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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Eighth session

Bonn, 2-12 June 1998

Agenda items 6 (b) and (c) and 8 (b) to (d)

SUBSIDIARY BODY FOR IMPLEMENTATION

Eighth session

Bonn, 2-12 June 1998

Agenda item 8 (b) to (d)

PREPARATORY WORK NEEDED FOR THE FOURTH SESSION OF THE
CONFERENCE OF THE PARTIES ON THE ITEMS LISTED IN
DECISION 1/CP.3, PARAGRAPH 5

Submissions by Parties

Addendum

1. In addition to the submissions already received and contained in documents FCCC/SB/1998/MISC.1 and Add. 1, 2 and 3, one further submission has been received.
2. In accordance with the procedure for miscellaneous documents, this submission is attached and reproduced in the language in which it was received and without formal editing.

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PAPER NO.1: ICELAND

IMPACT OF SINGLE PROJECTS ON EMISSIONS IN SMALL ECONOMIES
Decision 1/CP.3, paragraph 5 (d)

Response by Iceland to issues raised by delegations on 4 June 1998

1. The impact of single projects on emissions is item 6 (c) on the agenda of SBSTA. This issue originates from paragraph 5 (d) in Decision 1/CP.3, which acknowledged the problems associated with the impact of single projects on emissions in small economies. This decision calls for the Fourth Conference of the Parties to consider and, as appropriate, take action on suitable methodologies to address the situation of Parties listed in Annex B of the Protocol, for whom single projects would have a significant proportional impact on emissions in the commitment period.
2. Iceland has presented a discussion paper on the issue (FCCC/SB/1998/MISC.1/Add.2). Under agenda item 6 (c) Iceland made a statement.
3. Five Parties took part in the initial deliberation of SBSTA on this agenda item following the statement by Iceland: Belize (on behalf of AOSIS), Australia, USA, United Kingdom (on behalf of the EU and its Member States) and Switzerland. The chair of SBSTA asked Iceland to provide answers to the questions raised by Parties.
4. Belize stated that AOSIS was concerned that single project exceptions could create loopholes unless narrowly defined and that they would need time to evaluate the proposal made by Iceland. This concern of AOSIS is fully shared by Iceland and has guided its efforts to narrow the suggested provision as much as possible without making it unduly complicated. Effective narrowing criteria are included in the proposal by Iceland. This can be supplemented by adding an explicit definition of small economies and limit the provision to Parties for which total emissions were less than 0.05% of total Annex I emissions in 1990.
5. Australia pointed out that opportunities on a project-by-project basis to reduce global emissions need to be taken seriously. They pointed out that investment in greenhouse-friendly projects could be discouraged or precluded by an emissions cap on a country, resulting in continued production in high emissions plants located elsewhere. Australia called for debate on the proposal from Iceland to allow for a decision to be taken at COP-4. The problem identified by Australia is very real and can be substantiated by examples from Iceland.
6. The US called for additional information on the particular situation of Iceland to facilitate understanding of their concern and asked for the text of Iceland's statement to be made available. Key statistics on the emissions of Iceland and the impacts of foreseeable projects are to be found in Appendix 1 to this document.

7. The US suggested that a possible provision to address the problem would only apply to the extent that the projects would cause the Party to exceed its assigned amount. Iceland considers this a useful additional feature in the design of the provision and an effective way of preventing a Party, making use of this provision, from transferring any of its assigned amount to other Parties.

8. The EU recalled the existence of flexibility mechanisms and AOSIS asked why Iceland could not solve its problem through flexibility mechanisms such as the CDM. Iceland responded by stating that it was committed to developing and using flexibility mechanisms but that the scale of the problem was such that it seriously limits the possibility of solving the problem through the flexibility mechanisms. As pointed out by the EU and the US, COP-3 decided that COP-4 should look at the problem of single projects after the assigned amount for Iceland had been set in Annex B to the Kyoto Protocol and the provisions for flexibility mechanisms defined in the Protocol.

9. The EU pointed out that the meaning of “single projects” and “significant proportional impact” would need careful definition to avoid the creation of loopholes. Iceland agrees with this and has suggested ways to make these terms operational (see discussion paper). EU stated they would study this and other proposals.

10. Switzerland stated that it would not accept a separate process of assessment for unforeseeable events. Iceland fully agrees with Switzerland in this regard but maintains that the problems of the impact of single projects on emissions are entirely foreseeable. In the particular case of Iceland, this problem has been identified from the beginning and addressed in national communications and the in-depth review of the first national communication. The treatment of single projects needs to be transparent and information on projects to be reported separately should be made a priori.

Appendix 1

I. Basic Statistics on Emissions from Iceland

Total greenhouse gas emissions in 1990:
(in million tonnes of CO₂ equivalents)

-	CO ₂	2.147
-	CH ₄	0.294
-	N ₂ O	0.127
-	HFC	0
-	PFC	0.296
-	SF ₆	0.005

Total emissions 2.869 million tonnes

CO₂ source categories (1990):
(in million tonnes of CO₂)

-	Transport	0.721	(33.6%)
-	Fishing vessels	0.655	(30.5%)
-	Industry	0.243	(11.3%)
-	Industrial processes	0.390	(18.2%)
-	Other	0.137	(6.4%)

Total CO₂ emissions 2.147 million tonnes

II. Population

1990	254,788
1995	267,380
2010 (projected)	297,593

Projected increase from 1990 to 2010: 16.8%

III. Projects in power intensive industries in Iceland after 1990

Project	Annual production (tonnes)	Projected annual emission during the 1 st comm. period (CO ₂ eqv.)	% of total GHG emissions in 1990
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On-going projects:			
Enlargement of an aluminium smelter	112,000 (88,000 to 200,000)	0.202 mill. tonnes	7.0
Enlargement of a ferrosilicium plant	90,000 (63,000 to 153,000)	0.315 mill. tonnes	11.0
An aluminium smelter	180,000	0.324 mill. tonnes	11.3

Possible projects before the first commitment period ¹			
An aluminium smelter	480,000	0.864 mill. tonnes	30.1
A magnesium plant	50,000	0.340 mill. tonnes	11.9

¹ These projects are in the planning stage and are pending environmental impact assessment. Decision on them will depend on the outcome of these and other considerations.