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# METHODOLOGICAL ISSUES

## ISSUES RELATING TO ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL

## Report of the second workshop on adjustments

## Note by the secretariat

**Summary**

This note reports on the results of the second workshop on adjustments held in Lisbon, Portugal, from 7 to 9 April 2003 in response to a request by the Conference of the Parties and the Subsidiary Body for Scientific and Technological Advice. It contains a description of the proceedings and the conclusions of the workshop. A refined draft technical guidance on methodologies for adjustments under Article 5, paragraph 2, of the Kyoto Protocol, resulting from that workshop, is included in the addendum to this note.

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# I. INTRODUCTION

## A. Mandate

1. The Conference of the Parties (COP), by its decision 21/CP.7, requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to complete technical guidance on methodologies for adjustments under Article 5, paragraph 2, of the Kyoto Protocol,[1] for consideration by the COP at its ninth session, with a view to recommending, at that session, such technical guidance for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) at its first session. By the same decision, the COP requested the secretariat to organize a workshop before, and possibly one or more workshops after, the sixteenth session of the SBSTA, on methodologies for adjustments under Article 5, paragraph 2, with the participation of greenhouse gas (GHG) inventory experts and other experts nominated to the UNFCCC roster of experts and experts involved in the preparation of the Intergovernmental Panel on Climate Change (IPCC) report entitled *Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories* (hereinafter referred to as the IPCC good practice guidance) (FCCC/CP/2001/13/Add.3).

2. The SBSTA, at its sixteenth session, took note of the report on the first workshop on adjustments[2] held in Athens, Greece, from 3 to 5 April 2002 (FCCC/SBSTA/2002/INF.5) including the draft technical guidance on methodologies for adjustments (hereinafter referred to as the draft technical guidance) contained in the annex to that report, and requested the secretariat to draw up, for consideration at its seventeenth session, a proposal for the development of case studies for simulating the calculation of adjustments using the methods contained in the draft technical guidance.

3. At its seventeenth session, the SBSTA requested the secretariat to undertake case studies for simulating the calculation of adjustments, the results of these case studies to be communicated to Parties by 15 February 2003 and used as input to the second workshop on adjustments. Further, the SBSTA invited Parties to submit, by 15 March 2003, their views on the draft technical guidance, taking into account the results of the case studies.

4. Also at its sixteenth and seventeenth sessions, the SBSTA requested the secretariat to organize a second workshop on adjustments, in accordance with the mandate of decision 21/CP.7, in April 2003. The aim of that workshop would be to assess the results of the case studies, taking into account views from Parties on the draft technical guidance and the results of the case studies, and to refine the draft technical guidance with a view to ensuring consistent application of adjustments by different expert review teams. The SBSTA further decided to aim to complete the technical guidance on methodologies for adjustments at its eighteenth session, and to forward it for consideration by the COP at its ninth session, in accordance with decision 21/CP.7 (FCCC/SBSTA/2002/6, para. 24 (k)).

## B. Background

5. The secretariat, with the assistance of experienced inventory experts, undertook case studies for simulating the calculation of adjustments using the methods described in the draft technical guidance and following the procedure described in FCCC/SBSTA/2002/INF.19. The case studies were published on the secretariat web site (http://unfccc.int/sessions/workshop/070403/index.html) prior to the second workshop on adjustments as working papers for each of the IPCC sectors energy, industrial processes, agriculture and waste (working paper No. 2 (a)–(d) (2003), respectively). The results of the case studies were summarized in working paper No. 1 (2003) entitled “Results from the case studies on adjustments”.

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[1] “Article” in this note refers to an Article of the Kyoto Protocol, unless otherwise specified.

[2] “Adjustments” in this note refers to adjustments under Article 5, paragraph 2, of the Kyoto Protocol, unless otherwise specified.

