

# Background Paper

## Workshop on Reporting Methodologies on Article 3.14 of the Kyoto Protocol

Abu Dhabi, 4 to 6 September 2006

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## I. Introduction

1. This paper serves as background to a UNFCCC workshop to be held in Abu Dhabi, 4 to 6 September 2006, on the subject of 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 in achieving their quantified emission limitation and reduction commitments under the Kyoto Protocol's Article 3, paragraph 1.
2. The paper starts by setting the context: discussing the nature of the textual obligations for this work from the Kyoto Protocol and subsequent decisions by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP). These obligations give important guidance on the nature of any reporting methodologies to be adopted. It then surveys existing requirements for reporting and review under the UNFCCC and the Kyoto Protocol, looking for precedent and further guidance on how such arrangements might be structured in the context of decision 31/CMP.1.
3. The paper then turns to a survey of the reporting done to date by Annex I Parties that is consistent with their obligations under Article 3, paragraph 14, of the Kyoto Protocol and associated decisions. The intent is to look for good practice – positive models that can guide the elaboration of options for consideration by workshop participants.
4. The final section of the paper presents a number of options for consideration, highlighting the relative strengths and applicability of each in light of the preceding analysis.

## II. Background: Context for the workshop

5. The COP/MOP, in its decision 31/CMP.1 (*Matters relating to Article 3, paragraph 14 of the Kyoto Protocol*), paragraph 11, requested the secretariat to organize:

*“ ... 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 in achieving their quantified emission limitation and reduction commitments under Article 3, paragraph 1 [of the Kyoto Protocol].”*

6. This paper aims to help facilitate productive discussions at the workshop, and ultimately to contribute to results that will allow the Subsidiary Body for Implementation (SBI) to make recommendations to the COP/MOP on the nature of reporting methodologies. The remainder of this section explores the provisions and obligations in the Kyoto Protocol and other decisions of the Parties that give context to decision 31/CMP.1, and guidance to the analysis of options for reporting methodologies.
7. As its title suggests, decision 31/CMP.1 has its foundations in the Kyoto Protocol, Article 3.14 of which says, in part:

*“Each Party included in Annex I shall strive to implement the commitments mentioned in paragraph 1 above [on 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. The countries identified in Articles 4, paragraphs 8 and 9 of the Convention are those most vulnerable to the types of impacts envisioned:

- Small island countries;
- Countries with low-lying coastal areas;
- Countries with arid and semi-arid areas, forested areas and areas liable to forest decay;
- Countries with areas prone to natural disasters;
- Countries with areas liable to drought and desertification;
- Countries with areas of high urban atmospheric pollution;
- Countries with areas with fragile ecosystems, including mountainous ecosystems;
- Countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products;
- Land-locked and transit countries; and
- Least developed countries.

9. In addition, Article 7.1 of the Kyoto Protocol stipulates that:

*“1. Each Party included in Annex I shall incorporate in its annual inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol ... the necessary supplementary information for the purposes of ensuring compliance with Article 3, to be determined in accordance with paragraph 4 below.”*

10. Article 7 continues:

*“4. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall adopt at its first session, and review periodically thereafter, guidelines for the preparation of the information required under this Article. ... ”*

11. This set of provisions from the Kyoto Protocol constitutes the foundation for the commitments on reporting with respect to Annex I Parties minimizing the adverse effects of their GHG emission-reducing response measures. To summarize those elements relevant to the present exercise:

- Annex I Parties are required to implement their commitments under Article 3.1 of the Kyoto Protocol in such a way as to minimize adverse impacts on countries identified in Article 4.8 and 4.9 of the Convention. They are further required to incorporate information in their annual inventories that allows confirmation of their compliance with this requirement;
- The COP/MOP will develop guidelines for the preparation of this supplementary information.

12. These mandates culminated in agreement on decision 31/CMP.1, cited above, and parts of decision 15/CMP.1. Decision 31/CMP.1 elaborates more detailed guidance on the basic Kyoto Protocol obligations:

*“3. Requests each Party included in Annex I to provide information, as part of the necessary supplementary information to its annual inventory report, in accordance with*

*the guidelines under Article 7, paragraph 1, of the Kyoto Protocol, relating to how it is striving, under Article 3, paragraph 14, of the Kyoto Protocol, to implement the commitments mentioned in Article 3, paragraph 1, of the Kyoto Protocol 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; and further requests those Parties to incorporate, in this respect, information on action identified in paragraph 8 below, based on methodologies identified at the workshop referred to in paragraph 11 below;*

...

