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**FINANCIAL MATTERS RELATING TO PARTIES NOT INCLUDED IN
ANNEX I TO THE CONVENTION**

FINANCIAL MECHANISM: THE SPECIAL CLIMATE CHANGE FUND

Activities, programmes and measures of the Special Climate Change Fund

Submissions from Parties

1. The Conference of the Parties, by its decision 7/CP.8, decided to further define the prioritized activities, programmes and measures to be funded out of the Special Climate Change Fund in areas enumerated in paragraph 2 of decision 7/CP.7. It invited Parties to submit, by 15 February 2003, their views on the activities, programmes and measures referred to in decision 7/CP.7, paragraph 2, with a view to providing further guidance to the Global Environment Facility (GEF).
2. The secretariat has received nine 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.

* 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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PAPER NO. 1: CANADA

SUBMISSION BY CANADA

VIEWS ON ACTIVITIES, PROGRAMMES AND MEASURES REFERRED TO IN PARAGRAPH 2 OF DECISION 7/CP.7 ON FUNDING UNDER THE CONVENTION – INITIAL GUIDANCE TO AN ENTITY ENTRUSTED WITH THE OPERATION OF THE FINANCIAL MECHANISM OF THE CONVENTION, FOR THE OPERATION OF THE SPECIAL CLIMATE CHANGE FUND

Canada is pleased to submit its views on activities, programmes and measures referred to in paragraph 2 of Decision 7/CP.7 on Funding under the Convention as part of the process to provide further guidance to the Global Environment Facility (GEF).

Canada's view is that the Millenium Declaration, Monterrey Consensus and WSSD Implementation Plan provide a useful and relevant framework to consider the Special Climate Change Fund.

The Millenium Declaration, and accompanying Millenium Development Goals, clearly indicate that development assistance should focus on poverty eradication. It provides that success in meeting poverty reduction objectives depends on good governance within each country and calls on industrialized countries to grant more generous development assistance especially to countries that are genuinely making an effort to apply their resources to poverty reduction. The Millenium Declaration also notes the need to address the special needs of the least developed countries and small island developing states. Furthermore, it underlines the need for integration of the principles of sustainable development into country policies and programs and highlights the need to reduce the vulnerability of the poor to strengthen their adaptive capacity to deal with the adverse effects of climate change.

The Monterrey Consensus similarly notes that achieving the Millenium Development Goals demands a new partnership between developed and developing countries and a global commitment to sound policies, good governance at all levels and the rule of law. It emphasizes the need to make official development assistance more effective by using country-driven development frameworks that embody poverty reduction strategies and by using official development assistance to leverage additional financing for development, such as foreign investment, trade and domestic resources.

The recent World Summit on Sustainable Development reaffirmed the critical importance of sustainable development and the strong linkages between poverty and the environment. As in the Millenium Declaration and Monterrey Consensus, the need for special attention and support to address the development needs of Africa was affirmed. As well, the concept of partnerships was given new prominence and concretised through the numerous partnerships announced prior to and during the Summit.

The backdrop of these important events, together with the principles of the UNFCCC itself shed light on the matter of guidance to the GEF regarding the Special Climate Change Fund. In particular, the Convention states that measures taken should be cost effective to ensure that benefits are achieved at the lowest possible cost (Article 3.3) and that measures taken should be integrated with national development programs (Article 3.4). In addition, the principle of common but differentiated responsibilities and capabilities (Article 3.1) is also relevant to the Special Climate Change Fund.

Considering this context, Canada's position is that any guidance to the GEF concerning the Special Climate Change Fund should consider the international community's commitments to poverty reduction, sustainable development objectives and good governance as outlined above. Furthermore there is a need

to ensure that measures are cost effective. The potential scope of the Special Climate Change Fund is extremely broad and its resources will be finite and therefore priority setting will be essential. Therefore a careful, stepwise approach that identifies priorities for the use of any financial resources that may be contributed to this voluntary fund should be followed. Recent experience with the Least Developed Countries (LDC) Fund has demonstrated that identifying and delivering on focused and practical objectives enhances donor confidence and can lead to significant donor support. In addition, to maximize effectiveness, the Special Climate Change Fund should be used primarily to play a catalytic role and promote mainstreaming of activities to address the causes and effects of climate change in order to leverage resources from other sources.

