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Item 5 (a) of the provisional agenda

Financial mechanism of the Convention

Special Climate Change Fund

**Views on activities, programmes and measures in the areas listed in
paragraph 2 (c) and (d) of decision 7/CP.7**

Submissions from Parties

1. The Conference of the Parties, by its decision 7/CP.7, established a Special Climate Change Fund (SCCF). It further decided, by its decision 5/CP.9, that activities under paragraph 2 (c) and (d) of decision 7/CP.7 are to be funded by the SCCF. It invited Parties to submit, by 15 September 2004, their views on activities, programmes and measures in these areas (FCCC/CP/2003/6/Add.1).
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 as submitted.

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PAPER NO 1: JAPAN

**SUBMISSION BY THE GOVERNMENT OF JAPAN ON FINANCIAL
MECHANISM OF THE CONVENTION**

14 September 2004

At the invitation of the ninth session of the conference of parties (COP9), the Government of Japan is pleased to submit its views on activities, programmes and measures in the areas under paragraph 2 (c) and (d) of decision 7/CP.7. At the adoption of the Bonn Agreements on the implementation of the Buenos Aires Plan of Action, the government of Japan welcomed the political declaration made by certain Annex II countries, and stressed that Japan's efforts under the Kyoto Initiative should be recognized as an integral part of support to developing countries under the UNFCCC (see FCCC/CP/2001/MISC4).

This short paper examines the past COP decisions on the special climate change fund (SCCF), shares an insight Japan gained during the ongoing discussion at the GEF to operationalize the SCCF, and draws a preliminary conclusion.

In Japan's view, the past COP decisions point to two important ideas. Firstly, non-Annex I parties shall always be guided by the spirit of country-drivenness in implementing activities, programmes and measures under the SCCF. Secondly, the SCCF shall primarily focus on the climate change issue. Based on these two ideas, Japan proposes that the SCCF shall focus on projects which has been conceived in a nationally prepared documents authorized by the UNFCCC, such as national communications. Japan expects that the projects which originate in national communications or other UNFCCC national documents are endorsed by the national government as its priority in implementing the UNFCCC.

Japan participates in the ongoing discussion facilitated by the GEF secretariat to operationalize the SCCF. The ongoing discussion emphasizes that the SCCF must have its own added value, which will differentiate the SCCF from the GEF Trust Fund. The SCCF activities, programmes and measures need to be different from those under the GEF Trust Fund. The ongoing GEF discussion has successfully identified and assigned the specific role for 2(a) and 2(b). At this present moment, however, Japan does not have a clear view how 2 (c) and (d) can be different activities, programmes and measures than those that are currently funded by the GEF Trust Fund, or by the bilateral sources. In the spirit of country-drivenness, Japan expects that developing countries will put forth their views on this issue through their submissions, and looks forward to discussing further with them at the COP.10 on what type of projects they have in mind for funding under the SCCF. It is Japan's view that certain types of activities may well be suited for the multilateral funding, but others for the existing bilateral funding opportunities. Japan offers such bilateral funding opportunities through its bilateral ODA schemes.

The Government of Japan has shown its strong commitment to the climate change process by actively and voluntarily engaging itself in the ODA activities that were announced in the Kyoto Initiative. Japan continues to assist developing countries through its bilateral ODA frameworks, and looks forward to specifying the modality of the SCCF so that the SCCF funding will be complimentary to the bilateral one. Last but not least, Japan stresses the importance of a thorough discussion at the COP 10 on whether and how the SCCF could be indeed "special" in the sense it will address the special and specific needs of developing countries beyond the GEF trust fund or the bilateral assistance.

PAPER NO 2: NETHERLANDS ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS
MEMBER STATES

**SUBMISSION BY THE NETHERLANDS ON BEHALF OF THE
EUROPEAN COMMUNITY AND ITS MEMBER STATES**

The Hague, 15 September 2004

Subject: Financial mechanism of the Convention. Views on activities, programmes and measures in the areas listed in paragraph 2 (c) and (d) of decision 7/CP.7 (document FCCC/CP/2003/6/Add.1, 5/CP.9, paragraph 4)

Introduction

The Netherlands, on behalf of the European Community and its Member States, welcomes the opportunity to submit views regarding activities, programmes and measures in the areas listed in paragraph 2 (c) and (d) of decision 7/CP.7 as requested in document FCCC/CP/2003/6/Add.1, 5/CP.9, paragraph 4.

