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**Item 7 of the provisional agenda**

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

**Progress on the implementation of decision 1/CP.10**

**Synthesis of available information related to the impacts of response  
measures under decision 1/CP.10, paragraph 20**

**Note by the secretariat\***

*Summary*

This synthesis report contains information from the compilation and synthesis of national communications of both Parties included in Annex I to the Convention and Parties not included in Annex I to the Convention, related to the impacts of response measures and the implementation of decision 5/CP.7.

\* This document was submitted late because it includes information that was not available earlier.

## CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
I. INTRODUCTION .....	1-3	3
A. Mandate .....	1	3
B. Scope of the note .....	2	3
C. Possible action by the Subsidiary Body for Implementation..	3	3
II. REVIEW OF AVAILABLE INFORMATION .....	4-29	3
A. Information from Parties not included in Annex I to the Convention.....	4-8	3
B. Information from Parties included in Annex II to the Convention.....	9-29	4

## **I. Introduction**

### **A. Mandate**

1. The Conference of the Parties (COP), by its decision 1/CP.10, paragraph 20, requested the Subsidiary Body for Implementation (SBI) to consider, at its twenty-seventh session, available compilation and synthesis reports<sup>1</sup> of national communications of both Parties included in Annex I to the Convention (Annex I Parties) and Parties not included in Annex I to the Convention (non-Annex I Parties) in relation to the impacts of response measures and the implementation of decision 5/CP.7.

### **B. Scope of the note**

2. The note contains information from the compilation and synthesis of the national communications of Annex I Parties and non-Annex I Parties. The report also contains information from other sources, including the report of the Global Environmental Facility (GEF)<sup>2</sup> to the COP and information from the Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD–DAC).<sup>3</sup> This document has been prepared to facilitate discussions in accordance with decision 1/CP.10, paragraph 20.

### **C. Possible action by the Subsidiary Body for Implementation**

3. The SBI may wish to take into account the information provided in this synthesis report together with the documents listed in the conclusions on this matter contained in paragraph 67 and annex III of document FCCC/SBI/2007/15 when considering the progress in the implementation of decision 1/CP.10, with a view to considering what further actions may be required by the COP at its thirteenth session.

## **II. Review of available information**

### **A. Information from Parties not included in Annex I to the Convention**

4. Decision 5/CP.7 encourages 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. All the national communications from non-Annex I Parties were examined for this information, and the results are provided in the following paragraphs.

5. The national communication of the Islamic Republic of Iran presents modelling results that predict revenue losses from oil sales under a number of different scenarios. Under a scenario that includes the application of the Kyoto Protocol flexibility mechanisms, but in which the United States of America is not participating, world crude oil prices are estimated to drop by 3.54 per cent from the baseline, meaning a loss of revenue of USD 900 million in 2010. The model also predicts a number of adverse impacts on terms of trade, including higher priced imports from Parties included in Annex B to the Kyoto Protocol (Annex B Parties) due to higher energy prices.

6. Saudi Arabia presents modelling results estimating that the impact of the response measures of Annex B Parties up to 2030 would result in damages to its economy with a present value of between USD 100 and 200 billion. It argues that the Saudi Arabian economy is particularly vulnerable in this respect, given the country's undiversified industrial base.

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<sup>1</sup> FCCC/SBI/2003/7, FCCC/SBI/2005/18 and FCCC/SBI/2007/INF.6.

<sup>2</sup> Included in document FCCC/CP/2006/3.

<sup>3</sup> <<http://www.oecd.org/dataoecd/17/42/36805328.xls>>.

7. South Africa notes that the ultimate impacts of the response measures of Annex B Parties are still unknown, and that research into their nature is ongoing. It predicts a drop in coal exports to Annex I Parties (80 per cent of its current markets), which would have a significant effect in a country that in 2000 was the world's second largest exporter of coal.

8. The United Arab Emirates argues that a broad number of studies are in agreement as to the negative impacts that the response measures of Annex I Parties will have on countries that are highly dependent on oil revenue, such as the United Arab Emirates. It draws on the Third Assessment Report of the Intergovernmental Panel on Climate Change and cites a number of actions on the part of Annex I Parties that could lessen those impacts, including removal of oil subsidies, structuring energy taxes such that they are based on carbon content, and increased use of natural gas.

## **B. Information from Parties included in Annex I to the Convention**

9. Paragraphs 22–29 of decision 5/CP.7 address a number of measures to support responses to the impact of the implementation of response measures. This section includes information relating to these measures as provided in the national communications. Other possible support measures mentioned in the information provided were also taken into account to ensure that relevant information not covered by those categories is considered. Almost all Parties included in Annex II to the Convention reported on their contributions to multilateral agencies that work toward objectives related to the provisions of decision 5/CP.7.<sup>4</sup>

### 1. National and regional initiatives

10. A number of Annex II Parties reported that they are undertaking research and development related to the technologies mentioned in decision 5/CP.7, paragraph 26.