In terms of prioritisation of funding between the subject areas of the Special Climate Change Fund, Canada believes that there must be a balanced approach involving both adaptation and mitigation. A strong case can be made for supporting capacity building with respect to adaptation to the adverse effects of climate change. Poverty reduction efforts can be seriously hindered and undermined by the adverse effects of climate change (e.g. water stress, extreme weather events, food insecurity). Moreover, the poorest countries, with in general, the least adaptive capacity, are expected to suffer the most from climate change.

In this sense, supporting adaptation efforts will be necessary to the achievement of the Millenium Development Goals. Accordingly, reducing vulnerability should be a priority for the SCCF and support should be given to activities outlined in paragraph 8 of Decision 5/CP.7 as part of the continued application of the staged approach to adaptation outlined in Decision 11/CP.1. Emphasis should also be placed on the importance of mainstreaming adaptation efforts into national development planning processes so that they are consistent with the overall national development objectives. Activities supported should therefore build country level capacity, be integrated into sustainable development plans and priorities and communicated in national communications or National Adaptation Programs of Action.

Mitigation of climate change in the numerous relevant sectors such as energy, transport, industry, agriculture, forestry and waste management is similarly critical to poverty reduction. Without stabilization of greenhouse gases, climate impacts will be ever increasing. In addition, the ancillary benefits of mitigation (e.g. improved health due to dramatically better air quality from reduced air pollution) can also have immediate and significant benefits at the local level, especially for children and the elderly who are most vulnerable to respiratory diseases.

The GEF Trust Fund has been supporting mitigation and technology transfer through its four climate change operational programs: removal of barriers to energy efficiency and energy conservation, promoting the adoption of renewable energy by removing barriers reducing implementation costs, reducing the long term effect costs of greenhouse gas emitting energy technologies, and promoting environmentally sustainable transport. The Special Climate Change Fund could usefully fund activities that are complementary to those funded through the GEF Trust Fund.

It is also important to take into account that technology transfer is a cross cutting issue. Technology transfer is generally a part of all GEF projects and is relevant to both mitigation and adaptation. In addition, the framework for meaningful and effective actions to enhance the implementation of Article 4, Paragraph 5 of the Convention, adopted at CoP 7, provides helpful focus to this issue. However, before determining the priority of work in this area it would be prudent to benefit from the report currently being prepared by the GEF on lessons learned in the development and transfer of technologies in its climate related projects as well as technical papers currently being prepared by the Secretariat on lessons learned in capacity building in the development and transfer of technologies and on enabling environments for technology transfer. The advice of the Experts Group on Technology Transfer and

LDC Experts Group, after each has had sufficient time to assess current needs and practices, should also be taken into account in this process. Needs expressed in national reports and National Capacity Needs Self-Assessments (NCSA's) should also inform the prioritisation of activities.

PAPER NO. 2: COLOMBIA

COLOMBIAN SUBMISSION – INITIAL GUIDANCE TO AN OPERATING ENTITY FOR THE SPECIAL CLIMATE CHANGE FUND

In response to the invitation made by SBSTA 17 in document FCCC/SBSTA/2002/L.22, Colombia welcomes the opportunity to submit its views on activities, programs and measures referred to in paragraph 2 of decision 7/CP.7.

Background

The Conference of the Parties, at its seventh session, decided to establish a special climate change fund to finance activities, programs and measures relating to climate change, complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility, in the areas of: adaptation, transfer of technologies, energy, transport, industry, agriculture, forestry and waste management, and activities to assist developing country Parties referred to under Article 4.8(h) in diversifying their economies.

In its decision 7, the Conference of the Parties provided initial guidance to the special climate change fund, indicating that ‘Parties included in Annex II and other Annex I Parties that are in position to do so, shall be invited to contribute to the fund, which shall be operated by an entity entrusted with the operation of the financial mechanism’. In this regard, the Global Environment Facility (GEF) was invited to make the necessary arrangements and report thereon to the eighth session of the Conference of the Parties.

Furthermore, at COP8 Parties decided that the GEF should promote complementarity between the special climate change fund and other funds under its administration, all the while ensuring their financial separation as well as transparency and streamlined procedures for their operation. Finally, Parties were invited to provide their views on activities, programs and measures of priority areas to be supported by this Fund.

