

11 May 2009

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**AD HOC WORKING GROUP ON FURTHER COMMITMENTS  
FOR ANNEX I PARTIES UNDER THE KYOTO PROTOCOL**

**Eighth session**

**Bonn, 1–12 June 2009**

**Item 4 of the provisional agenda**

**Consideration of information on potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties**

**Further views on issues relating to potential consequences**

**Submissions from Parties**

1. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol, at its seventh session, invited Parties and relevant organizations to submit to the secretariat, by 4 May 2009, their further views on the issues contained in document FCCC/KP/AWG/2009/5, annex VI (FCCC/KP/AWG/2009/5, chapter V C).
2. The secretariat has received three such submissions. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\* in the language in which they were received and without formal editing.

---

\* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts submitted.

CONTENTS

	<i>Page</i>
1. ARGENTINA (Submission received 27 April 2009) .....	3
2. NEW ZEALAND (Submission received 5 May 2009) .....	4
3. SAUDI ARABIA (Submission received 20 April 2009) .....	6

PAPER NO. 1: ARGENTINA

**Republic of Argentina**  
**Submission for the AWG-KP**  
**April 2009**

**Economical and social consequences, including spillover effects of tools, policies, measures and methodologies available to Annex I Parties.**

Recalling article 4, paragraphs 8 and 10, of the Convention and Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol, which provide a legal basis for the discussion on ways to minimize adverse social, environmental and economic impacts on developing country Parties, Argentina considers that possible economical and social consequences for developing countries that arise from the application of mitigation policies and measures implemented by Annex I Parties should be thoroughly assessed. In particular, measures that are classified as domestic measures by developed countries and have distorting effects on international trade should be avoided.

In this context, to evaluate possible negative consequences, we should highlight the concept of sustainable development as well as those factors that are particular from each developing country. The classification of categories of measures should be based on negative consequences, to identify then measures that cause those consequences, and finally the treatment of negative consequences.

**A Submission to the Ad-Hoc Working Group on Further  
Commitments for Annex I Parties under the Kyoto Protocol  
(AWG-KP)**

**Potential Consequences**

**4 May 2009**

New Zealand welcomes the opportunity to comment on this agenda item. We recognise and share the concern that some climate mitigation policies may have unintended consequences for other countries and regions. It is appropriate that the issue be discussed under the UNFCCC framework. However, the degree of duplication caused by the item being on several agendas detracts from the clear focus that should be given to the topic. New Zealand considers that all discussions on potential consequences/impacts of response measures etc should be consolidated under a single agenda item. As is explained below, we consider the Subsidiary Body for Implementation (SBI) agenda is most suitable for taking the issue forward, and avoiding duplication in the two current ad-hoc working groups.

2 All Parties can expect that climate change will bring significant environmental, social and economic changes to which they will need to adjust. Many Parties, and not just those in Annex 1, have sufficient resources to adjust to changing circumstances. But it is essential that in this agenda item, as in others, that most concern is had for vulnerable countries with the fewest resources to assist them in such changes.

3 Article 2 paragraph 3 of the Kyoto Protocol appropriately recognises that all Parties may suffer adverse effects from the response measures and policies put in place by Annex 1 Parties. As a distant island nation, New Zealand, too, has concerns about potential adverse effects, including for example from unilaterally imposed border taxes and restrictions, and carbon leakage. Unilateral measures and incomplete coverage of mitigation disciplines carry the potential to distort and undermine the multilateral rules-based trading and financial systems by discriminating against or unevenly impacting some countries: we note the specific reference to minimizing adverse effects on international trade in Article 2 paragraph 3. That's why New Zealand considers it so important that the Copenhagen outcome is comprehensive, covering all major emitters, and that there is a global solution to mitigation in the international aviation and maritime sectors.

4 The complex interaction of policies in both Annex 1 and non-Annex 1 Parties does not easily allow simple/linear analysis. Experience has shown that attempts to predict impacts, particularly second-order impacts, of economic and regulatory policies have a low degree of accuracy. Some lessons may be drawn from experience with trade policy - there is a significant body of evidence about the impact of agricultural subsidies and non-tariff barriers on third country producers and exporters, for example - but quantification of impacts would be complex and would need to take into account not only the co-benefit that mitigation policies will lead to avoiding dangerous climate change, but also more direct co-benefits (for example establishment of an emissions trading scheme may decrease demand for fossil fuel but will also spur investment in technology development and lead to greater demand for Clean Development Mechanism (CDM) credits which assists developing countries move to a low carbon development pathway).

