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**Subsidiary Body for Scientific and Technological Advice**

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**Matters relating to Article 2, paragraph 3, of the Kyoto Protocol**

**Subsidiary Body for Implementation**

**Thirty-fourth session**

**Bonn, 6–16 June 2011**

Item X of the provisional agenda

**Synthesis of information and views on issues that could be  
addressed at the joint workshop on matters relating to  
Article 2, paragraph 3, and Article 3, paragraph 14,  
of the Kyoto Protocol**

**Note by the secretariat\***

*Summary*

This document synthesizes information and views submitted by Parties and one organization on issues that could be addressed at the joint workshop on matters relating to Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol. It begins with background details of the negotiations on these Articles. This is followed by suggestions on the planning and organization of the joint workshop as well as specific issues that could be considered at the workshop. General information provided by Parties on these Articles is included in the annex.

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\* This document was submitted after the due date in order to enable the secretariat to include all relevant inputs.

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## I. Introduction

### A. Mandate

1. The Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA), at their thirty-third sessions, invited Parties and relevant organizations to submit to the secretariat, by 21 February 2011, further information and views on issues that could be addressed at the joint workshop<sup>1</sup> on Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol. At the same sessions, the SBI and the SBSTA requested the secretariat to prepare a synthesis report based on these submissions for consideration by the SBI and the SBSTA at their thirty-fourth sessions.<sup>2</sup>

### B. Scope of the note

2. This report synthesizes information and views on issues that could be addressed at the joint workshop, contained in the submissions received from nine Parties, representing the views of 85 Parties, and the submission from a non-governmental organization.<sup>3</sup> The Annex includes general information on matters relating to Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol submitted by Parties and organizations.

### C. Possible action by the subsidiary bodies

3. The SBI and the SBSTA will be invited to consider the information and views contained in this synthesis report, with a view to deciding on the issues that can be addressed at the joint workshop.

## II. Background

4. **Article 2, paragraph 3, of the Kyoto Protocol** requires Parties included in Annex I to the Convention (Annex I Parties) to strive to implement policies and measures under Article 2 in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties and in particular those identified in Article 4, paragraphs 8 and 9, of the Convention. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) may take further action, as appropriate, to promote the implementation of the provisions of Article 2, paragraph 3.

5. At CMP 1, Parties agreed that information on the minimization of adverse impacts in accordance with Article 2, paragraph 3, should be reported as supplementary information in the national communications of Annex I Parties.<sup>4</sup> A number of Annex I Parties submitted information related to Article 2, paragraph 3, in their fifth national communications.

6. **Article 3, paragraph 14, of the Kyoto Protocol** requires each Annex I Party to strive to implement the commitments mentioned in Article 3, paragraph 1, in such a way as

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<sup>1</sup> FCCC/SBI/2010/27, paragraph 124, and FCCC/SBSTA/2010/13, paragraph 105.

<sup>2</sup> FCCC/SBI/2010/27, paragraphs 125 and 126, and FCCC/SBSTA/2010/13, paragraphs 106 and 107.

<sup>3</sup> The submissions from Parties are contained in document FCCC/SB/2011/MISC.1. The submission from a non-governmental organization is available at <<http://unfccc.int/3689.php>>.

<sup>4</sup> Decision 15/CMP.1, annex, paragraphs 28 and 36.

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. In line with relevant decisions of the Conference of the Parties (COP) on the implementation of those paragraphs, the CMP, at its first session, was to consider what actions would be necessary to minimize the adverse effects of climate change and/or the impacts of response measures on Parties referred to in those paragraphs. The issues to have been considered included the establishment of funding, insurance and transfer of technology.

7. Decision 15/CMP.1 requires each Annex I Party to provide supplementary information as part of its annual greenhouse gas inventory relating to how it is striving to minimize the impacts mentioned in Article 3, paragraph 14, and to incorporate information on its actions to minimize these impacts.<sup>5</sup> At the workshop prior to CMP 2, those actions were to have been identified, based on methodologies that were to have been developed. It is mandatory for Annex I Parties that are Parties to the Kyoto Protocol to report this information as of 2010.<sup>6</sup>

8. Matters relating to these two Articles have been negotiated for over 10 years. Despite agreement having been reached at COP 7 as to what action should be taken,<sup>7</sup> Parties have not yet agreed on how to move forward.