Activities, programs and measures in priority areas

As Colombia has previously stated in its submissions on funding under the Convention, eligible activities under the Special Climate Change Fund (SCCF) need to be prioritized given the broad range of actions that could eventually be supported by the SCCF. We believe the COP should concentrate on prioritizing specific activities to be financed within each identified category, similarly to the way the GEF has detailed a list of eligible projects for the operational programs under its climate change focal area. In this regard, our proposal to assign percentages to each area (where adaptation would receive the greater emphasis)¹ allows for a more focused operation of the SCCF and constitutes a first step in the prioritisation process.

(a) Adaptation, in accordance with decision 5/CP.7, paragraph 8

Decision 5/CP.7 on adaptation establishes a number of activities to be supported by the Special Climate Change Fund (SCCF) and other bilateral and multilateral sources. As presented in paragraph 8, these include: the implementation of adaptation activities where sufficient information is available to warrant them in the areas of water resource management, land management, agriculture, health, infrastructure

¹ These percentages would be revised in light of evolving needs under the Convention, where for example, once the Kyoto Protocol and its adaptation fund enter into force and the share of proceeds from CDM project activities become effective, the SCCF emphasis could shift onto other areas for which no additional resource-levying mechanisms exist.

development, fragile ecosystems and coastal zone ecosystems; the improvement of disease and vector monitoring and related forecasting and early-warning systems; capacity building activities for preventive measures; and the establishment or strengthening of information networks for rapid response to extreme weather events.

Colombian views: We believe these activities constitute a solid basis for initiating action towards stage III adaptation activities. However, the voluntary nature of the contributions that will finance the eligible activities will undoubtedly endanger their continuity and feasibility.

In this regard, future guidance to the SCCF should make clear that resources employed in these activities will be additional and complementary to those provided by the GEF for other adaptation actions, including those listed in paragraph 7 of Decision 5/CP.7, and the enabling activities for the preparation of National Communications.

In addition, as stated above, the SCCF needs to identify activities more precisely and give priority to those for which other resource-levying mechanisms under the Convention do not exist. Such is the case for conservation projects in fragile ecosystems which could be vulnerable to climate change (such as high mountain ecosystems) or research and development activities in agriculture to, *inter alia*, develop crops with shorter cultivation cycles and higher tolerance to drought, plagues and disease.

(b) Transfer of technologies, in accordance with decision 4/CP.7

Decision 4/CP.7 has established a framework for action to enhance the implementation of UNFCCC Article 4.5 on promoting, facilitating and financing the transfer of environmentally sound technologies and know-how to developing country Parties.

The annex to Decision 4 identifies the following five areas for meaningful action: technology needs assessment; technology information system; creation of enabling environments; capacity building activities to promote dissemination, application and development of technologies; and the establishment of mechanisms for the effective transfer of technology.

Colombian views: In our opinion, funding under the SCCF should focus on projects and programmes that lead to a successful mechanism for such technology transfer to take place. So far, activities under the UNFCCC related to Article 4.5 have focused on the establishment of technology information systems and on the assessment of technology needs. Despite their contribution to facilitating the transfer of technology, these activities do little for the actual development and/or incorporation of the environmentally sound technology itself.

What is therefore needed under this Fund, on the one hand, are activities aimed at the removal of existing barriers to technology transfer such as high-priced technology (unaffordable in most cases for developing country enterprises) and institutional weaknesses in our countries that impede technological change to take place. On the other hand, the Fund should support country-driven activities that include demonstrative projects on available emission reduction technological options in different sectors, in order to identify, among others, the cost and feasibility of their implementation along with the qualification and training requirements needed for their operation.

(c) Energy, transport, industry, agriculture, forestry and waste management

The sectors listed under this priority area offer a wide variety of eligible activities and so must be further narrowed down in order to optimize the limited resources the SCCF will initially operate with.

Given that unlike in the areas listed before, this category does not have a reference decision to guide its implementation, Colombia proposes prioritizing actions that are not currently attractive under other Convention and Protocol mechanisms due to their cost-effectiveness. For example, pilot projects for renewable energies using photovoltaic technology and other energy solutions for off – grid [MMA1] rural areas in developing countries could be considered priority activities to be supported under the SCCF.

(d) Activities to assist developing country Parties in diversifying their economies, in accordance with decision 5/CP.7

Chapter III of Decision 5 deals with the impact of response measures, enumerating activities to be supported through the GEF, the special climate change fund and other bilateral and multilateral sources. These include: technological development of non-energy uses of fossil fuels; the diffusion and transfer of less GHG-emitting fossil-fuel technologies; efficiency improvement in upstream and downstream activities relating to fossil fuels; less GHG indigenous energy sources and development and use of renewable energy, including solar and wind energy.