*8. Agrees 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, paragraph 14, of the Kyoto Protocol, to the following actions:*

- a) The progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas 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 greenhouse gases, and encouraging their wider use; and facilitating the participation of the least developed countries and other Parties not included in Annex I 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;”*

13. Decision 15/CMP.1 formalizes the reporting requirements outlined in decision 31/CMP.1 and also includes an annex to the decision *Guidelines for the Preparation of Information Required under Article 7 of the Kyoto Protocol*.

*“2. Decides that each Party included in Annex I, bearing in mind Article 7, paragraph 3, of the Kyoto Protocol and the needs of the review under Article 8 of the Kyoto Protocol, shall start reporting the information under Article 7, paragraph 1, of the Kyoto Protocol with the inventory submission due under the Convention for the first year of the commitment period after the Protocol has entered into force for that Party, but may start reporting this information from the year following the submission of the information referred to in paragraph 6 of the annex to decision 13/CMP.1 on a voluntary basis;”*

In Part I of the annex to the decision (*Reporting of Supplementary Information under Article 7, Paragraph 1*), section H (*Minimization of Adverse Impacts in Accordance with Article 3, Paragraph 14*), it directs that as part of their annual inventories:

*“23. Each Party included in Annex I shall provide information relating to how it is striving, under Article 3, paragraph 14, of the Kyoto Protocol, to implement its commitments mentioned in Article 3, paragraph 1, of the Kyoto Protocol 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.*

*24. Parties included in Annex II, and other Parties included in Annex I that are in a position to do so, shall incorporate information on how they give priority, in implementing their commitments under Article 3, paragraph 14, to the following actions, based on relevant methodologies referred to in paragraph 11 of decision 31/CMP.1:*

[Here follows the list of six actions also listed in 31/CMP.1, paragraph 8 – see above.]

*25. Where the information referred to in paragraphs 23 and 24 above has been provided in earlier submissions, the Party included in Annex I shall include information in its national inventory report on any changes that have occurred, compared with the information reported in its last submission.*

*26. The secretariat shall annually compile the supplementary information mentioned in paragraphs 23 to 25 above.”*

14. The final result of these decisions, in terms of reporting requirements, is as follows:

- Annex I Parties shall incorporate information in their annual inventory reports that describes how their commitments under the Kyoto Protocol’s Article 3.1 are being implemented in such a way as to minimize adverse impacts (*KP Article 7.1; 31/CMP.1, paragraph 3; 15/CMP.1, Annex part I, paragraph 23*);
- Annex II Parties, and other Annex I Parties in a position to do so, shall<sup>1</sup> incorporate in their annual inventories information on how, in implementing their commitments under Kyoto Protocol Article 3.14, they give priority to the six “paragraph 8” actions, which include both domestic measures (a-b) and support programmes (c-f) (*31/CMP.1, paragraph 3; 15/CMP.1, Annex part I, section H, paragraph 24*).

15. As well as providing the guidance summarized above, the discussed texts also contain direction from the Parties on the process to be followed in the elaboration and implementation of the reporting and review regime related to these commitments. It can be summarized as:

- The SBI will make recommendations to the COP/MOP based on consideration of the results of the workshop; (*31/CMP.1, paragraph 12*)
- By the second session of the COP/MOP, guidelines would be developed, based on methodologies identified in the workshop, to help determine if Annex I Parties are striving to meet their commitments under Article 3.14; (*31/CMP.1, paragraph 6*)
- In accordance with decisions 3/CP.1 and 3/CP.5, Annex I Parties must submit their annual GHG inventory on 15 April each year including emission data from 1990 up to the last but one year prior to the date of the submission. The first annual GHG inventory

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<sup>1</sup> Decision 31/CMP.1 paragraph 3 “requests” all Annex I parties to do this. The wording in decision 15/CMP.1, which appears above, is stronger (“shall”) but is not applied to all of Annex I.

under the Kyoto Protocol is scheduled for submission with the first inventory due under the Convention for the first year of the commitment period after the Protocol has entered into force for a Party. For Annex I Parties that have already ratified the Kyoto Protocol, the first annual inventory under the Protocol will be due in April 2010, providing emission data for the year 2008. This implies that information on Article 3.14 reported as supplementary under Article 7.1 will be made available on a mandatory basis from 2010.

