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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

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

**Sixth session**

**Accra, 21–27 August 2008, and Poznan, 1–10 December 2008**

**Agenda item 5**

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

**Submissions from Parties**

1. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol, at the first part of its sixth session, invited Parties and relevant organizations to submit to the secretariat, by 3 October 2008, further information on the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties (FCCC/KP/AWG/2008/5, para. 51).<sup>1</sup>
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.

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<sup>1</sup> Previous submissions from Parties also included information on this subject and are contained in document FCCC/KP/AWG/2008/MISC.1 and Add. 1–5 and Add.1/Corr.1.

\* 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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\*\* This submission is supported by Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Turkey.

PAPER NO. 1: FRANCE ON BEHALF OF THE EUROPEAN COMMUNITY  
AND ITS MEMBER STATES

**This submission is supported by Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Turkey**

Paris, 10 October 2008

**Subject: Consideration of information on potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties (AWG-KP)  
Further information on the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties**

France, on behalf of the European Union and its Member States, welcomes the opportunity to submit views, ideas and proposals on the elements on the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I.

The EU welcomes the constructive debate that took place during the Accra Climate Change Talks, in the context of the AWG-KP. During this session the EU expressed its views regarding the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties. This submission aims to elaborate on the issues that the EU raised during that session.

**General remarks**

There is a general consensus on the need to undertake a global transition to a low greenhouse gas emitting economy in order to tackle climate change. This transition presents a major opportunity for all countries to follow a clean development path and implement sustainable policies. At the same time, EU understands the concerns some countries may have about the challenges that this transition may present to their economies and societies. The EU is of the view that this transition should be congruent with sustainable development processes in all countries.

The EU acknowledges the need for cooperation to enhance the understanding on the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I.

It is also important to recognise that wider economic and political factors do play a role on the vulnerability of social economic sectors and these should not be overlooked. The EU notes the need to exchange information in order to get a better understanding of the issue.

**Measures undertaken in the EU to address potential spillover effects**

The EU is dedicated to fulfilling its commitments under the Convention and the Kyoto Protocol. The EU is of the view that the climate change challenge can only be effectively addressed if done so in the context of sustainable development.

To analyse the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties is a complex issue. Part of its

complexity lies within the difficulty of making full analysis of potential consequences and spillover effects of planned policies and measures in the drafting process of a policy. Further complexity lies within the difficulty that the full impacts of a particular policy may not manifest immediately following implementation, or may not manifest as predicted when designing policy.

Any analysis of spillover effects should take into account both the potential negative consequences and the potential positive consequences and effects. The positive and negative effects are inter-related and needs to be analysed at the same time in order to get the full picture and thus enable informed and balanced decision-making.

Ex-ante analysis of the effects of policies remains a complex exercise that is limited due to several factors, such as lack of comprehensive data, quantifying the economic impacts associated with the different policies and policy instruments (fiscal, monetary, regulatory) and separating climate policy consequences from consequences of other policies (e.g. energy, environment, social). The EU is aware of these difficulties and is making efforts to monitor the effects of policies implemented in order to address any eventual effects that may not have been envisaged in the design phase.

For example, when the EU drafted the proposal on the promotion of renewable energy sources, concerns were raised about the possible impact of biofuels development on food prices. In this context, this proposal is laying down a set of sustainability criteria for biofuels and other bioliquids, including GHG performance, biodiversity, and high carbon stock areas. The sustainability criteria should take into account the negative spill over effects generated by certain types of biofuels.

Another example is the integration of the aviation sector in the EU Emissions Trading Scheme (EU ETS). A study was conducted by consultants (Öko-Institut, Germany) to analyse the impact of this policy on different actors in this sector. The results were presented in a Side event in Bonn 2008 (SB 28). This study showed, inter alia, that the policy itself could have a far lesser impact on the transport of perishables than other factors, like the increase in market prices for oil.

In order to enhance the understanding on spillover effects, more information on the nature of effects that have been experienced, primarily from developing countries is needed. Furthermore modelling tools need to be improved to manage the complexity of the different factors that affect economies and societies at large. The EU looks forward to this information and reaffirms its commitment to cooperate with developing country partners to build their capacity to assess potential impacts.