Colombian views: We propose that in addition to the activities identified in Decision 5, the Special Climate Change Fund should focus on actions to promote a green fossil fuel market and support activities aimed at furthering investigations on non-biological sequestration methods. These initiatives could provide additional sources of income for countries whose economies are highly dependent on the production, export and/or on consumption of fossil fuels and associated energy-intensive products and do not have the support of a cartel to counteract possible losses.

While we believe that much more needs to be done regarding the impacts of response measures, more can be achieved for economic diversification through favorable bilateral commercial conditions and multilateral trade agreements, than through a handful of activities to be financed with limited resources under a Special Climate Change Fund.

PAPER NO. 3: ECUADOR

SUBMISSION BY ECUADOR

IEWS ON PRIORITIES ON SPECIAL CLIMATE CHANGE FUND

The world scientific community has demonstrated that the adverse effects of the climatic change are already affecting to the most vulnerable developing countries, that implies intensification in the implementation of commitment of Annex I countries.

The Special Climate Change Fund, created by the Seventh Conference of the Parties of the United Nations Framework Convention on Climate Change, is one of the few measures in process of concretion that could help to face the adverse effects of the climate change. However, the SCCF is focused to the mitigation and to the adaptation activities, which force to a prioritization in order to allow the consideration of the developing countries priorities.

In this context, it is necessary to consider that the Convention and the Kyoto Protocol contemplate options (p/e market mechanisms) that incentive to the developed countries to carry out mitigation actions, which creates a disadvantage for the adaptation that is the priority of Non Annex I countries.

For that pointed out, it seems clear that the adaptation to the adverse effects should be prioritized, in accordance with paragraph 2.a of decision 7/CP7 of Conference of the Parties.

February 2003

PAPER NO. 4: GREECE ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES, AND OF BULGARIA, CYPRUS, CZECH REPUBLIC, LATVIA, POLAND, SLOVAKIA AND SLOVENIA

SUBMISSION BY GREECE ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES, AND BULGARIA, CYPRUS, CZECH REPUBLIC, LATVIA, POLAND, SLOVAKIA AND SLOVENIA

ATHENS, 15 FEBRUARY 2003

INITIAL GUIDANCE TO AN OPERATING ENTITY FOR THE SPECIAL CLIMATE CHANGE FUND - VIEWS ON ACTIVITIES, PROGRAMMES AND MEASURES REFERRED TO IN PARAGRAPH 2 OF DECISION 7/CP7

Greece, on behalf of the European Community and its Member States, and Bulgaria, Cyprus, Czech Republic, Latvia, Poland, Slovakia, and Slovenia, welcome the opportunity to submit views to the Secretariat on the activities, programmes and measures referred to in paragraph 2 of Decision 7/CP7 ("Funding under the Convention") which establishes the "Special Climate Change Fund".

The European Community and its Member States, and Bulgaria, Czech Republic, Cyprus, Latvia, Poland, Slovakia, and Slovenia recognize the importance of the Special Climate Change Fund for developing country Parties and note with satisfaction the practical and sound arrangement established by the GEF Council for the operation of the Fund. We also acknowledge the key role that will be provided by the Global Environment Facility (GEF) in mobilizing resources for the Special Climate Change Fund, taking into account the guidance to be approved by the Conference of the Parties at its ninth session.

Activities, programmes and measures to be funded by the Special Climate Change Fund

The European Community and its Member States, and Bulgaria, Czech Republic, Cyprus, Latvia, Poland, Slovakia, and Slovenia would like to underline that activities financed by the Fund should be country-driven, embedded in a national strategy or planning framework and reflect national sustainable development and poverty reduction strategies. Opportunities to create synergies with other environmental and sustainable development issues should also be pursued. Priority within the Fund should be given to adaptation, in accordance with paragraph 8 of Decision 5/CP7, and to transfer of technologies, in accordance with Decision 4/CP7.

The European Community and its Member States, and Bulgaria, Czech Republic, Cyprus, Latvia, Poland, Slovakia, and Slovenia would like to emphasize the opportunity for Non Annex I Parties that are not eligible for funding of their adaptation needs through other existing funds, such as the Least Developed Countries Fund, to have access to the Special Climate Change Fund for these activities.