- The secretariat will annually compile the information submitted under the methodologies developed for reporting as per decision 31/CMP.1, paragraph 3; *(15/CMP.1, Annex Part I, sub-section H, paragraph 26)*
- The information submitted by Parties will be reviewed annually to check whether Annex I Parties have submitted the supplementary information in accordance with paragraphs 23 and 25 of the annex to decision 15/CMP.1 on action relating to the minimization of adverse effects under Article 3, paragraph 14; *(22/CMP.1, paragraph 123)*
- This information will also be reviewed by the in-country expert team during the commitment period in conjunction with the review of the national communication. The in-country review shall provide a detailed examination of supplementary information incorporated in the annual inventory, in accordance with paragraphs 23 and 25 of the annex to decision 15/CMP.1, compiled by the secretariat for all years since the initial review; *(22/CMP.1, paragraph 125)*
- The supplementary information submitted under the agreed methodology shall be considered by the facilitative branch of the compliance committee. *(31/CMP.1, paragraph 4).*

16. The task of the workshop and any process that follows from it is to contribute to the elaboration of a process of reporting and review that effectively and efficiently achieves the objectives of Kyoto Protocol's Article 3.14.

### **III. Reporting: Lessons from the UNFCCC process**

17. This section reviews a number of relevant existing reporting and review mechanisms under the UNFCCC and the Kyoto Protocol. The aim is to identify practices and principles that might inform the effort to elaborate new reporting methodologies in the context of decision 31/CMP.1.

18. For the purposes of this paper, five reporting guidelines under the UNFCCC and the Kyoto Protocol were surveyed:

19. UNFCCC guidelines on reporting and review (FCCC/CP/1999/7)

- Part I: reporting guidelines on national inventories;
- Part II: reporting guidelines on national communications;
- Part III: Reporting guidelines on Global Climate Change Observing Systems.

20. 15/CMP.1: Guidelines for the preparation of information required under Article 7 of the Kyoto Protocol

- Annex Part I: reporting of supplementary information under Article 7.1;
- Annex Part II: reporting of supplementary information under Article 7.2.

21. The guiding principles for reporting in all cases surveyed above were the same:<sup>2</sup>

- **Transparency:** assumptions and methodologies used should be clearly explained;
- **Consistency:** reporting should be consistent in its methodology with reports of past years (or any changes in methodology should be transparent);
- **Comparability:** reporting data should be comparable across Parties and across time periods. For this reason, standard reporting formats and templates are used in many cases;
- **Completeness:** reports should cover all data required under UNFCCC and Kyoto Protocol obligations;
- **Accuracy:** this is a relative measure. Reports should not be consistently off the mark in their substance, and uncertainties should be minimized as far as practicable.

22. Reporting items related to GHG inventories in the guidelines surveyed rely on a common reporting format. The common reporting format used mainly for reporting numerical data helps to ensure transparency, comparability and consistency, and also lessens the burden of reporting. It is often elaborated in the form of tables, which may require either narrative or numerical data input. The structure of the reporting format is in large part determined by the nature of the information being reported, with the elaborateness of the reporting and review mechanism directly related to the specificity of commitments.<sup>3</sup> In the Kyoto Protocol guidelines on inventory reporting, for example, the information required is mostly numerical, reflecting specific quantified emission limitation and reduction commitments. As such, the media is almost exclusively tables, the narrative input required is relatively minimal, and the review mechanisms are well developed.

23. Other models adhere more closely to the circumstances of the reporting required for the purposes of the present workshop. For example, the reporting guidelines on global climate change observing systems require descriptions of national programmes of effort (in response to GCOS obligations), of international data sharing, and of efforts at capacity building in developing countries. Under these guidelines, some very basic data is required in tabular form (e.g., number of observing stations of various types), but the majority of the requirements are for narrative descriptions. On the subject of capacity building, for example, the most explicit guidance is in paragraph 6, as follows:

*“Parties should describe actual and/or planned activities for capacity-building in developing countries related to collection, exchange and/or utilization of data to meet local, regional and international needs.”*

24. A middle ground between this sort of open-ended narrative requirement and the highly specific numerical requirements in the inventory reporting guidelines comes in most of the other elements of the guidelines for national communications (both under the UNFCCC and the Kyoto Protocol). The overall structure of the report is given in an Annex to FCCC/CP/1999/7 Part II, which provides a detailed outline of elements to be covered. The various elements, described in

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<sup>2</sup> These are not explicitly defined as guiding principles in all cases, but these basic principles are in all cases explicitly discussed, and used as guides to the elaboration of the reporting regime.