For the EU it is however of utmost importance that all Parties continue to develop and implement policies and measures to mitigate climate change according to our commitments under the Convention and the Kyoto Protocol. It is important that we keep moving forward and that we avoid constraining our policy making. Effort to assess potential effects of such response measures should be embedded in the continuing work and serve to further improve and enhance our efforts rather than constrain and hinder progress in addressing climate change.

### **Coherence between different processes on spillover effects**

Whereas the EU is of the opinion that the issue of spillover effects should be dealt with properly under the UNFCCC, we are also aware of the need to avoid duplicating efforts. The discussion on spillover effects under the AWG-KP and the AWG-LCA should be conducted in an efficient way. For example, the workshop on spill-over effects under the AWG-KP could be held back-to-back with the workshop on economic and social consequences of response measures at the fifth session of the AWG-LCA.

PAPER NO. 2: JAPAN

**Japanese Submission**

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

- Climate change policies should be implemented in a manner which would ensure consistency with other domestic and international policies since their implementation could have impacts on other economic and social activities. It is necessary to consider potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties (hereinafter referred to “spillover effects”) in this respect.
- Positive implications as well as negative implications of spillover effects need to be considered. Although consideration of impacts on both developing and developed countries should be required, priority should be impacts on developing countries which lack capacities to deal with such effects.
- Since spillover effects are accompanied by many uncertainties and correlation with climate change policies are complex and ambiguous, it should be taken into consideration that spillover effects will occur together with other social and economic factors such as economic trends, difference of development speeds of technologies and economy, change in energy policies, population increase. Therefore, quantitative and definitive assessments are very difficult, and the purpose of consideration should be to share information on measures to respond to spillover effects and best practices and to help prioritize such measures.
- There are spillover effects which include secondary effects (co-benefits) on other areas as a result of climate change measures and effects of mixed consequences resulting from climate change policies. Such complexities and possibilities of figuring out effects should also be noted.
- Possible spillover effects are as follows:
  - (Positive spillover effects)
    - Improvement of other environmental problems (e.g. air pollution) with promotion of low-carbon society
    - Promotion of development and dissemination of technologies and corresponding enhancement of competitiveness
    - Improvement of energy security and lowering of costs as a result of increase of energy efficiency
    - Development of new industries with promotion of low-carbon society and following job creation
  - (Negative spillover effects)
    - Distortion of international trades and investments (including carbon leakages) arising from imposition of obligations to specific countries (obligation of emissions reduction to limited countries)
- Before considering measures against spillover effects, it is necessary to understand overviews of economic and social effects by implementation of climate change policies.

PAPER NO. 3: SAUDI ARABIA

**Saudi Arabia Submission on  
Consideration of information on potential environmental, economic and social  
consequences, including spillover effects, of tools, policies, measures and methodologies  
available to Annex I Parties (AWG-KP)**

The AWG-KP, at its sixth session held in Accra, Ghana in August 2008, invited Parties and relevant organizations to submit to the secretariat, by 3 October 2008, further information on the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties (FCCC/KP/2008/L.10, paragraph 3).

Saudi Arabia welcomes the opportunity to submit its views on this very important subject. 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.

- 1- 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.
- 2- 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.
- 3- In our view, the incorporation of our concerns on spillover effects requires that AWG-KP addresses, along with the future Annex I commitments:
  - The impact of the proposed means and Annex I Parties' policies and measures on Developing Country Parties;
  - Whether there are alternative policies and measures available for Annex I Parties 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 to be provided by Annex I Parties to help minimize the adverse impacts of their policies and measures on Developing Country Parties.
- 4- We think a necessary step towards addressing the issue of spillover effects is the development of appropriate methodologies and criteria to:
  - Assess impacts of response measures.
  - Assess the adequacy and effectiveness of funding, insurance and technology transfer arrangements to minimize these impacts.
  - Enhance reporting, monitoring and verification.