Adaptation

The staged approach for adaptation, as referred to, inter alia, in decisions 11/CP.1, 2/CP.4 and 6/CP.7 is important to ensure that adaptation follows an assessment and evaluation process, based on national communications and National Adaptation Plans of Action (NAPAs) as appropriate. The GEF's report to the Eighth Conference of the Parties indicates that while Stage I adaptation activities and analyses of vulnerability are underway in many countries, these are not yet complete in all cases. To provide a sound scientific basis for adaptation measures the availability of data needs to be increased to support vulnerability and adaptation assessments in developing countries.

We therefore consider that funding for adaptation activities under the Special Climate Change Fund should focus on:

- further planning and capacity building activities;
- on the basis of the results of National Communications and/or NAPAs, as appropriate, and sound vulnerability and adaptation assessments, the provision of support for project development.

Technology Transfer

Funding for technology transfer activities under the SCCF should focus on country-driven technology needs assessments and capacity-building activities relating to technology transfer, to promote adaptation and mitigation measures as referred to in Article 4.1 of the United Nations Framework Convention on Climate Change

The European Community and its Member States, and Bulgaria, Czech Republic, Cyprus, Latvia, Poland, Slovakia, and Slovenia note that the Subsidiary Body for Implementation has requested that the Expert Group on Technology Transfer submit its views on activities, programmes and measures referred to in paragraph 2 of Decision 7/CP.7.

Operation of the Special Climate Change Fund and its relationship with other funds established under the GEF

Concerning the operation of the Special Climate Change Fund and its relation to the other new funds managed by the GEF (the Least Developed Countries Fund and Kyoto Protocol Adaptation Fund), we would like to emphasize the following principles:

- The guidance for the Special Climate Change Fund to be agreed at COP9 should take into account existing guidance for the GEF Trust Fund and the new Least Developed Countries Fund. The guidance should also take into account the likely functions of the new Kyoto Protocol Adaptation Fund.
- Activities, programmes and measures relating to climate change funded under the Special Climate Change Fund should be complementary to those funded by the resources from the climate change focal area of the GEF, the Least Developed Countries Fund, the Kyoto Protocol Adaptation Fund and by bilateral and multilateral sources, seeking synergies between activities supported by different funds where appropriate.
- The guidance for the Special Climate Change Fund should be flexible enough to enable the GEF to take due account of:
 - prioritized needs of developing countries as set out in National Communications and/or NAPAs, National Capacity Self Assessments and Technology Needs Assessments. These priorities should reflect national sustainable development and poverty reduction strategies;
 - ongoing work in developing countries in relation to climate change, including work financed via bilateral and multilateral channels.

PAPER NO. 5: JAPAN

**Submission of Japan on
initial guidance to an operating entity for the Special Climate Change Fund**

The government of Japan shares the view concerning activities, programmes and measures referred to in paragraph 2 of decision 7/CP.7. Japan hopes that it will contribute to the discussion on the initial guidance to an operating entity for the special climate change fund (SCC fund).

1. Complementarity

The SCC fund should be complementary to other existing funds. According to the decision 7/CP.7, paragraph 2, the Conference of the Parties decided “that a special climate change fund shall be established to finance activities, programmes and measures, relating to climate change, that are **complementary** to those funded by the resources allocated to the climate change focal area of Global Environmental Facility and by bilateral and multilateral funding.”

For the SCC fund to be complementary, activities funded under the SCC fund should not overlap with other climate change related activities under the GEF guided by the past COP decisions. One way of demarcating the areas of activities to be covered by the SCC fund is first to compile a complete inventory of activities that have been referred to in the past COP decisions on the guidance regarding financial mechanism in order to see which activities are already covered under the existing guidance.

In this context, the government of Japan requests the Secretariat of the UNFCCC to prepare a document compiling past guidance to the GEF, namely, decision 11/CP.1, 11/CP.2, 13/CP.3, 2/CP.4, 6/CP.7, and the decision of the COP8 (decision number has not yet been settled) and reorganize items in the decisions so that it is clear to see which activities are already covered by the existing GEF area. Other decisions on the financial mechanism should also be included in this document.