<sup>3</sup> This is a dynamic that has been observed across a wide range of multilateral environmental agreements. See Raustiala, Kal. 2001. “Reporting and Review Institutions in 10 Selected Multilateral Environmental Agreements.” Nairobi: UNEP.



some detail in the document, are required to be covered to greater or lesser degrees of specificity, depending on the subject matter.

25. Section VIII (*Financial Resources and Transfer of Technology*), for example, requires tabular submission of numerical data for the volumes and nature of financial resources (Tables 4 and 5). Table 6, however, covers activities related to technology transfer, and this table asks for narrative information including:

- Basic information on host, sector, funding, years in operation;
- Description, purpose of the project/programme;
- Factors leading to success (or failure);
- Technology transferred; and
- Final impacts on GHG emissions (optional).

26. Finally, for some types of information only narrative information is required. Paragraph 56, for example, simply directs that

*“Parties shall report information, in textual format, on steps taken by governments to promote, facilitate and finance transfer of technology, and to support development and enhancement of endogenous capacities and technologies of developing countries.”*

27. Again in the area of technology transfer, and in a similar vein, the guidelines for the preparation of information required under Article 7 of the Kyoto Protocol (15/CMP.1), Annex Part II: reporting of supplementary information under Article 7, paragraph 2, simply requires:

*“40. Each Party included in Annex I shall report on the steps it has taken to promote, facilitate and finance the transfer of technology to developing countries and to build their capacity, taking into account Article 4, paragraphs 3, 5 and 7, of the Convention, in order to facilitate the implementation of Article 10 of the Kyoto Protocol.”*

28. Section V (*Policies and Measures*) of FCCC/CP/1999/7), Part II: *UNFCCC Reporting Guidelines on National Communications*, also deals with textual information relating to their subject:

- (a) In terms of selection of policies to report:
  - Not all should be reported; priority should be given to those with the most impact and that are most innovative;
  - A broad range of policies is relevant: national and sub-national, or in the context of regional or international efforts.
- (b) In terms of reporting structure:
  - Policies are listed by sector;
  - If they have been described in detail in previous reports, only changes need to be described.
- (c) In terms of the policy-making process:
  - The overall policy context should be described (e.g., sustainable development or other policy objectives);
  - Monitoring and evaluation arrangements should be described.
- (d) In terms of the policies and measures themselves, and their effects:

- Each should be separately described, providing the following details:
  - Name and short description of the policy or measure
  - Objectives of the policy of measure
  - The GHG affected
  - Type or types of measure (suggested headings, e.g., economic, fiscal)
  - Status of implementation
  - Implementing entity or entities
  - Quantitative estimate of impact (annual basis)
- Information *may* also be provided on:
  - Costs of policies and measures
  - Information about non-GHG benefits of policies and measures
  - How the policy or measure interacts with other policies and measures at the national level.

#### **IV. Survey of relevant reporting to date**

29. Section 2 noted that Annex I Parties are required to report on minimization of adverse impacts from their response measures in their annual inventories, submitted in fulfillment of Article 7.1 of the Kyoto Protocol. Submission of these inventories is not due until the beginning of the first commitment period, so it is not possible to survey current reporting under this mandate.<sup>4</sup>

30. There are other reporting requirements of a similar nature that may offer some lessons for the formulation of reporting methodologies in respect of decision 31/CMP.1, and this section will survey the results to date of those reports.

31. It is important to mention that this survey is not comprehensive and its aim is to present some examples of relevant information already reported by Parties relating to the requirements for reporting.

32. Two types of reporting are surveyed here: national communications and reports on demonstrable progress under the Kyoto Protocol. The results of the survey are presented in tabular form in the annex to this paper.