9. After many sessions of negotiations, Parties agreed at the thirty-third sessions of the subsidiary bodies to hold a joint workshop to discuss relevant issues with a view to reaching a common understanding on the way forward.

### **III. Synthesis of information and views**

#### **A. Planning and organization of the joint workshop**

10. One Party suggested that participants and experts at the workshop should come from a wide range of sectors and organizations, including the Caribbean Community Climate Change Centre, the Caribbean Tourism Organization, Climate Analytics, the Council of Regional Organisations in the Pacific, Ecofys, the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency, the London School of Economics and Political Science, Oxford Climate Policy, the Stockholm Environment Institute, the United Nations International Strategy for Disaster Reduction and the World Bank.

11. Regarding the planning and organization of the joint workshop, Parties suggested practical options, including:

(a) Holding the workshop at a location and time that allows for maximum participation, particularly by developing country Parties, least developed countries (LDCs) and small island developing States (SIDS). Any organization or Party that expresses an interest in the workshop should be included, and participation should represent a balance of developing and developed country Parties. It should incorporate a wide range of views, including from relevant intergovernmental and civil society organizations and scientific, economic, financial and private-sector experts, and should recognize the need for gender equality and participation by women and indigenous peoples;

(b) Endeavouring to hold the workshop at the minimum possible cost. This could be done by holding it during, or immediately after, the thirty-fourth sessions, or immediately before the thirty-fifth sessions, of the subsidiary bodies. In order to leverage

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<sup>5</sup> Decision 15/CMP.1, annex, paragraphs 2, 23 and 24.

<sup>6</sup> Decision 9/CP.7, which became decision 31/CMP.1 after the Kyoto Protocol came into force.

<sup>7</sup> Decision 9/CP.7, which became decision 31/CMP.1 after the Kyoto Protocol came into force.

work undertaken under other Convention bodies, the workshop should be held in conjunction, or back-to-back, with the workshop to identify challenges and gaps in the implementation of risk management approaches to the adverse effects of climate change,<sup>8</sup> which was mandated by the SBI at its thirty-third session;

(c) Making efforts to hold these workshops in such a way that their outcomes provide input into the forum on the impact of the implementation of response measures, to be held at the thirty-fourth and thirty-fifth sessions of the subsidiary bodies. This would allow for well-structured consideration of the related issues.

## **B. Issues to be considered at the joint workshop**

12. A range of issues for discussion at the joint workshop was proposed by Parties, including on: the adverse effects of climate change; sharing information to enhance understanding; a process to implement Article 3, paragraph 14; possible adverse effects on international trade; research and assessment; enhancing support to developing country Parties; and enhancing reporting and verification. In undertaking this work, it was suggested that a scientific approach be adopted in the workshop, in order to better understand the possible adverse impacts of response measures.

### **1. Adverse effects of climate change**

13. As Article 2, paragraph 3, and Article 3, paragraph 14, require Annex I Parties to strive to minimize the adverse effects of climate change, one Party expressed the need to strengthen the capacities of relevant agencies in developing countries to address the impacts of floods, droughts, etc. The same submission also proposed that the effects on the health sector be addressed in the joint workshop, by assessing health vulnerabilities to climate change, building capacity to reduce such vulnerabilities, and providing assistance in upgrading and extending disease outbreak monitoring and forecasting systems. Another Party, however, mentioned that the issue of the adverse effects of climate change should be addressed separately from the issue of the social, environmental and economic impacts of response measures.

### **2. Sharing information to enhance understanding**

14. The majority of Parties felt that enhanced understanding is essential in order to inform and improve efforts, including the planning efforts of Annex I Parties as they prepare and strive to implement policies and measures in such a way as to minimize adverse impacts.