11. Canada described the efforts of one of its governmental centres in private-sector technology transfer to developing countries, and its role in fostering the transfer of clean coal technology to China. It also described the efforts of a public–private partnership aimed at developing and demonstrating late-stage technology development in areas with greenhouse gas (GHG) reduction potential, and its role in converting buses in Delhi and Mumbai to run on compressed natural gas. The European Community described an initiative – the EU–China Partnership on Climate Change – involving technology cooperation on a number of fronts. One of those is carbon capture and storage (CCS), where the partnership has an objective to develop and demonstrate a zero-emissions coal-fired electricity generation plant that makes use of CCS technology. The United Kingdom of Great Britain and Northern Ireland reported on its leading role in undertaking a feasibility study under this Partnership, for which it has contributed 3.5 million pounds sterling, with the aim to have a CCS pilot project running by 2020.

12. France reported that its French Fund for the Global Environment (FFEM) provides support in the area of CCS. While the FFEM funds are disbursed worldwide, there is no specific breakdown available of the recipient countries involved in this project initiative.

13. Norway mentioned its involvement in gas-flaring reduction projects in the Islamic Republic of Iran and Nigeria, and its cooperation with the World Bank on the Global Gas Flaring Reduction Public-Private Partnership.

14. The United States of America described its US/China Energy and Environmental Technology Center initiative. It reported that it spent approximately USD 2 million in 2004–2005 fostering

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<sup>4</sup> While the provisions of decision 5/CP.7, paragraph 20, refer to information from Annex I Parties, this section focuses on Annex II Parties given their commitment to provide support to developing country Parties in accordance with Article 4, paragraphs 3–5, of the Convention.

private-sector technology transfer, particularly in the area of clean coal technologies, under this initiative. The United States also describes its substantial financial support of the Methane to Markets Partnership initiative (USD 53 million over five years), which fosters international partnerships to collaborate on reducing methane emissions from a variety of sources, including the oil and gas sector. Members of the Partnership include a number of developing countries and countries with economies in transition.

15. Several Annex II Parties described in their national communications initiatives related to cooperation with developing country Parties in the development, production, distribution and transport of indigenous, less GHG-emitting, environmentally sound, energy sources, including natural gas (decision 5/CP.7, para. 28). Australia suggested that the Asia-Pacific Partnership on Clean Development and Climate provides a good opportunity for bilateral and multilateral cooperation on clean energy development, including in the areas of clean coal, natural gas, methane capture and use, nuclear power and bioenergy.<sup>4</sup>

16. The European Community reported that its SYNERGY energy policy programme has supported a number of initiatives, including evaluation of the potential for the production and use of natural gas in the Philippines.

17. Almost all Annex II Parties reported in their national communications activities in the area of support for research into, and the development and use of, renewable energy, including solar and wind energy (decision 5/CP.7, para. 29). Each reported, at the outset, its official development assistance flows earmarked for the energy sector; however, none of these flows was disaggregated in such a form as to allow analysis of what percentage is devoted to renewable energy support. Similarly, most Parties reported initiatives being pursued or planned for the development and use of renewable energy in developing countries.

18. The survey undertaken for this synthesis report could not adequately describe the full range of activities reported outside the UNFCCC process that might be taken as fulfilment of the commitment by Annex II Parties to provide support for research into, and the development and use of, renewable energy. However, two organizations are mentioned in particular, in more than one national communication, as having had renewable energy projects in developing countries:

- (a) The World Bank Group recorded a total investment for renewable energy and energy efficiency projects in 2006 of USD 871 million, a figure that meets a target for 20 per cent growth in this portfolio between 2005 and 2009. This represents 37 per cent of investments by the World Bank Group in the power sector, and 20 per cent of its investments in the energy sector. Of this total of USD 871 million, USD 190 million was earmarked for new renewable energy projects;
- (b) The Renewable Energy and Energy Efficiency Partnership (REEEP) is a public-private partnership with over 200 partners. Of the 36 national partners, 15 are Annex II Parties, most of which provide funds for the initiative. The work of REEEP is focused on promotion of renewable energy and on energy efficiency in developing countries. Its current round of projects will receive funding of EUR 3.2 million.

## 2. Contributions to multilateral institutions and programmes

19. As well as describing their bilateral or regional initiatives, national communications contain information on the contributions made by each Annex II Party to the GEF. The national communications do not, however, disaggregate the contributions in enough detail to allow analysis of which particular

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<sup>4</sup> Other members of the partnership are: China, India, Japan, Republic of Korea and the United States of America.

objectives of decision 5/CP.7 an individual country has contributed to. But at an aggregate level it is possible to describe the activities supported by the GEF as they relate to those objectives.