5 It may still be the case, however, that Parties consider that the implementation of certain mitigation policies by all or certain Annex 1 Parties has an undue impact on them. Where this has a bilateral nature – a border tax adjustment targeting certain countries could be an example – Parties have in the first instance the channel of ordinary diplomatic relations through which to raise concerns. Some concerns may be in fields that are already subject to international rules, such as in the WTO, and Parties should avail themselves of appropriate existing channels in the first instance. The UNFCCC should not become a forum to relitigate disputes from another forum.

6 Nevertheless, New Zealand would agree that there is value in having a multilateral platform under the UNFCCC in which to raise and explore issues and concerns around the potential impacts of response measures of Annex 1 Parties.

This channel already exists: Annex 1 Parties are required to report on implementation of commitments in their national communications. Annex 1 Parties are now preparing their 5th national communications, which will be the first since the beginning of the commitment period. They will be reporting on implementation of commitments and undertakings, and there will be discussion on this along with other issues raised in national communications in the SBI. We would strongly encourage all Parties, but especially the most vulnerable countries, to contribute to the discussion on this point in the SBI so that it can be full and fruitful. This can be done by either written or oral submission and is likely to be the most simple and direct route by which concerns can be raised. If the SBI considers action is warranted, it has the option of seeking the assistance of the SBSTA to delve further into technical aspects of issues raised. If there are concerns about Annex 1 Parties' implementation, the SBI is the most appropriate place to raise them. This is a channel which has yet to be tested, but there is no reason to assume it will not be effective. New Zealand sees no reason to consider establishing a separate channel.

7 All Parties may also raise their concerns about the impacts of implementation of commitments through their own national communications. New Zealand strongly encourages Parties to do this. If national communications are felt to be too infrequent, we consider that Article 12 of the Convention also enables such issues to be raised in annual inventories (also leading to discussion in SBI). Besides the fact that this channel provides a permanent forum for discussion (SBI) and leads to the possibility of technical work (SBSTA), another advantage for developing countries is that assistance is available for preparing national communications (UNFCCC Article 4.3). New Zealand considers that the two routes to raise information at SBI, along with the available assistance, are fully adequate for the purposes of this agenda item.

Proposed COP Decision

The Conference of the Parties,

1. *Invites* all Parties to provide information on any impacts arising from the implementation of their commitments under the Convention and any related instruments as part of their national communications, for consideration by the Subsidiary Body for Implementation.

## SUBMISSION BY SAUDI ARABIA

*May 04, 2009*

### Consideration of the information on potential environmental, economics and social consequences, including spillover effects, of tools, policies, measure and methodologies available to Annex I Parties(AWG-KP)

Saudi Arabia welcomes the opportunity to submit its views on the very important subject The Consideration of the information on potential environmental, economics and social consequences, including spillover effects, of tools, policies, measure and methodologies available to Annex I Parties(AWG-KP) as contained in Annex” Text for further consideration by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at its eighth session” by 04 May, 2009 as requested in the document:

FCCE/KP/AWG/2009/L.4, paragraph 4

Saudi Arabia believes that consideration of the various aspects of this issue should be given high priority, as it affects nearly all developing countries to varying degrees.

Based on the provisions of articles 2.3 and 3.14 of the Kyoto protocol, Annex I parties should aim at minimizing the adverse social, environmental , and economic impacts, including spillover effects of the tools, policies and measures available to them on developing countries, particularly those of article 4.8 of the UNFCCC, taking into full account articles 3.2,3.3,3.5 of the UNFCCC Convention.

Within the AWG-KP context, our view is that the above provisions should also govern any future mitigation responsibilities as well as tools, policies, and measures available to Annex I Parties in a post-Kyoto regime.

In our view, the incorporation of our concerns on spillover effects requires that AWG-KP addresses, along with the future Annex I commitments:

- The potential impacts of the post-Kyoto discussed and proposed means, policies and measures by Annex I parties on developing country parties under the Kyoto Protocol umbrella.
- Whether there are alternative policies and measures available for Annex I that achieve the same mitigation effort but may be associated with lower impacts on developing country parties.
- The possible funding, insurance and technology transfer arrangements, in case of potential impacts, that need to be provided by Annex I to help minimize the adverse impacts on developing country parties. This is specifically to address strengthening resilience and adaptive capabilities in developing countries to cope with the unavoidable spillover effects of policies and measures.

We think there is a clear compliance concern within the current regime when addressing spillover effects. To fix this, a transparent framework needs to be established for addressing the spillover effects issue. The simple algorithm towards this framework includes:

- Assess progress on implementation of provisions with respect to the impacts of spillover effects during the first commitment period of the Kyoto Protocol,
- Identify the gaps particularly on methodologies, reporting, monitoring, verification and Compliance,
- Close the gaps by providing the necessary guidelines, methodologies and criteria,
- Assess the adequacy and effectiveness of funding, insurance and technology transfer arrangements to minimize these impacts.

-----