6. The case studies demonstrated that the draft technical guidance developed at the first workshop on adjustments allows adjustments to be calculated for any sector or source category. However, it would not fully meet its objective of ensuring consistency and comparability in the calculation of adjustments because it was interpreted differently by different inventory review experts; in particular, the guidance for the use of the adjustment methods as well as for the approaches for making the adjustments conservative was not sufficiently clear. In addition, the calculation of the simulated adjustments was shown to be time and resource intensive, which may affect the feasibility of calculating adjustments within the time frames set by the guidelines for review under Article 8. Views from Parties referred to in paragraph 3 above are contained in FCCC/SBSTA/2003/MISC. 4; Parties broadly endorsed these results and proposed solutions to overcome the identified shortcomings and improve the draft technical guidance. These views were considered during the second workshop.

### C. Scope of the note

7. This note contains a report on the second workshop on adjustments. The refined draft technical guidance on methodologies for adjustments, resulting from the workshop, is included in the addendum to this note.

### D. Possible action by the SBSTA

8. The SBSTA is expected to complete the technical guidance on methodologies for adjustments at its eighteenth session, with the aim to forwarding it for consideration by the COP at its ninth session, as mandated by decision 21/CP.7. It may also wish to consider the conclusions reached by the participants at the workshop, which are relevant to the technical review of GHG inventories under the Convention.

## II. PROCEEDINGS

9. The workshop was held in Lisbon, Portugal, from 7 to 9 April 2003, with the financial support from Canada, New Zealand and Portugal. It was organized by the UNFCCC secretariat in close cooperation with the Government of Portugal through the Institute for the Environment of Portugal, which also provided logistical support. The agenda of the workshop, the list of participants, and all other relevant documents can be found on the secretariat web site (http://unfccc.int/sessions/workshop/070403/index.html).

10. Forty-one national experts from 34 Parties participated in the workshop. Eighteen experts were funded, of whom 14 were from Parties not included in Annex I to the Convention (non-Annex I Parties)[3] and four were from Parties included in Annex I to the Convention (Annex I Parties) with economies in transition. The majority of the participants had also attended the first workshop on adjustments, in Athens, in April 2002, and all experts had previously participated in one or more of the following activities: development of the IPCC good practice guidance; technical review of Annex I Parties' GHG inventories;[4] negotiations on guidelines under Articles 5, 7 and 8 of the Kyoto Protocol. In addition, experts from two intergovernmental organizations, including the IPCC, and from one non-governmental organization participated in the workshop.

11. The workshop was co-chaired by Mr. Newton Paciornik (Brazil) and Mr. Audun Rosland (Norway), who accepted the invitation of the Chair of the SBSTA, Mr. Halldor Thorgeirsson (Iceland), to conduct this task in his absence. The workshop was officially opened with the reading of a note from the Chair of the SBSTA,[5] and a welcome address by Mr. João Gonçalves, President of the Institute for the Environment of Portugal.

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[3] Three additional experts from non-Annex I Parties had been invited, but were not able to attend the workshop.
[4] As established by decision 6/CP.5 (FCCC/CP/1999/7).
[5] The note by the Chair of the SBSTA can be found on the secretariat web site.

12. The Chair of the SBSTA, in its opening note, encouraged experts attending the workshop to use their collective technical skills to improve the draft technical guidance to facilitate its completion by the SBSTA at its eighteenth session. He also stressed the need to ensure that the draft technical guidance allows a consistent application of adjustments by different expert review teams.

13. The participants had before them the following documents: FCCC/SBSTA/2003/MISC. 4, FCCC/SBSTA/2002/INF.5, FCCC/SBSTA/2002/INF.19, and decisions 21/CP.7, 22/CP.7 and 23/CP.7 (FCCC/CP/2001/13/Add.3). In addition, the secretariat prepared a working paper (working paper No. 3 (2003)), containing a proposal for revised draft technical guidance on methodologies for adjustments, prepared based on results from the case studies and views from Parties. The participants also had before them a number of other working papers prepared for supporting the considerations at the workshop.[6]

14. The deliberations at the workshop were conducted in plenary sessions and in two working groups. The first working group, co-chaired by the co-chairs of the workshop, focused on the objective and general approach of the technical guidance on methodologies for adjustments, including procedures. The second working group, co-chaired by Mr. William Kojo Agyemang-Bonsu (Ghana) and Mr. Jim Penman (United Kingdom of Great Britain and Northern Ireland), focused on the methods for the calculation of adjustments.