2. Clearness

It is important for all stakeholders, i.e. non-Annex I countries, Annex I countries, and the GEF Secretariat, to have a clear picture of the scope and function of the SCC fund. By compiling an inventory of activities under the GEF provided in past COP decisions, every entity will have a clear overview of what has NOT been covered by the existing GEF area, and thus relevant activities which could be financed by the SCC fund will be clear. Since guidances from the past COP decisions made the scope of GEF projects rather ambiguous, not all stakeholders seem to share the same understanding on which activities could be financed by the fund, partly resulting in the rejection of projects by the GEF. Therefore Japan suggests that the SCC fund clearly specifies the focal areas to which future COP guidance to the GEF could refer. A clearly designed guidance for specific activities could assist the non-Annex I Parties in preparing a project document that would avoid an unexpected rejection by the GEF. Japan expects a clear guidance in which will lead to an efficient function of the SCC fund, and will therefore contribute to shortening the period between proposal submission and disbursement of financial assistance. What is more, a clearly designed guidance is more likely to encourage Annex II Parties, as well as capable Annex I Parties, to contribute to the SCC fund.

3. Experiences of the LDC fund

In designing the guidance to the SCC fund, the experience of the LDC fund could offer many examples of good practices. The operation of the LDC fund is guided by the decision 27/CP.7, which Japan considers clearly designed and well-targeted. It would be wise for Parties to learn from this successful example.

4. Balance

When considering priorities, Japan would like to propose to balance among above four areas mentioned in paragraph 2 of decision 7/CP.7. To be exact, Japan proposes that the COP should adopt a decision on the initial guidance to the GEF on the SCC fund which lists 1-2 concrete activities for each area, which are also complementary to the existing GEF funded activities.

5. Conclusion

- (1) Japan requests the Secretariat of the UNFCCC to prepare a document on past guidance to the GEF which enables Parties to distinguish the areas of the SCC fund and what has been agreed to be covered by the GEF in order to ensure their complementarities.
- (2) The guidance for the SCC fund needs to be clear, concrete and limited in its scope so that the SCC fund could operate efficiently, which would also encourage the donor countries' contribution.
- (3) In designing the guidance to the SCC fund, the experience of the LDC fund could offer many examples of good practices. The operation of the LDC fund is guided by the decision 27/CP.7, which Japan considers clearly designed and well-targeted. It would be wise for Parties to learn from this successful example.
- (4) The four focal areas of the SSC fund should be balanced.

PAPER NO. 6: SAMOA ON BEHALF OF THE ALLIANCE OF
SMALL ISLAND STATES

SUBMISSION by SAMOA
on behalf of
The ALLIANCE OF SMALL ISLAND STATES (AOSIS)
on
SPECIAL CLIMATE FUNDS

Samoa, on behalf of the Alliance of Small Island States (AOSIS), welcomes this opportunity to submit its views on activities, programmes and measures to be financed by the Special Climate Change Fund, referred to in paragraph 2 of decision 7/CP.7. This submission should be seen in conjunction with earlier submissions by AOSIS on adaptation. AOSIS reserves the right to make further submissions and contributions to these discussions.

Support for developing countries that are particularly vulnerable to the adverse effects of climate change, to adapt to these effects, is vital to the members of AOSIS. AOSIS recognizes the important progress made on adaptation as part of the Marrakech Accords, adopted at COP-7, in particular Decisions 5/CP.7, 6/CP.7, 7/CP.7, 9/CP.7 and 10/CP.7, which address adaptation under the Convention and under the Kyoto Protocol. AOSIS is eager to advance adaptation issues further through a constructive debate on the role of the Special Climate Change Fund.

Decision 7/CP.7 establishes the Special Climate Change Fund in recognition that funding is needed for implementation of the Convention, including funding that is new and additional to contributions now allocated to the climate change focal area of the Global Environment Facility. Decision 7/CP.7 provides that predictable and adequate levels of funding shall be made available to Parties not included in Annex I, and that expedited access to these funds shall be within the guidance provided to the operating entity for this fund.

Under Decision 7/CP.7 the Special Climate Change Fund is to finance activities, programmes and measures in the areas of:

- adaptation;
- transfer of technologies;
- energy, transport, industry, agriculture, forestry and waste management;
- activities to assist developing country parties under Convention Article 4.8(h) in diversifying their economies.

Principles for Prioritization

AOSIS believes that consideration of the following principles should guide and facilitate the rapid operationalisation of the Special Climate Change Fund: priority should be given to activities, programmes and measures that are based upon sound scientific principles, bearing in mind the capacities of least developed countries and Small Island Developing States; that advance the ultimate objective of the Convention; and that reflect the principles set out in Convention Article 3.