15. Therefore, a number of Parties mentioned that the aim of the joint workshop should be to facilitate the exchange of information and sharing of views among all Parties, including on:

(a) Efforts already undertaken, and possible future activities, to minimize adverse impacts. A few Parties felt that important measures are already being undertaken, including through impact assessments and responding to needs and concerns arising from the implementation of response measures, where they are known. One Party proposed that the discussion should draw on information contained in Annex I Parties' fifth national communications, among other sources;

(b) The potential and observed impacts (both positive and negative) of Annex I Parties' measures to mitigate climate change on developing country Parties, in particular LDCs and SIDS, and the process for assessing these measures;

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<sup>8</sup> FCCC/SBI/2010/27, paragraph 86.

(c) Risk modelling with regard to the costs of increased incidence of extreme weather conditions for economies that are reliant on fossil fuel based industries, and to the potential economic impacts on fossil fuel import based economies from mitigation policies and measures;

(d) Possible measures and actions available to Annex I Parties for minimizing the impacts, taking into account the national circumstances of developing country Parties;

(e) The role of the Convention process in informing Parties about response measures that have been implemented by some countries based on their own 'carbon footprint' measurement;

(f) Identification of institutions with experience and knowledge of costs borne by developing country Parties associated with standards imposed by Annex I Parties on products.

16. Two Parties called for specific presentations to be made with a view to helping Parties to get a better understanding of what information is currently available and where gaps exist. These presentations should be on:

(a) Information provided by Annex I Parties in their fifth national communications, including a summary of reporting requirements and the gaps in reporting;

(b) The UNFCCC portal on modelling tools to assess the impact of the implementation of response measures.<sup>9</sup>

### **3. A process to implement Article 3, paragraph 14**

17. One Party recalled decision 31/CMP.1, which provides for a process to implement Article 3, paragraph 14. The Party expressed concern about the lack of progress in such implementation and suggested that the process should include:

(a) The development of methodologies for assessing adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4, paragraphs 8 and 9, of the Convention;

(b) The development of a methodology for reporting information on actions to minimize the adverse impacts of response measures, in particular actions related to the areas listed in paragraph 8 of decision 31/CMP.1. A common reporting methodology guided by transparency, consistency, comparability, completeness and accuracy would be very useful;

(c) The engagement of the IPCC in the development of guidelines to assist in determining whether or not Annex I Parties are striving to minimize the adverse effects of response measures on developing country Parties.

### **4. Possible adverse effects on international trade**

18. Some Parties highlighted the need to address the observed and potential negative effects on international trade in developing countries due to actions taken by Annex I Parties. One Party suggested that there should be coordination between the work undertaken under the Convention and that undertaken by the World Trade Organization. Another Party called for consideration of the costs that developing country Parties have to bear when meeting standards imposed by developed countries on certain products in the context of response measures.

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<sup>9</sup> <<http://unfccc.int/5112.php>>.

19. In its submission, a non-governmental organization mentioned that certain emissions trading schemes might affect trade adversely in some Parties, particularly developing country Parties, thus impairing economic and social development. It therefore advised Parties to study and discuss the issue of the allocation of emission permits free of charge in emissions trading schemes and to set up a process for developing guidelines in this regard.

**5. Research on and assessment of matters related to Article 2, paragraph 3, and Article 3, paragraph 14**

20. A Party called for the joint workshop to address detailed information and research results on the adverse impacts on developing countries of mitigation measures implemented by developed countries. Another called for an assessment of climate change impacts on the physical, chemical, biological and financial aspects of agricultural production systems in all agroecological zones of the most vulnerable countries.

21. Another Party proposed an assessment of the mitigation actions proposed by Annex I Parties, including their policies and measures, with a view to determining whether there are alternative policies and measures available to Annex I Parties that achieve the same mitigation effects but are associated with lower impacts on developing country Parties.

**6. Enhancing support to developing country Parties**

22. The importance of establishing support mechanisms for developing countries in order for them to deal with the adverse impacts of response measures was emphasized as an important issue for consideration at the joint workshop. Parties reiterated the provisions of Article 3, paragraph 14, which stipulate that insurance, transfer of technology and capacity-building need to be considered. One submission called for a discussion on the needs of LDCs and SIDS in addressing the impacts of response measures.