15. The results of each working group were considered at the plenary, and a refined version of the draft technical guidance was produced, based on the proposal contained in working paper No. 3 (2003), which the Chair of the SBSTA had noted as a good starting point for the improvement of the draft technical guidance by the participants of the workshop. The only item that could not be completed at the workshop was a table of factors necessary to ensure that adjustments are conservative. However, participants agreed upon the approach for establishing these conservativeness factors, derived mainly from uncertainty values and parameters provided in the IPCC good practice guidance, as described in paragraphs 53 and 55 of the draft technical guidance included in the addendum to this note. This table of conservativeness factors should be completed by the secretariat under the guidance of the co-chairs of the working groups before the eighteenth session of the SBSTA, following the agreed approach. During their deliberations participants also identified the need to address a number of technical issues relating to the review of annual GHG inventories, which would also be relevant for the calculation of adjustments.

## III. CONCLUSIONS

16. The participants welcomed the efforts undertaken by the inventory experts who prepared the sectoral case studies, broadly endorsed the results of the case studies as described in paragraphs 5 and 6 above and recognized the need to overcome the identified problems.

17. The participants recommended that the SBSTA endorse the draft technical guidance as refined during the workshop and contained in the addendum to this note. They further recommended that consideration of the table of conservativeness factors mentioned in paragraph 15 above be completed, together with that of the technical guidance on methodologies for adjustments, by the SBSTA at its eighteenth session.

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[6] Working paper No. 4 (2003), containing information on existing international data sources relevant for the GHG inventory review and calculation of adjustments; working paper No. 5 (2003), containing information on tools for clustering of drivers and inventory parameters; working paper No. 6 (2003), containing information on possible ways to establish a level of insignificance at which no adjustments would be required; working paper No. 7 (2003), containing options for adjusting an identified sources that was not reported in the base year; and working paper No. 8 (2003), containing background documentation for the consideration of adjustments under Article 5.2 by participants of the workshop. (See http://unfccc.int/sessions/workshop/070403/index.html)

18. Participants noted that some issues addressed during the workshop (e.g. identification of possible departures from the IPCC good practice guidance, consideration of the time series in assessing an inventory estimate, development of inventory review resources) are of broad applicability and concern for the process of review of annual GHG inventories of Annex I Parties under both the Convention and the Kyoto Protocol, and are not solely related to adjustments. Taking this into consideration, participants considered that it would be desirable to take steps to strengthen the technical review of annual inventories, and improve the consistency of the reviews. Such steps would also facilitate the consistent application of adjustments by expert review teams.

19. In this regard, participants suggested that the secretariat:

(a) Organize annual meetings of lead reviewers, resources permitting. These meetings should consider recommendations for improving the technical review of GHG inventories and for common approaches to be applied in these reviews by expert review teams, including common understanding on possible departures from the IPCC good practice guidance;

(b) Under the guidance of the lead reviewers, develop and regularly update the information contained in several inventory review resources to support the technical review of GHG inventories, including:

(i) Recommended international data sources (for activity data, drivers and emission factors);

(ii) Recommended approaches and tools for clustering of inventory data;

(iii) Recommended drivers (prepared on the basis of data obtained from external data sources that have adequate correlation with GHG emission estimates);

(c) Archive relevant information on individual inventory reviews and make this information available to expert review teams to facilitate their work;

(d) Make up-to-date information on review procedures and review activities publicly available on its web site.

20. In relation to activities specific to adjustments, the participants recommended that:

(a) A process be established to enable expert review teams to gain experience with the methods for adjustments during the inventory review process in 2003–2005 using real inventory data of Parties that voluntarily make their data available for testing purposes;

(b) Lead reviewers collectively consider and identify any means to improve the consistent application of the technical guidance by expert review teams, and include any appropriate recommendations in their annual report to the SBSTA as required by the guidelines for review under Article 8.

21. Participants also recommended that, in the COP/MOP decision relating to the technical guidance on methodologies for adjustments, guidance may be provided indicating that an adjustment process should not be initiated in cases where an inventory problem identified at the initial check stage of the inventory review process under Article 8 would have immediate consequences for the Party's eligibility for participating in the Kyoto mechanisms as defined in draft decision -/CMP.1 (*Article 7*).

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