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SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Tenth session

Bonn, 31 May - 11 June 1999

Item 5 (c) of the provisional agenda

## **METHODOLOGICAL ISSUES**

### **OTHER MATTERS**

#### **Analyses of the information provided by the delegation of Iceland**

##### **Submissions from Parties**

##### **Note by the secretariat**

1. At its ninth session, the Subsidiary Body for Scientific and Technological Advice (SBSTA) took note of the information provided by the delegation of Iceland, including information provided during the session in response to questions from three Parties, one acting on behalf of the European Community and its member States and one on behalf of the Alliance of Small Island States (see FCCC/CP/1998/MISC.11 and Add.1). The SBSTA invited Parties to consider the responses of the delegation of Iceland and to submit their analyses of that information to the secretariat by 1 March 1999 for compilation into a miscellaneous document (FCCC/SBSTA/1998/9, para. 42 (a)).
2. Two submissions have been received.\* In accordance with the procedure for miscellaneous documents, these submissions are attached and are reproduced in the language in which they were received and without formal editing.

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\* In order to make these submissions available on electronic systems, including the World Wide Web, these contributions have been electronically scanned and/or retyped. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

**FCCC/SBSTA/1999/MISC.3**

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PAPER NO. 1: CANADA

**CANADA'S SUBMISSION TO THE FCCC SECRETARIAT ON THE IMPACT OF SINGLE PROJECTS ON EMISSIONS IN THE COMMITMENT PERIOD**

CONTEXT

It is useful to remind Parties of the origin of this important issue. Decision 1/CP.3 of the Kyoto Protocol includes the following mandate for the Conference of the Parties:

*Consideration or, and, as appropriate, action on suitable methodologies to address the situation of Parties listed in Annex B to the Protocol for which single projects would have significant proportional impact on emissions in the commitment period.*

In Buenos Aires in November 1998, Iceland proposed to fulfil this mandate by agreeing that “...process emissions from a single project, which comes into operation after 1990 and adds in the first commitment period more than five percent to the total greenhouse gas emissions in 1990 of a Party listed in Annex B to the Protocol, shall be reported separately and not included in national totals to the extent that they would cause the Party to exceed its assigned amount, provided that the global emissions of the Party were less than 0.05% of total Annex I emissions in 1990; renewable energy is used resulting in a reduction in emissions per unit of production; and best environmental practice is used to minimize process emissions.”

At the ninth session of the SBSTA in Buenos Aires, Parties were invited to submit questions to the Icelandic delegation on its proposal.

FCCC/SBSTA/1998/CRP.9 invites Parties to consider the responses of the delegation of Iceland and to submit their analyses of that information to the Secretariat by March 1, 1999.

CANADIAN OBSERVATIONS

Canada wishes to begin its submission on *The Impact of Single Projects on Emissions in the Commitment Period* by commending the Icelandic delegation for the extensive work it has done on this issue, particularly its contributions in FCCC/SB/1998/MISC.1/Add.2; FCCC/SB/1998/MISC.1/Add.4; as well as FCCC/CP/1998/MISC.11.

Canada has considered the responses of the delegation of Iceland to the questions of three Parties in Buenos Aires (FCCC/CP/1998/MISC.11). Canada was one of the Parties having submitted questions to the Icelandic delegation. Our analysis of this important issue is ongoing. At this time, we will focus on questions we raised in Buenos Aires:

1. What are the options to encourage/reward the use of renewable energy domestically when 1990 emissions levels already reflect significant use of non-GHG emitting renewable energy?

In its submission in FCCC/SB/1998/MISC.1/Add.2, Iceland highlights the particular difficulties it faces in meeting its emissions target, as set in Annex B of the Kyoto Protocol. Iceland argued that “Parties with small economies where the proportional impact of single projects initiated after 1990 on total emissions can be too large for the Party in question to absorb through reductions in other sectors or through available flexibility mechanisms.” It then added that “...difficulties are especially relevant for Parties where clean and renewable energy is already used extensively.”

It is quite clear that the fact Iceland used, in 1990, renewable sources for almost all of its energy needs for space heating and its electricity generation (as highlighted in its response to Canada’s question in FCCC/CP/1998/MISC.11), leaves it considerably less room to reduce emissions than a country that was using considerable amounts of GHG-intensive sources of energy in 1990. It can be argued that Iceland and other countries that have opted for renewable sources before 1990 are somewhat at a disadvantage, even though they were on a correct path in terms of GHG mitigation.

Canada’s question was aimed at examining various options, as well as their implications, to deal with such a situation. Canada appreciates Iceland’s answer which was focussed on its own situation. However, Canada believes that this question merits broader consideration, including the potential international competitiveness implications in the aluminum industry of Iceland’s proposal. In our collective efforts to meet the ultimate objective of the FCCC<sup>1</sup> by mitigating global net greenhouse gas emissions, the use of renewable energy should be encouraged. This was in fact the conclusion reached by Canadian federal and provincial ministers of energy and environment at their last meeting in October 1998 where they “...agreed that low carbon energy forms, such as hydroelectricity, as an important renewable energy resource, can play an essential role in Canada’s domestic and international climate change strategy”. In this context, it is Canada’s view that we should seek to find ways to encourage the use of low and non- GHG emitting resources in all Parties, regardless of the size of their economy.

