

3 December 2005

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR IMPLEMENTATION

Twenty-third session

Montreal, 28 November to 6 December 2005

Agenda item 10 (a)

Implementation of Article 4, paragraphs 8 and 9, of the Convention

Buenos Aires programme of work on adaptation and response measures (decision 1/CP.10)

Issues relating to the implementation of decision 1/CP.10

Submissions from Parties

1. During discussions in the Subsidiary Body for Implementation, at its twenty-third session, relating to the implementation of decision 1/CP.10, one Party tabled a submission.
2. In accordance with the procedure for miscellaneous documents, this submission is reproduced* in the language in which it was received and without formal editing.

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SUBMISSION FROM SAUDI ARABIA

Submitted at the 23rd Session of SBI
November 29, 2005

Agenda Item 10 (a)

Buenos Aires Programme of Work on Adaptation and Response Measures (Decision 1/CP.10)

Discussions on modalities for the Buenos Aires Programme of Work on Adaptation and Response Measures (Decision 1/CP.10) are taking place under both SBI and SBSTA, each within their respective mandate as outlined in Articles 9 and 10 of the Convention. The exchange of information and sharing of experiences and views, and lessons learned on practical opportunities and alternative solutions to be presented for the implementation of 1/CP.10 must be within the context of Article 4 of the Convention, where commitments for Annex I and non-Annex I have been clearly outlined and identified.

Because of the ongoing work on adaptation and response measures under decision 1/CP.10, it is essential that this remains a permanent agenda item under the COP, and both SBI and SBSTA.

Reflection on the pre-session expert meeting on modeling and financial resilience identified in paragraph 16(a) of 1/CP.10

On Response measures, 1/CP.10, two expert meetings were specified to be held to further the dialogue on modeling, financial risk management, and economic diversification.

Saudi Arabia would like to take this opportunity to thank the UNFCCC secretariat for organizing the first expert meeting which took place just a few days ago on November 23-24, as a pre-session meeting. Saudi Arabia was actually disappointed by the low number of experts from the industry to enrich the discussion and bring in the different views. However, the meeting was still successful in addressing the issues as mandated.

The meeting furthered the dialogue on issues related to modeling the impact of response measures, and on ways of improving resilience to the impact of response measures through different financial mechanism including insurance, hedging, stabilization funds, and other mechanisms. These mechanisms shall improve financial resilience on the short term.

The meeting also identified a number of issues including the need for improved modeling, and modeling to include the social implications of the impact of response measures. A proposal was made for establishing a forum for modeling where modelers can have better dialogue, and provide consistencies on sets of assumptions and characteristics for modeling the impact of response measures.

One of the significant outcomes was a visionary direction for the establishment of a multi-year program of work on response measures that incorporates issues related to the impact of response measures under modeling, short term financial resilience, and long term solutions through economic diversification. The program could include elements such as,

- Developing tools and methodologies for Annex I countries to evaluate policies and measure to ensure that these policies are win-win policies that promote effective cut in emissions at the same time minimize the impacts on vulnerable developing countries.

- Develop tools and methodologies to assist developing countries in increasing their resilience to the impacts of response measures
- Improving modeling for the impact of response measures
- Improving data, in particular in the area of standardized and authenticated (GTAP type standard) data sets for major non-Annex I oil exporting nations
- Modeling transportation sector elasticity and the impact of technological developments in the transport sector
- Building Capacities in developing countries for modeling
- Making use of the IPCC approach to emission scenarios and applying it to modeling the impact of response measures
- Developing risk and financial risk management options for short term resilience for developing countries, utilizing some or a mix of existing instrument such as (price insurance, hedging, and shock funds)
 - Hedging with derivatives
 - Commodity price hedging
 - An economic shock fund
 - Commodity price insurance
 - Alternative Risk Transfer
 - Hedge Funds
 - Alternative Risk Financing
 - Structured Risk Financing Mechanisms
 - Effective Use of Developed Captive Insurance
 - Credit & Political Risk Coverage
 - Hybrid Insurance Products
 - Catastrophe Bonds
 - and other instruments
- Looking at available instruments for long term solutions including Economic Diversification (*this will be further discussed at the upcoming expert meeting on economic diversification*)
- Recognizing the different levels of vulnerabilities depending on level of exposure and the capacity of countries
- Evaluate the appropriate financial instruments (at a national level and in cooperation with the international community.
- Improve participation of experts from developing countries on all these issues

Terms of Reference for the pre-session expert meeting on economic diversification identified in paragraph 16(b) of 1/CP.10

As a continuation to Saudi Arabia's work on response measures, another expert meeting is scheduled to be held after a few months (in May 2006) as specified in decision 1/CP.10 to address the issue of economic diversification. Resource allocation for the specified meeting must be made available, and Saudi Arabia hopes to see better participation from experts and from the different fields.

The agenda, terms of reference, and programme for the expert meeting should be prepared by the secretariat taking views from parties, with specific emphasis on experts from the impacted regions which the expert meeting addresses. Experts from regions impacted by the response measures should be involved in organizing and running the meeting, in addition to the preparation of outcome report. The outcome report shall provide detailed information to the Conference of Parties on specific recommendations for further actions.

The expert meeting on economic diversification identified in paragraph 16(b) must have experts from the subject area. The meeting should consider elements arising from the report of the workshop on economic diversification, amongst other issues related to economic diversification, for countries whose economies are highly vulnerable to the impact of response measures, and to provide recommendation to the Conference of the Parties on further action for;

- a) Providing support for the integration of economic diversification into sustainable development strategies;
- b) Exchanging of experience in economic diversification and lessons learned, with a view to identifying what technical assistance may be needed to develop structural and institutional capacity and/or to establishing a mechanism for facilitating efforts to achieve economic diversification;
- c) Coordination by the secretariat with relevant international organizations and the private sector in developed countries on matters relating to economic diversification;
- d) Building capacity, at the national level, in the areas of economic diversification
- e) Promoting Private-public partnerships in various areas to support economic diversification;
- f) Providing recommendations for encouraging direct investment and technology transfer from developed countries to assist in the economic diversification of developing countries listed in article 4.8 (h) of the Convention;
- g) Addressing the extent to which trade and export barriers effect economic diversification in Parties addressed under article 4.8 of the Convention.

The meeting should be over at least two days or more in order to allow for rich discussion on the issues and bring the different experiences of industrial countries on economic diversification and the lessons learned. Difficulties and challenges that developing countries face in their efforts towards economic diversification shall also be highlighted, taking note that this is a long term process that will take many years, and thus there is a pressing need from short term financial resilience through different mechanisms.

Saudi Arabia should not loose sight of the goal of the expert meeting on economic diversification as well as the expert meeting on modeling and financial risk management, which is to reach recommendations for the COP on specific actions to address the concerns of developing country Parties arriving from the impact of response measures.

Holding the expert meetings is a stop towards identifying these specific actions. Decision 1/CP.10 identifies reporting timings that must be observed and followed for timely implementation.

Finally, Saudi Arabia would like to request that this statement be entered in the report of the meeting and used as guidelines for the secretariat in the preparation of the terms of reference for the upcoming expert meeting on economic diversification.