The Special Climate Change Fund (SCCF) should be used to finance activities, programmes and measures, relating to climate change, that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility and by bilateral and multilateral funding in the following areas:

- (a) adaptation, in accordance with paragraph 8 of decision 5/CP.7;
- (b) transfer of technologies, in accordance with decision 4/CP.7;
- (c) Energy, transport, industry, agriculture, forestry and waste management;
- (d) Activities to assist developing country Parties referred to under Article 4 paragraph 8(h), in diversifying their economies, in accordance with decision 5/CP.7.

In Milan (COP.9) it was agreed that the SCCF should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources. Activities to be funded should be country driven, cost effective and integrated into national sustainable development and poverty reduction strategies.

Adaptation activities to address the adverse impacts of climate change should have top priority for funding and technology transfer and its associated capacity building should be essential as well.

The EU welcomes the present process of mobilising funding for the activities under items 2 (a) and 2 (b) of decision 7/CP.7 and looks forward to the operationalisation of the SCCF after COP10. The EU perceives that the guidance given to the SCCF should follow a step-by-step approach taking into account the priorities already identified by the Parties and the experience gained from the practical functioning of the fund.

2 (c) Energy, transport, industry, agriculture, forestry and waste management

We believe that guidance for c) has, to a large extent, been provided for under a) and b). The guidance already agreed for a) adaptation and b) technology transfer is sufficiently general in sectoral coverage and scope of activities to cover (c). Therefore, we consider it important that further guidance to SCCF concerning the sectors under 2 (c) should be based on experiences gained from funding activities under 2 (a) and 2 (b).

Developing countries should identify their adaptation and technology transfer needs as well as their mitigation needs in National Communications, National Adaptation Plans of Action, Technology Needs Assessments Poverty Reduction Strategies, National Strategies for Sustainable Development and other similar national planning strategies.

2 (d) Activities to assist developing countries Parties referred to under Article 4, paragraph 8 (h), in diversifying their economies, in accordance with decision 5/CP.7

The published evidence, considered at the workshop on economic diversification held in Teheran on 18 and 19 October 2003 (FCCC/SBI/2003/18), shows that economic diversification is part of a longer-term perspective and a larger process of sustainable development. Available evidence shows that in the context of climate change national governments need to actively formulate and implement national development plans that facilitate the growth of new economic activities that are less emission intensive and less climate sensitive. Governments best support economic diversification by putting in place measures to attract direct foreign investment, sustained investment in both human and physical capitals (including infrastructure), export orientation, and developing a stable and open economic environment (including economic opportunities for the private sector and realistic price and foreign exchange regimes).

PAPER NO 3: SAUDI ARABIA

SUBMISSION BY SAUDI ARABIA

31 August 2004

FINANCIAL MECHANISM OF THE CONVENTION

REFERENCE

The Conference of the Parties, at its ninth session, *Decided* that activities under paragraph 2 (c) and (d) in decision 7/CP.7 are to be funded by the Special Climate Change Fund and to this effect invited Parties to submit to the secretariat, by 15 September 2004, further views on activities, programmes and measures in these areas for further consideration by the Subsidiary Body for Implementation, at its twenty-first session, in order for the Conference of the Parties to take a decision on this matter at its tenth session. (Decision 5/CP.9, paragraph 4).

INTRODUCTION

Saudi Arabia welcomes the opportunity to submit its views on activities, programmes and measures in the areas listed in paragraph 2 (c) and (d) of decision 7/CP.7, namely:

- (c) energy, transport, industry, agriculture, forestry and waste management;
- (d) activities to assist developing country Parties referred to under Article 4, paragraph 8(h), in diversifying their economies, in accordance with decision 5/CP.7.

Decision 5/CP.7 requires that the implementation of activities included for addressing the impacts of response measures be supported through the Global Environment Facility (in accordance with decision 6/CP.7), the special climate change fund (in accordance with decision 7/CP.7), and other bilateral and multilateral sources.

(Paragraph 19, Decision 5/CP.7)

GEF-RELATED FUNDING

As the GEF is the financial entity responsible for providing financial assistance for the preparation of national communications for non-Annex I parties, provisions must be taken to provide guidelines for Non-Annex I Parties to provide information, in their national communications and/or other relevant reports, on their specific needs and concerns arising from the impact of the implementation of response measures; (Paragraph 20, Decision 5/CP.7).

