 31/CMP.1.

#### B. Experiences with reporting of information relevant to the provisions of Article 3, paragraph 14, of the Kyoto Protocol

10. The background presentation and a number of representatives from Annex I Parties provided information indicating that Parties have reported on a number of elements relevant to Article 3.14.

11. A preliminary survey of the fourth national communications and reports demonstrating progress (RDPs) under the Kyoto Protocol from Annex I Parties showed that they contain numerous examples of information relevant to Article 3.14. Several national communications and RDPs discuss the obligations under Article 3.14 in general terms. Some convey a view that the specific characteristics of the Kyoto Protocol and its flexibility mechanisms are already aimed at minimizing adverse impacts. France and the United Kingdom of Great Britain and Northern Ireland reported that they were in the process of developing assessment methodologies for adverse impacts relating to response measures.

12. As regards the priority actions mentioned in paragraph 24 of the guidelines annexed to decision 15/CMP.1, most of the reports surveyed described actions to reduce market imperfections (action (a)) and reported on the implementation of market-based measures such as the levying of taxes on products to internalize environmental externalities and the deregulation of electricity and gas markets. Parties also reported on cooperation between Annex I Parties and developing countries on the minimization of adverse environmental impacts in the production, distribution and consumption of fossil fuels – the so-called greening of fossil fuels (action (d)). In addition, many Parties reported on their support for industrial energy efficiency in developing countries (action (e)).

13. Participants representing the European Commission informed the workshop on the implementation of, and reporting under, the Kyoto Protocol by the European Community. With regard to domestic action, the European Community is implementing its commitments by targeting multiple gases and sectors and by using market-based mechanisms. Internationally, the European Community is cooperating on mitigation with key developing countries and supporting the most affected developing countries in their adaptation efforts. In this regard the European Community has undertaken a number of initiatives under the various priority areas. In the area of carbon capture and storage (action (d)) the Community is cooperating with developing countries in projects such as CACHET,<sup>2</sup> which seeks to enhance carbon dioxide capture and hydrogen production from gaseous fuels. In the priority area on energy efficiency, the European Community has a number of ongoing and new partnerships with countries and regions, such as Africa, China, India, Latin America and the Gulf Cooperating Council, which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE.

14. One presentation reported on the results of Japan's policies and measures in the area of technology development, transfer and diffusion (actions (c) and (d)) and indicated that these actions are likely to facilitate considerable emission reductions in the future. In the area of support for economic diversification (action (f)), Japan is undertaking several initiatives with a view to establishing and enhancing an enabling environment for attracting foreign direct investment and technological assistance from abroad.

15. Some participants elaborated on a number of general and specific challenges that could be faced in reporting under Article 3.14. For example, they noted that the impacts of mitigation measures may vary among developing countries, with some least developed countries being vulnerable to increasing fuel prices, whereas countries dependent on fuel exports are vulnerable to decreasing prices. It is possible that a Party may report on measures that it deems helpful in reducing adverse impacts in one group of countries while the opposite is happening in another group of countries. It is therefore important to take these differences into account when reporting under Article 3.14. Another challenge is the difficulty in identifying information in the national communications from non-Annex I Parties that would be relevant to this article.

16. Despite these challenges one participant highlighted that her country (an Annex I Party) is already considering the actions in decision 31/CMP.1, paragraph 8, in addressing the progressive reduction of market imperfections, fiscal incentives and subsidies (action (a)), as well as in deregulating

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<sup>2</sup> See <<http://www.cachetco2.eu>>.

its electricity market. In Germany, relevant policies and measures are reported in a systematic compilation of measures included in the comprehensive national climate protection programmes (2000 and 2005) and in periodic compilations of the Interministerial Working Group on CO<sub>2</sub> Reduction. As regards strengthening the capacity of non-Annex I Parties to improve efficiency (action (e)), Annex I Parties see the clean development mechanism as an instrument to foster investment and the transfer of energy efficient technologies and processes.

17. Although all the presentations by representatives of Annex I Parties reflected efforts to report on information relating to Article 3.14, one participant informed the workshop that his country was undergoing a major review of climate change policy and that it was premature to indicate how the reporting obligations would be undertaken. Another participant from a Party with an economy in transition informed the workshop that his country has no resources to consider policies that target reporting on Article 3.14. However, he added that because his country has integrated into the European Union, it would have to fulfil related obligations, including those on reporting under this article.

18. Some participants from non-Annex I Parties expressed their wish to see the elaboration and evolution of the reporting methodologies. One participant mentioned that non-Annex I Parties have noted that some of the policies that are being undertaken in Annex I Parties may be unfavourable to the economic development of developing countries. He felt that in reporting on these policies and measures, Parties should provide the cost and span of implementation of each, as well as the anticipated reduction of GHG emissions and the findings of qualitative and quantitative analyses of impact assessments on countries and sectors. He identified the following series of steps as exemplifying a possible implementation process in accordance with Article 3.14: reporting requirements; qualitative and quantitative methodologies for policy impact assessment; examination of implemented policies and measures; assessment of future policies and measures; status of implementation of agreed priority actions; funding; insurance; transfer of technology; further actions; guidelines to determine if Annex I Parties are striving to minimize adverse effects; and compliance.