Based on these principles, AOSIS supports the prioritization within the Special Climate Change Fund of adaptation activities and energy-related mitigation activities, together with associated technology transfer and capacity building needs. These priorities are consistent with the Plan of Implementation of the

World Summit for Sustainable Development's Chapter on the Sustainable Development of Small Island Developing States.²

Adaptation

Small island states are particularly vulnerable to sea level rise and climate-related hazards, including cyclones, floods and droughts. The ability of small island states to adapt to sea level rise and to anticipate, prepare for, and recover from extreme weather events, is closely linked to the availability of funding for adaptation actions.

AOSIS believes that prioritizing adaptation activities for funding under the new Special Climate Change Fund will reflect the progress that has been made in modeling adverse impacts of climate change, and provide essential follow up to the work that has already been done on adaptation, including through National Adaptation Plans of Action and Global Environment Facility (GEF) stage I and stage II activities in the first instance, and leading to stage III activities. It will also advance developed country Parties' obligations under the Convention to assist particularly vulnerable countries in meeting the costs of adaptation, and advance the obligation of all parties to cooperate in preparing for adaptation to the impacts of climate change.

Under the Plan of Implementation of the World Summit for Sustainable Development, countries have agreed to:

- Assist small island developing states in mobilizing adequate resources and partnerships for their adaptation needs relating to the adverse effects of climate change, sea level rise and climate variability, consistent with commitments under the United Nations Framework Convention on Climate Change (para. 58(j));
- Extend assistance to small island developing states in support of local communities and appropriate national and regional organizations of small island developing states for comprehensive hazard and risk management, disaster prevention, mitigation and preparedness, and help relieve the consequences of disasters, extreme weather events and other emergencies (para. 58(h));
- Assist small island developing states in the sustainable management of their coastal areas (para. 58(c)); and
- Provide support, including for capacity-building, for the development and further implementation of: (i) Small island developing states-specific components within programmes of work on marine and coastal biological diversity; (ii) freshwater programmes for small island developing states, including through the Global Environment Facility focal areas (para. 58(d)).

AOSIS considers that these activities may be appropriately addressed through the Special Climate Change Fund. AOSIS believes that specific priorities for adaptation activities, measures and programmes supported by the Special Climate Change Fund should be country-driven and responsive to needs identified in National Communications, National Adaptation Plans of Action and/or any other relevant reports. To this end, funds should be made available from the Special Climate Change Fund for requests for assistance in prioritizing and assessing local needs, for identifying priorities for adaptation that support sustainable development, for strengthening institutions and networks, and for increasing adaptive skills and knowledge. The Special Climate Change Fund could also be used to support

² http://www.johannesburgsummit.org/html/documents/summit_docs/131302_wssd_report_reissued.pdf

appropriate mechanisms to leverage additional funds and long term investment in and mainstreaming of adaptation.

Energy

Access to secure and clean energy supplies is central to the sustainable development of small island states. In turn, it may be expected that economic development will enhance the ability of small island states to address adaptation needs.

The targeted funding of activities that link sustainable development and mitigation activities under the Special Climate Change Fund will further the ultimate objective of the Convention of greenhouse gas emission reductions. It will also recall Articles 4.2 and 4.7 of the Convention, under which it is acknowledged that the extent to which developing country parties will effectively implement their commitments depends upon the effective implementation of commitments under the Convention related to financial resources and transfer of technology.

Under the Plan of Implementation of the World Summit for Sustainable Development, countries have agreed to:

- Accelerate national and regional implementation of the Programme of Action, with adequate financial resources, including through Global Environment Facility focal areas, transfer of environmentally-sound technologies and assistance for capacity-building from the international community (para. 58(a))
- Support the availability of adequate, affordable and environmentally sound energy services for the sustainable development of small island developing states by, inter alia:
 - (a) Strengthening ongoing and supporting new efforts on energy supply and services, by 2004, including through the United Nations system and partnership initiatives;
 - (b) Developing and promoting efficient use of sources of energy, including indigenous sources and renewable energy, and building the capacities of small island developing states for training, technical know-how and strengthening national institutions in the area of energy management. (para. 60)

AOSIS believes that renewable energy activities, measures and programmes should be supported by the Special Climate Change Fund and that priorities for the selection of these activities should be country-driven. To this end, support should be made available from the Special Climate Change Fund for requests for assistance in prioritizing and assessing local energy needs and identifying renewable energy options.