23. One Party mentioned that there is consensus that certain countries are particularly vulnerable to the impacts of the implementation of policies and measures. In order to address this vulnerability the Party suggested that the joint workshop should address how best to assist the poorest and most vulnerable countries, including LDCs and SIDS. Some submissions highlighted the special difficulties of countries whose economies are particularly dependent on fossil fuel production, use and export. Others pointed out that wider economic and political factors also play a role in the vulnerability of social and economic sectors, and should not be overlooked.

24. Parties proposed that the joint workshop should address how best to assist countries to diversify their economies and build economic resilience in order to minimize the negative impacts and maximize the positive impacts of response measures, with a focus on: the poorest and most vulnerable countries, including LDCs and SIDS; developing countries that are highly dependent on the export and consumption of fossil fuels; countries with limited natural resources and capacity to address the negative impacts; remote and isolated communities, and those with economies that are very sensitive to climate change.<sup>10</sup>

25. One Party mentioned that developing countries need support and assistance from Annex I Parties to utilize modelling approaches for assessing the impacts of the implementation of response measures.

**7. Enhancing reporting and verification**

26. Some Parties felt that reporting by Annex I Parties on their commitments under Article 2, paragraph 3, and Article 3, paragraph 14, needs to be enhanced as a matter of

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<sup>10</sup> Such economies mentioned in submissions include those based on tourism, sugar, fisheries and inter-island transportation.

urgency; reporting on these commitments is currently through supplementary information in accordance with Article 7 of the Kyoto Protocol. The need to incorporate this reporting into national communications guidelines for Annex I Parties was therefore highlighted as a suitable topic for consideration. One submission suggested that a discussion was needed on how developing country Parties are reporting on their progress in reducing emissions.

27. Another submission mentioned that reporting on the impacts of response measures on developing country Parties should be improved, and that the use of existing channels should be discussed in this regard. It added that such reporting needs to look particularly at what developed countries are doing to take into account the needs of SIDS and LDCs in addressing the impacts of response measures.

28. In the context of Article 2, paragraph 3, one submission called for enhanced monitoring and verification, particularly of the assessments made, the models and tools used by Annex I Parties, and the support provided to developing countries to cope with the adverse impacts of the mitigation policies and measures. It also suggested that, in terms of Article 3, paragraph 14, a process to set up a comprehensive framework to assess, insure and monitor compliance is needed.

## Annex

### **General information on matters relating to Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol submitted by Parties and an organization**

#### **1. References to the Convention and the Intergovernmental Panel on Climate Change**

1. Some Parties reiterated the provisions and commitments under Article 2, paragraph 3, and Article 3, paragraph 14, of the Kyoto Protocol for Parties included in Annex I to the Convention (Annex I Parties) to minimize the adverse effects of their mitigation policies and measures on developing country Parties and particularly those identified in Article 4, paragraphs 8 and 9, of the Convention. One Party recalled the preamble to the Convention and Article 4, paragraph 7, of the Convention, which stipulate that economic and social development and poverty eradication are the first and overriding priorities of developing country Parties.

2. One Party referred to the estimated impacts, contained in the contribution of Working Group III to the Third Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), *Climate Change 2001: Mitigation*,<sup>1</sup> and in other sources, that it would experience as a result of the policies and measures adopted by Annex I Parties in meeting their Kyoto Protocol commitments. The findings indicated possible reductions in the country's gross domestic product and oil revenues, compared with those under 'business as usual' projections, of 0.05–13 per cent and 0.2–25 per cent with emissions trading and with no trading, respectively, by Parties to the Convention that are also Parties to the Kyoto Protocol with commitments inscribed in Annex B to the Kyoto Protocol. Modelling results suggested that under the three scenarios 'no flexibility', 'tax cut' and 'flexibility with clean development mechanism' this Party's exports of oil would decrease during 2010–2030 by 10 per cent, 5 per cent and 6 per cent, respectively, compared with 'business as usual'. Its oil revenue loss was estimated to be USD 200–800 million annually, depending on whether or not carbon trading with the clean development mechanism was to be implemented.