FUNDING OF ACTIVITIES LISTED IN DECISION 5/CP.7

In accordance with Decision 5/CP.7, the following activities and actions should be supported through the GEF, the Special Climate Change Fund, and other bilateral and multilateral sources:

1. Annex I and non-Annex I Parties should cooperate in creating favorable conditions for investment in sectors where such investment can contribute to economic diversification;
2. Annex II Parties should assist developing countries, in particular those most vulnerable to the impact of the implementation of response measures, in meeting their capacity building needs for the implementation of programmes which address these impacts;
3. Parties should consider appropriate technological options in addressing the impact of response measures, consistent with national priorities and indigenous resources;
4. Parties should cooperate in the technological development of non-energy uses of fossil fuels, and requests Annex II Parties to support developing country Parties to this end;

5. Parties should cooperate 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 requests Annex II Parties to facilitate the participation of the least developed countries and other non-Annex I Parties in this effort;
6. Annex II Parties should provide financial and technological support for 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;
7. Annex II Parties should promote investment in, and to support and cooperate with, developing country Parties in the development, production, distribution and transport of indigenous, less greenhouse gas-emitting, environmentally sound, energy sources, including natural gas, according to the national circumstances of each of these Parties;
8. Annex II Parties should provide support for research into, and the development and use of, renewable energy, including solar and wind energy, in developing country Parties;

Furthermore, the GEF, the Special Climate Change Fund and other bilateral and multilateral organizations, should provide feedback to the COP, on the status of support for the implementation of activities included in paragraphs 22 - 29 of decision 5/CP.7 as listed above. Further action should be taken by the COP to enhance the financial support as necessary.

FUNDING OF OTHER ACTIVITIES

Provisions should also be made for funding of other activities addressing the impacts of response measures. The activities listed below, which are related to insurance, modelling and economic diversification, should also be supported through the GEF, the Special Climate Change Fund, and other bilateral and multilateral sources.

1. Establishment of a bi-annual forum on insurance, for interested Parties and representatives from relevant intergovernmental organizations and the financial and insurance private sector, with a mandate to establish a work programme to address the specific needs and concerns of developing country Parties arising from the impact of the implementation of response measures. The work program should include the following elements:
 - (a) Possible collaboration between the climate change community, government programmes and private insurance sectors;
 - (b) Private-public partnerships linking insurance mechanisms and risk-reduction mechanisms;
 - (c) Ways in which to build capacity at the national level for risk management, risk financing and risk transfer to better manage the impact of the implementation of response measures;
 - (d) Means by which to engage the private sector in the development of alternative risk transfer mechanisms.
2. Establishment of an expert group on modelling to consider the outcome of the workshop on modelling activities, and to propose further actions to be taken by the Conference of the Parties. Such actions to include:
 - (a) Dissemination of modelling tools and models to non-Annex I Parties, and ensuring increased collaboration on modelling activities on an ongoing basis;
 - (b) Development of methodologies to assist developing countries to examine vulnerability to the impact of the implementation of response measures;
 - (c) Development of draft guidance documents on how to undertake socio-economic assessments of the impact of response measures to be piloted in selected countries as a basis for detailed and comprehensive guidance;

- (d) Development, as a high priority and in collaboration with international organizations, of methodologies to assess the impacts on developing countries of policies already implemented by Annex I Parties, by expanding coverage of current models for evaluating the impact of the implementation of response measures;
 - (e) Coordination with the scientific research community, including the IPCC, to improve the quality of models, in particular those that assess the impact of response measures on developing countries, with a view to fully addressing this issue in the Fourth Assessment Report of the IPCC;
3. Establishment of an expert group on economic diversification to consider, inter alia, the following elements arising from the report of the workshop on economic diversification, and to provide advice to the COP with a view to recommending a decision on further action:
- (a) Providing support for the integration of economic diversification into sustainable development strategies;
 - (b) Exchanging 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 by and technology transfer from developed countries to assist in the economic diversification of developing countries described in Article 4, paragraph.8 (h), of the Convention;
 - (g) Addressing the extent to which trade and export barriers affect economic diversification in Parties addressed under Article 4, paragraph 8, of the Convention;

Furthermore, the GEF, the Special Climate Change Fund and other bilateral and multilateral sources, should provide feedback to the COP, on the status of support for the activities addressing the impacts of response measures listed above. Further action should be taken by the COP to enhance the financial support as necessary.