2. What are the options to encourage/reward the production of goods in areas of the globe where resulting emissions would be lower than if such production took place in another area?

In its submission included in FCCC/SB/MISC.1/Add.2, the delegation of Iceland highlights the importance of recognizing a project’s “global benefit”, defined as a project’s contribution to the ultimate objective of the Framework Convention on Climate Change.

Given the global nature of climate change, the influence on the atmosphere of a tonne of greenhouse gas emitted or reduced is the same regardless of where it occurs. Experts generally agree that in order to meet the ultimate objective of the FCCC most efficiently, the

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<sup>1</sup> The ultimate objective of the FCCC is the *stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system* (Article 2 of the FCCC).

production of goods ought to be undertaken where it is most efficient, in terms of GHG emissions and costs. Iceland raised our collective awareness that it is the globe as a whole that would benefit from the production of aluminium in a country that uses renewable energy compared to having the aluminium produced in a country using high GHG emitting sources of energy.

The introduction of the Kyoto Mechanisms in the Kyoto Protocol is intended to provide Parties with additional flexibility to undertake emissions reductions where it is most cost-effective to do so. However, Iceland has made the argument that the dimension of the challenge it faces can likely not be adequately addressed by the Kyoto Mechanisms (in FCCC/SB/1998/MISC.1/Add.2 and in response to the first question by the European Union in FCCC/CP/1998/MISC.11).

Canada believes that the issue of “global benefits” is important and deserves to be explored in a wider context (i.e. not only in Iceland, but in other economies where similar situations may arise) in order to encourage, where possible and regardless of the size of the economy, actions and activities that contribute to our collective goal of achieving the ultimate objective of the FCCC.

## CONCLUSION

Canada would like to re-iterate its appreciation of the work undertaken by the Icelandic delegation to highlight the challenges it faces, given its national circumstances. Canada supports further examination and analysis of the issues raised by the Icelandic delegation in order to ensure that we identify and seek to minimize inconsistencies, as we globally make progress towards meeting our commitments under the Kyoto Protocol and achieving the ultimate objective of the FCCC. It is important, however, to ensure that this exercise not lead to the re-negotiation of Parties’ emissions commitments for the first commitment period, as set out in Annex B of the Kyoto Protocol. The overall Annex I objective of reducing overall emissions by at least 5 per cent below 1990 levels in the commitment period 2008 to 2012, as per Article 3.1 of the Kyoto Protocol, must be maintained.

In this vein, Canada will continue its own analysis of the issues discussed above. We also would like to encourage the Secretariat to study the issues surrounding “the impact of single projects” from Iceland’s perspective, as well as from a broader angle, including an examination of potential international competitiveness implications, in order to help Parties better understand it.

PAPER NO.2: GERMANY  
(ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES)

**THE RESPONSE OF ICELAND TO QUESTIONS FROM THREE PARTIES  
ON IMPACTS OF SINGLE PROJECTS ON EMISSIONS  
IN THE COMMITMENT PERIOD**

Germany on behalf of the European Community and its Member States submits views on the response of Iceland to questions from three Parties on impacts of single projects on emissions in the commitment period. The EU believes that the exchange of views at COP4 has improved the understanding of the issue. The EU welcomes the immediate response of Iceland to questions of Parties raised at COP4 (see document FCCC/CP/1998/MISC.11). However the EU remains concerned about the potential impacts of the proposal by Iceland inter alia given the long lifetime of PFCs in the atmosphere. The EU has the following further questions to the response of Iceland to questions raised by the EU (the numbering refers to the numbers in document FCCC/CP/1998/MISC.11):

1. What detailed analysis has Iceland done on the use of the Kyoto mechanisms to address the issue of impacts of single projects?
  
3. Can Iceland provide a rough estimate of the impacts on global greenhouse gas emissions, i. e. the emission savings resulting from the use of renewable energy in potential single projects in Iceland, taking into account inter alia the possible use of renewable and other low or zero CO<sub>2</sub> emission sources of energy elsewhere and the possible increase of the demand of aluminum, before SBSTA10?
  
6. How can the concern of international industrial competitiveness be addressed, i.e. the concern that industries would be located in Iceland instead of the location in other countries including Annex I countries, especially given that renewable energy could also be used in other Annex I countries?
  
11. When did operation start for the three „on-going“ projects? When would the two „possible“ projects (see FCCC/SB/1998/MISC.1/Add.4) start operation? Which single projects with which emissions have been taken into account in the with measures projection of Iceland for 2010? What would be the with measures projected emissions for 2010 without these single projects?

It would also be of interest if Iceland considers any possible amendments to the draft decision contained in FCCC/CP/1998/MISC.11/Add.1. The EU is looking forward to further consultations with Iceland on this issue.