### **C. Components and characteristics of reporting methodologies**

19. A panel of participants selected by the co-chairs was asked to discuss the following questions:

- (a) Which reporting methodologies have been identified?
- (b) What should be the components or characteristics of the methodologies to be used for reporting on Article 3.14?

20. One panellist envisaged a reporting format that would utilize a table, a template, a narrative, or a combination of these, and would be guided by the need for consistency, transparency, comparability, accuracy and completeness. He reiterated the elements mentioned in paragraph 18 above and emphasized the view that the reporting on Article 3.14 should be undertaken through a learning-by-doing process because such reporting was relatively new.

21. Another panellist was of the view that, as an initial step, countries could assess the impacts of bilateral cooperation vis-à-vis the impacts of response measures. In order for the reporting by Annex I Parties to be useful for the review process, he felt that the approach should be in line with the review guidelines under decision 22/CMP.1, annex, Part VI. He also raised the need for non-Annex I Parties to report on the impacts they are experiencing.

22. Some panellists felt that the COP/MOP has already provided sufficient guidance on the reporting methodologies through decision 15/CMP.1 (guidelines, paragraphs 23–26), which, in their view, provides an excellent framework. They stressed that Annex I Parties have been requested only to “strive” to minimize the adverse impacts. They felt that trying to analyse the impact of each policy being

undertaken by each Annex I Party was not realistic and would place an unnecessary burden on the process. They also reiterated the assertion that any analysis of the impact of policies should be considered in an integrated manner before reporting is done.

23. One participant felt that there was a need to take note of the differences between the various groups of developing countries. He felt that the least developed countries were likely to be most affected, and therefore careful reporting on the likely impacts in these countries was required.

24. Some participants recalled the lessons learned from using reporting and review guidelines under the Convention. These guidelines range from open-ended narrative formats to formats including highly specific quantitative requirements as in the inventory reporting guidelines.

25. Many participants supported narrative reporting, which could provide a flexible assessment of the overall impact of policies and measures taken across sectors and gases. As the reporting is mandated for a broad spectrum of activities, it requires a balance between the needs and impacts of mitigation.

26. Some participants from Annex I Parties highlighted the importance of cooperating and holding dialogues with developing country Parties when undertaking mitigation measures. This would also help Annex I Parties adopt a learning-by-doing approach, bearing in mind that the reporting methodologies need not be applied before 2010. Other participants stressed that Parties should agree on the content and initial format of reporting methodologies now with the possibility of reviewing and improving them at a later stage. Some participants suggested that further workshops might have to be held with a view to concluding this matter.

#### IV. Outcomes

27. Participants came up with the following list of considerations they felt were important in reporting under Article 3.14:

- (a) Consistent with the objectives of the reporting guidelines under decision 15/CMP.1, participants reiterated the importance of consistency, transparency, comparability, accuracy and completeness;
- (b) The reporting process should be informed by relevant reporting experiences;
- (c) The information reported could take the form of a narrative report, a tabular representation, or a combination of both;
- (d) The information should be included under a single section of the annual inventory report;
- (e) As the level of detail of the information would depend on national circumstances and the nature of the policies and measures, the information could be presented in qualitative or quantitative form or in a combination of both;
- (f) Information on impacts on specific regions, categories of countries<sup>3</sup> and sectors in developing countries could also be presented, as appropriate;
- (g) Information reported could focus on individual policies, on groups of policies and policies implemented jointly, as appropriate, insofar as it would enhance the effectiveness of the reporting;

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<sup>3</sup> For example, those mentioned under Article 4, paragraphs 8 and 9, of the Convention.

- (h) Reporting is needed on broad actions relating to the minimization of social, economic and environmental impacts in accordance with decision 15/CMP.1 (guidelines, paragraph 23). Furthermore, the areas of action under paragraph 24 of the same guidelines constitute an important organizing framework for the reporting effort;
- (i) The assessment and reporting effort is an evolving process with a learning-by-doing approach whereby the process could be improved with time and based on experience gained.

28. Participants were unable to agree on whether it was better to have a tabular format for reporting, a narrative format, or a combination of both; whether the information should be mostly quantitative or qualitative; and the extent to which the information reported should focus on developing countries affected as a whole or on separate categories of countries, regions and/or sectors.

Annex**List of presentations****Session 1: Objectives of the workshop and background**

Presenter	Party/organization	Title
Mr. Festus Luboyera	UNFCCC secretariat	Reporting methodologies – Objective and desired output
Mr. Aaron Cosbey	International Institute for Sustainable Development	Reporting methodologies on Article 3.14 of the Kyoto Protocol

**Session 2: Experiences with reporting information relevant to the provisions of Article 3, paragraph 14, of the Kyoto Protocol**

Presenter	Party/organization	Title
Ms. Jane Amilhat	European Commission	The EU's implementation and reporting, Part I: Domestic action
Mr. Jürgen Lefevere	European Commission	The EU's implementation and reporting, Part II: Emissions trading and relations with third countries
Mr. Kunihiko Shimada	Japan	Japan's policies and measures to achieve Kyoto targets and beyond
Ms. Riitta Pipatti	Finland	Article 3.14 challenges in reporting
Ms. Sonja Butzengeiger	Germany	Reporting issues under Article 3.14
Mr. Aysar A. Tayeb	Saudi Arabia	Reporting – Approach and elements

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