33. The reports on demonstrable progress were due 1 January 2006, and, as of 15 August, 27 reports had been submitted. The mandate here derives from decision 25/CP.8 on demonstrable progress under Article 3.2 of the Kyoto Protocol. It recalls decision 22/CP.7 which urges Annex I Parties to submit, by 1 January 1 2006, a report to allow a review of demonstrable progress by 2005. Decision 25/CP.8 provides guidance as to the content of that report, *inter alia* specifying that it should include:

*“1(c) An evaluation of how such domestic measures, in light of these trends and projections, will contribute to the Party’s meeting its commitments under Article 3.”*

34. The fourth national communications which were intended to be the first set of national communications to be submitted under the Kyoto Protocol were due January 1, 2006. As of 15 August, 28 had been received.

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<sup>4</sup> Parties may begin to submit their inventories earlier on a voluntary basis if they so choose.

35. The mandate from decision 15/CMP.1 arrived too late for Parties preparing their fourth national communications, which were due only a few weeks after COP/MOP-1 that took place in November 2005.

36. A survey of all 28 submitted fourth national communications was conducted, with particular focus on the sections devoted to policies and measures, and to financial resources and transfer of technology. Given the clear direction to the present workshop to formulate a reporting methodology that relates to the six action items defined in 31/CMP.1, paragraph 8, the results of that survey are reported below in the context of those items.

***a) The progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas 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.***

37. A number of Parties submitted information relevant to this item.<sup>5</sup> Most of them discussed market-based reform of national energy regimes, in particular deregulation of electricity and natural gas markets to allow for greater competition and greater efficiency. A number also referred to tax regimes that sought to internalize environmental externalities, mostly as they related to energy products and electricity. Several recent EU accession states noted the need to bring their excise charges on energy products into line with EU-mandated minimums.

38. In the final event there tended to be more description of the *implementation* of environmentally-beneficial fiscal incentives, subsidies, and tax and duty exemptions than there was of the *phasing out* of those that gave rise to market imperfections.

***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 greenhouse gases, and encouraging their wider use; and facilitating the participation of the least developed countries and other Parties not included in Annex I in this effort.***

39. Several countries noted ongoing or planned domestic programmes of technology development relevant to this item. Norway noted an active program of work on carbon capture and storage (CCS) and zero-emission power production, and argued that its carbon tax had fueled private sector technological development. Japan is working to lower carbon emissions from liquid propane gas and petroleum, and Estonia is doing the same in the area of shale oil. And the EU cited ongoing work on clean coal technologies. The UK and the EU noted an element of cooperation in this area, citing their involvement with the EU-China partnership, and its work on zero emission coal technologies, including CCS.

***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.***

40. Norway noted that 4.5% of its ODA budget is related to energy-related assistance. This includes work on gas flaring (in Iran and Nigeria) and other improvements in the production and

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<sup>5</sup> Includes: Australia, Belgium, Czech Republic, Finland, Hungary, Latvia, New Zealand, Norway, Portugal, Slovakia and Slovenia.

utilization of petroleum resources. Many Parties noted their support for industrial energy efficiency in developing countries, but did not specify the sectors involved.

41. Three of the action items from the paragraph 8 list were not addressed in the national communications:

- 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;***
- f) Assisting developing country Parties which are highly dependent on the export and consumption of fossil fuels in diversifying their economies.***

42. As with item (a), the most frequent mention of subsidies was of the *implementation* of subsidies with positive environmental outcomes. On economic diversification, the lack of discussion does not necessarily indicate a lack of action; it is likely that Parties did not classify this type of development assistance as relevant to climate change efforts.

43. In a similar vein, many Parties described the efforts they were making to assist those countries that are vulnerable to the impacts of climate change, with efforts such as capacity building and aid for adaptation. The survey of the reported information could not reveal whether these programs indeed fall under one of the six action items. This is particularly true when the reports refer to contributions to multilateral funding, where project-level details are non-existent. But it is also problematic in the context of bilateral aid flows, which are broken down by sector, and by a split between adaptation and mitigation. It is not easy to differentiate between the flows meant for the various purposes.