#### **2. Linking the discussions at the joint workshop with other relevant work under the UNFCCC process**

3. Some Parties reiterated the need to coordinate the negotiations on these Articles with work being carried out by other bodies under the Convention and its Kyoto Protocol. This would ensure maximum efficiency and coherency across negotiating streams; it would also ensure that the work would be carried out under the bodies best suited to such work and that joint work programmes would be taken into consideration where appropriate, given that the Cancun Agreements (decisions 1/CP.16, 1/CMP.6 and 2/CMP.6) delivered a balanced package of tasks across all UNFCCC bodies. The discussions on decision 1/CP.10 and the proposed workshop to identify challenges and gaps in the implementation of risk management approaches to the adverse effects of climate change,<sup>2</sup> which was mandated by the Subsidiary Body for Implementation at its thirty-third session, as well as the forum on the impact of the implementation of response measures to be organized at the thirty-fourth and thirty-fifth sessions of the subsidiary bodies, are examples of work that could be coordinated with the joint workshop.

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<sup>1</sup> Metz B, Davidson OR, Swart R and Pan J (eds.). 2001. *Climate Change 2001: Mitigation. Contribution of Working Group III to the Third Assessment Report of the Intergovernmental Panel on Climate Change*. Cambridge: Cambridge University Press.

<sup>2</sup> FCCC/SBI/2010/27, paragraph 86.

4. The Parties that suggested the need for enhanced coordination of the discussions on response measures pointed out that in all cases the contexts are related. They mentioned that the discussions on decision 1/CP.10 have so far focused on the needs and concerns arising from the impacts of the implementation of response measures, while those on Article 2, paragraph 3, and Article 3, paragraph 14, address efforts to implement commitments under the Protocol in such a way as to minimize adverse effects.

### **3. The needs and concerns related to the global transition to a 'green' economy**

5. A few Parties drew attention to the need for all countries to take part in the global transition to a low greenhouse gas emitting economy in order to tackle climate change, as this could present an opportunity for countries to follow a clean development path and implement sustainable policies while at the same time addressing climate change. One Party mentioned the need for congruency between the transition and sustainable development processes in all countries. Another submission emphasized the need for tools, policies and measures used by Annex I Parties to promote cleaner fuels and technologies, thus yielding win-win sustainable development benefits alongside climate change mitigation. The use of combined cycle gas turbines for electricity and heat production was mentioned as an example of desirable measures.

6. One Party, however, pointed out that transiting to 'green' economies will be achieved only gradually. The same Party highlighted the findings of the IPCC Fourth Assessment Report, which confirmed the existence of significant market and economic mitigation potential that could be utilized by Annex I Parties through energy conservation and efficiency, switching from fossil fuels to lower-carbon fuels, carbon dioxide capture and storage, and flexibility mechanisms. A number of these mitigation opportunities could be undertaken at no net cost. In the same submission, it was pointed out that energy policies and measures selected by Annex I Parties to lower their carbon emissions and mitigate climate change must be based on the carbon content of the fuels.

7. Furthermore, the Party agreed that there is a need to discontinue the policies in Annex I Parties that enforce preferential subsidies, fiscal incentives, and tax and duty exemptions for selected energy sources. This would help to remove economic distortions in the domestic energy market.

8. It was also noted that some countries might have concerns about the economic and social challenges of the transition, owing to inequalities in their ability to meet these challenges.

### **4. Positive impacts of the implementation of response measures**

9. One Party mentioned that besides negative impacts, there may also be some ancillary positive potential impacts of the implementation of response measures, and that in the light of the vital importance of reducing emissions in an environmentally sound manner, knowledge of these potential positive impacts is important for national decision-making as well as international policy considerations. The Party gave the following examples:

(a) Increased use of alternative and renewable energy resulting in a lower economic impact as a result of reduced vulnerability to fossil fuel price fluctuations;

(b) Reduced atmospheric pollution, which affects respiratory health and can cause various diseases;

(c) Development of innovative disaster management options, including self-sufficiency and local provision of energy needs in the face of the extreme events that frequently affect infrastructure for delivering fossil fuel energy.