20. In its report to the COP at its twelfth session,<sup>5</sup> the GEF provided details on its support to the climate change focal area, which amounted to USD 358.1 million in the period from September 2005 to August 2006. As regards the impact of the implementation of response measures, according to the GEF much of its assistance for renewable energy projects has supported research and development and use of renewable energy, highlighting opportunities for diversification of sources of energy. During the reporting period, the GEF provided USD 123 million for 18 renewable energy projects, which could be considered to fall under the commitment under decision 5/CP.7, paragraph 29.

21. Several Parties reported their contributions to the Special Climate Change Fund (SCCF). According to decision 7/CP.7, the SCCF should be used to fund activities, programmes and measures in adaptation; transfer of technologies; energy, transport, industry, agriculture, forestry and waste management; and economic diversification. Decision 1/CP.12 operationalized funding for these areas under the SCCF. Some of these activities will be relevant to efforts aimed at combating the adverse impacts of the implementation of response measures, as required by decision 5/CP.7, paragraphs 22–29.

22. Contributions to other multilateral institutions and programmes are also described in the national communications of Annex II Parties. Several countries highlight their contributions to the International Energy Agency, and one reports contributions to the Cleaner Production programme of the United Nations Industrial Development Organization. Almost all of the national communications of Annex I Parties report total contributions to other institutions, including the World Bank, International Finance Corporation, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, United Nations Development Programme and United Nations Environment Programme.

### 3. Limitations to the survey

23. The examination of national communications revealed wide disparities in the reporting of the various types of support measures envisioned in decision 5/CP.7. Considerable information was provided on support for renewable energy in particular, and some reporting related to lowering GHG emissions from conventional energy sources, including by means of CCS.

24. As several Parties pointed out in their national communications, it is difficult, in some cases, to judge which development support measures are climate-change related, and which are related to particular reporting requirements. Some Parties used the DAC Rio Markers<sup>6</sup> aid assessment system of the OECD–DAC to evaluate their support activities in relation to Convention objectives; others did not. In a similar way, it may be difficult to judge which activities constitute an implementation of the relevant provisions of decision 5/CP.7. For example, a number of bilateral programmes of Annex II Parties which are in progress aim to diversify the economies of countries that are highly dependent on fossil fuel exports. These are not reported but could be as relevant as many of the policies cited in the national communications.

### 4. Efforts to minimize the impacts of response measures

25. Several Parties reported efforts to minimize adverse impacts of the implementation of response measures. Denmark indicated that its activities in mitigation will contribute to addressing climate change, thus helping to avoid adverse impacts of climate change itself in vulnerable developing countries.

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<sup>5</sup> FCCC/CP/2006/3.

<sup>6</sup> See the OECD Development Database on Aid Activities: CRS online, at <[www.oecd.org](http://www.oecd.org)>.

26. The European Community suggested that a number of inherent characteristics of the Kyoto Protocol lead to minimization of adverse impacts from response measures. These include:
- (a) Its coverage of six gases (i.e. not just carbon dioxide) and all sectors. This encourages reductions in GHGs where they are most economically efficient and least economically damaging, and avoids penalizing any one source of GHG emissions;
  - (b) Its inclusion of the flexibility mechanisms, which increase the sectoral coverage by making its scope international. The result is to minimize the adverse impacts of response measures by finding the most efficient means of mitigation;
  - (c) The technology transfer elements involved in the clean development mechanism (CDM) and joint implementation (JI), by which mitigation efforts benefit developing countries identified in Article 4, paragraphs 8 and 9, of the Convention;
  - (d) The obligations in Articles 10 and 11 of the Kyoto Protocol for cooperation among Parties on technology transfer, research, capacity-building and financial support.
27. Greece reported its strategy for minimizing adverse impacts of its climate change policies and measures on other Parties, and in particular on developing countries. First, the Party will take a broad approach that covers multiple gases. Second, Greece will participate in the European Union emissions trading scheme, widening its scope for reduction measures to a wide array of sectors. Third, it notes the benefits its mitigation efforts might have on developing countries through the CDM and JI mechanisms.
28. Portugal also pointed to the coverage of the six gases under the Kyoto Protocol, and its broad portfolio of instruments and its broad sectoral coverage. It noted that although policies such as diversifying into natural gas as a fuel source might harm some Parties that export competing fuels, they will benefit Parties that export natural gas.
29. The United Kingdom reported that it has carried out research to determine the extent of any adverse impacts of its response measures, but did not describe the research. Actions that the Party is taking to minimize those impacts include the use of carbon trading, and its initiatives on mitigation through the use of CCS and sinks.

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