44. On the issue of minimizing adverse impacts of response measures more broadly, a number of Parties included information in the national communications.<sup>6</sup> The UK indicated that it had undertaken research into the impacts of response measures. France indicated that it planned to conduct its ODA policy in line with a methodology to identify and reduce the adverse effects of response measures. The remaining reports on this theme were fairly homogeneous in reasoning, arguing that the Kyoto Protocol is designed in such a way as to minimize those impacts, by its breadth of coverage (i.e. multi-gas, multi-sector) and its provision for the use of flexibility mechanisms. By availing themselves of these features in the Protocol, these Parties mentioned, they were in fact helping to minimize adverse impacts.

## **V. Options for Consideration**

45. Based on the foregoing analysis, this section will present and discuss some of the various options open to the Parties in elaborating a methodology for reporting that fulfils the mandate given by 31/CMP.1, paragraph 11.

46. At the outset it should be stressed that this workshop is not the appropriate venue for settling the debate on the nature of the impacts of Annex I response measures. That debate is covered elsewhere, including in a separate stream of work on modeling, as mandated by decision 1/CP.10, paragraph 16. The task of the present effort is to find a way to report the information deemed relevant by those separate processes and discussions. In the absence of certainty as to

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<sup>6</sup> This includes: Denmark, EC, France, Greece, Netherlands, New Zealand, Norway, Portugal, and the UK. Norway and the UK also addressed this issue in their *Reports on Demonstrable Progress under the Kyoto Protocol*.

the results, and without pre-existing consensus, a prudent course of action in elaborating a methodology may be to allow for some degree of flexibility as to the elements that it might include. This will provide an opportunity for:

- Gathering further information on this issue;
- Starting to report information on this issue in a structured manner;
- Facilitating the fulfillment of reporting requirements by Annex I Parties under the Kyoto Protocol.

47. For the purpose of the mandated reporting of supplementary information to be incorporated in the annual GHG inventories, it is clear that it must include the information reported in accordance to paragraphs 23 and 24 of decision 15/CMP.1. The information provided in accordance with paragraph 23 of decision 15/CMP.1 would include activities that all Annex I Parties are reporting on how they are striving to minimize impacts of response measures.

48. On reporting information on the six action areas identified in both 15/CMP.1 (paragraph 24) and 31/CMP.1 (paragraph 8), the least flexible option would be to dictate a reporting structure that has these six as the only reporting themes, requesting discussion on each. But this presupposes that those areas of impact are the *only* avenues by which Annex I Parties might minimize the impacts of their response measures. Recall that decision 31/CMP.1, paragraph 3 requests that Annex I Parties recount how they are striving to minimize adverse impacts under Article 3.14, and *further* to incorporate information on the six actions under paragraph 8. For the sake of the type of flexibility discussed above, as well as in observance of the apparent intent of decision 31.CMP.1 paragraph 3, it might be better to adopt a somewhat more generalized structure.

49. For example, the reporting elements might involve grouping the six action items along thematic lines. Actions (a) and (b) might be grouped together in a theme related to *domestic reforms*. Items (c) – (f) might be grouped together in a theme covering *support programmes* related to the impacts of response measures. Within each theme the paragraph 8 actions would be explicitly, but not exclusively, the subject of reporting. This sort of broader grouping encompasses a greater spectrum of possible actions. The flexibility inherent in such a structure arguably helps to avoid debates over the *nature* of impacts – debates that, as was noted above, are the proper remit of other streams of SBI and SBSTA work.

50. A third theme might also be added to this basic pair, on support programmes to minimize the impacts of climate change. It was noted in the survey that many such programmes had been the subject of reporting in the national communications. And it could be argued that there is a mandate to address this sort of action, found in Article 3.14 of the Kyoto Protocol, and again in paragraphs 6 and 9 of decision 31/CMP.1.

51. The examples of existing reporting formats in Section III revealed a range of possible reporting options, from requirements for purely text-based narrative reporting to almost exclusively tabular presentation of results. The information that most closely resembled the type of information dealt with in the present exercise was presented in both text and tabular format.

52. In the context of the supplementary information to be incorporated in the annual GHG inventories this might mean, for example, a tabular presentation following the six action items, or the thematic groupings described above (domestic measures; support programmes related to

the impact of response measures; support programmes related to the impacts of climate change), supplemented by narrative descriptions of the projects and programmes described there.

53. A potential model for this sort of format is the guidelines for reporting on policies and measures (from *FCCC/CP/1999/7, Part II: reporting guidelines on national communications*). The summary table used to describe policies and measures is shown below as Table 1. To supplement this summary presentation the guidelines require a concise narrative description on the subject of each of the columns in this table. These descriptions are presented outside the tabular format.

54. Parties may also, on a voluntary basis, opt to provide narrative information for each policy and measure on the following subjects:

- The costs of the policy or measure
- The non-GHG mitigation benefits
- How the policy or measure interacts with other policies or measures at the national level

**Table 1: Summary of policies and measures by sector<sup>a</sup>**

Name of Policy or measure	Objective and/or activity affected	GHG affected	Type of instrument	Status	Implementing entity or entities	Estimate of mitigation impact by gas (not cumulative)		
						1995	2000	2005

<sup>a</sup> *Separate tables shall be completed for each sector*

Source: *FCCC/CP/1999/7, Part II: Reporting guidelines on national communications, Table 1.*

55. Another model from the guidelines on national communications is the presentation of information in Section VIII (*Financial Resources and Technology Transfer*). The summary table used there is shown below as Table 2.

56. Parties are also requested to supplement this tabular presentation with “information, in textual format, on steps taken by governments to promote, facilitate and finance transfer of technology, and to support development and enhancement of endogenous capacities and technologies of developing countries.” (Paragraph 56)

57. There are, in the final analysis, a number of appropriate models on which to draw in elaborating specific guidelines on reporting format.

**Table 2: Description of selected projects or programmes that promoted practicable steps to facilitate and/or finance the transfer of, or access to, environmentally-sound technologies**

<b>Project/programme title:</b>			
<b>Purpose:</b>			
<b>Recipient Country</b>	<b>Sector</b>	<b>Total funding</b>	<b>Years in operation</b>
<b>Description:</b>			
<b>Indicate factors which led to project's success:</b>			
<b>Technology transferred:</b>			
<b>Impact on GHG emissions/sinks (optional):</b>			

*Source: FCCC/CP/1999/7, Part II: reporting guidelines on national communications, Table 6.*

## Annex

### Preliminary survey of reporting in national communications and reports on demonstrable progress under the Kyoto Protocol

	<b>A: Phasing out of market imperfections</b>	<b>D: Cooperation on greening fossil fuels; CCS</b>	<b>E: Improve efficiency of fossil fuel tech</b>	<b>Other related information</b>
<b>Australia</b>				
<b>NC4</b>	Energy market reform: removal of impediments to natural gas use, small-scale generation, and renewables; and opening up of contestability of markets for greater consumer choice			
<b>Belgium</b>				
<b>NC4</b>	Liberalization of the electricity and NG markets			
<b>RDP</b>				
<b>Czech Republic</b>				
<b>NC4</b>	Liberalization of the electricity and natural gas markets. Some commitments to environmental tax reform; mostly its bringing minimum tariffs on energy products and electricity into line with the EU, whose minimum excise rates are environmentally based.			
<b>RDP</b>				
<b>Denmark</b>				
<b>NC4</b>				Efforts to limit adverse effects in other countries: will comply with 3.14, but doesn't consider its efforts to give rise to adverse effects - just the opposite.
<b>RDP</b>				
<b>Estonia</b>				
<b>NC4</b>		New technological development on oil shale -- domestic-level effort.		
<b>RDP</b>				
<b>EC</b>				



<b>NC4</b>		ECCP II is doing work on CCS. Some of it is shared. One example of tech transfer is the EU-China Partnership on climate change, agreed at the EU-China summit on 5 September 2005. The Partnership promotes technical cooperation on a number of key energy technologies. Among the objectives of this partnership is the development and demonstration in China of zero emissions coal technology through carbon capture and storage, a significant reduction of the cost of key energy technologies and the promotion of their deployment and dissemination. Also some non-shared work on clean coal.		Asserts it has taken adverse effects into account. Broad coverage of gases, and across-the-spectrum sectoral approach and use of flex mechs are what it takes. If this is adhered to, that's the same as ensuring no adverse impacts from those policies.
<b>RDP</b>				
<b>Finland</b>				
<b>NC4</b>	Taxation of fuels based on CO2 content.			
<b>RDP</b>				
<b>France</b>				
<b>NC4</b>		3.9 million EUR investment from the Fonds français pour l'environnement mondial (FFEM) devoted to CCS. Host countries not specified.		L'Agence française de développement will adopt, in its 2006-2008 framework for action, a methodology aiming to identify and reduce the adverse impacts in developing countries of its climate change actions.
<b>RDP</b>				
<b>Germany</b>				
<b>RDP</b>				
<b>Greece</b>				

<b>NC4</b>				Asserts it has taken adverse effects into account. Broad coverage of gases, and across-the-spectrum sectoral approach and use of flex mechs are what it takes. If this is adhered to, that's the same as ensuring no adverse impacts from those policies. Actions to support LDCs are addressed elsewhere under KP Articles 10 and 11.
<b>RDP*</b>				
<b>Hungary</b>				
<b>NC4</b>	Taxation to try to reflect some environmental externalities - EU-based.			
<b>RDP</b>				
<b>Iceland</b>				
<b>NC4</b>				
<b>RDP</b>				
<b>Japan</b>				
<b>NC4</b>		Work on greening petroleum and LPG - domestic-level effort.		
<b>RDP</b>				
<b>Latvia</b>				
<b>NC4</b>	Tax and excise system designed to internalize externalities on fuels, energy products, electricity.			
<b>RDP</b>				
<b>Liechtenstein</b>				
<b>NC4</b>				
<b>Lithuania</b>				
<b>NC4</b>				
<b>RDP</b>				
<b>Monaco</b>				
<b>NC4</b>				
<b>Netherlands</b>				
<b>NC4</b>				Asserts it has taken adverse effects into account. Broad coverage of gases, and across-the-spectrum sectoral approach and use of flex mechs are what it takes. If this

				is adhered to, that's the same as ensuring no adverse impacts from those policies.
<b>RDP</b>				
<b>New Zealand</b>				
<b>NC4</b>	There are no existing subsidies for energy in NZ			Asserts that emissions reductions themselves are leading to reduction of climate change-related adverse effects
<b>RDP</b>				
<b>Norway</b>				
<b>NC4</b>	Norway strongly emphasizes cost effectiveness across emissions sources, sinks, sectors, and GHGs both domestically and internationally. Also, tax policy with environmental objectives.	Active programme on CCS, and some work on zero-emission power production - domestic-level effort. CO2 tax has forced innovations, with substantive domestic impacts.	4.5% of all ODA is earmarked for energy-related assistance including improved utilization of petroleum resources, gas-flaring reduction.	Norway is an exporter -- its demand for oil is so insignificant that it's not really an issue. And it's sensitive to the problem, thus the focus on cost-effective measures
<b>RDP</b>				as above.
<b>Portugal</b>				
<b>NC4</b>	Harmonization of tax burden between diesel for transport and diesel for heating			Asserts it has taken adverse effects into account. Broad coverage of gases, and across-the-spectrum sectoral approach and use of flex mechs are what it takes. If this is adhered to, that's the same as ensuring no adverse impacts from those policies.
<b>RDP</b>				
<b>Romania</b>				
<b>RDP</b>				
<b>Slovakia</b>				
<b>NC4</b>	Cancellation of all subsidies for household and industries in power usage.			
<b>RDP</b>				
<b>Slovenia</b>				
<b>NC4</b>	Liberalization of electricity and natural gas markets, grid purchase legislation			
<b>RDP</b>				
<b>Spain</b>				
<b>NC4</b>				
<b>RDP</b>				

<b>Sweden</b>				
<b>NC4</b>				
<b>RDP</b>				
<b>Switzerland</b>				
<b>NC4</b>				
<b>RDP</b>				
<b>UK</b>				
<b>NC4</b>		Working on Carbon Abatement Technologies, including CCS - EUR 35 million grant. As part of EU-China partnership, working on technology development for near zero emissions coal, esp. CCS.		Have done studies on impacts of response measures. Are using diverse range of measures to meet objectives of 3.1.
<b>RDP</b>				As above.

\* RDP for Greece was temporarily unavailable through the UNFCCC web site.

**Notes:** The survey found no reports of actions that corresponded with three of the categories specified in 31/CMP.1 paragraph 8:

- 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;
- f) Assisting developing country Parties which are highly dependent on the export and consumption of fossil fuels in diversifying their economies.

As noted in the background paper, this does not necessarily mean no such actions were undertaken. Existing or planned actions in these areas may simply not have been reported, as there was no specific requirement to do so.

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