Relationship of Special Climate Change Fund to Adaptation Fund

AOSIS believes that the activities set forth in 5/CP.7 should receive support both through the Special Climate Change Fund established in 7/CP.7, and the Adaptation Fund established in 10/CP.7. AOSIS views the following as important considerations:

- under the Convention, all Annex I Parties have a responsibility to assist developing country parties that are particularly vulnerable to climate change in meeting costs of adaptation to those adverse effects.

- under Convention Article 4.4 and decision 7/CP.7, paragraph 1(b), predictable and adequate sources of funding shall be made available under the Convention to non-Annex I parties.
- GEF funds are not readily available for stage III adaptation activities under existing COP GEF guidance.
- activities should be prioritized under the Special Climate Change Fund that will benefit from expedited access to Convention funding.
- the Convention's Annex II membership is unlikely to fully overlap with the Kyoto Protocol's membership; thus there will be differences in contributing Parties under the Special Climate Change Fund and the Adaptation Fund.
- AOSIS expects the Kyoto Protocol to enter into force before COP-9, and relies upon and strongly urges all Parties to take the necessary steps to enable this to happen. However, prior to the anticipated entry into force of the Protocol, the Adaptation Fund established under decision 10/CP.7 will provide neither a certain source of funds for the activities listed in 5/CP.7, paragraph 8, nor an immediate source of funds for these activities.

PAPER NO. 7: SAUDI ARABIA

SUBMISSION BY SAUDI ARABIA
FUNDING

REFERENCE:

Draft decision taken in COP8 on the initial guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Special Climate Change Fund, paragraph 2(a)(i); requesting parties to submit to the secretariat by 15 February 2003, views on activities, programs and measures referred to in paragraph 2 of decision 7/CP.7.

The following is our submission regarding this issue:

FUNDING:

Decision 5/CP.7 requires that activities for impacts of response measures be covered under GEF and the Special Fund. We believe that the following activities reflected in the decision be funded as follows:

I) GEF-Related Funding:

On non-Annex I communications, we can implement the following Paragraph of the Decision:

1. Non-Annex I Parties should 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;

On funding related to transfer of technology, we can implement the following Paragraph of the Decision:

2. Parties to cooperate in the development, diffusion and transfer of less greenhouse gas-emitting advanced fossil-fuel technologies, and/or technologies relating to fossil fuels, that capture and store greenhouse gases, and requests Annex II Parties to facilitate the participation of the least developed countries and other non-Annex I Parties in this effort;

II) Special Fund Related

The following Activities mentioned in decision 5/CP.7 can be funded under the Special Fund:

1. Annex I and non-Annex I Parties should cooperate in creating favorable conditions for investment in sectors where such investment can contribute to economic diversification;
2. Annex II Parties should assist developing countries, in particular those most vulnerable to the impact of the implementation of response measures, in meeting their capacity-building needs for the implementation of programs which address these impacts;
3. Parties should consider appropriate technological options in addressing the impact of response measures, consistent with national priorities and indigenous resources;
4. Parties should cooperate in the technological development of non-energy uses of fossil fuels. Annex II Parties should support developing country Parties to this end;
5. Annex II Parties should provide financial and technological support for strengthening the capacity of developing country Parties identified in Article 4, paragraphs 8 and 9, of the

Convention for improving efficiency in upstream and downstream activities relating to fossil fuels, taking into consideration the need to improve the environmental efficiency of these activities;

6. Annex II Parties should promote investment in, as well as support and cooperate with developing country Parties in the development, production, distribution and transport of indigenous, less greenhouse gas-emitting, environmentally sound, energy sources, including natural gas, according to the national circumstances of each of these Parties;

PAPER NO. 8: URUGUAY

Initial scope of capacity building needs in the matter of Development and Transfer of Technologies that require assistance from the Special Climate Change Fund

Reference: Decides 2. of the Decision 7/CP.7 and subparagraphs (i) and (ii) of paragraph (a) of the Decides 2. of Decision 7/CP.8

Subject: Contribution for the definition of a specific framework for the operation of the Special Climate Change Fund (SCCF), by the GEF, regarding Transfer of Technologies, in accordance with decision 4/CP.7.

Purpose: To provide views to subparagraph 2. (a) (i) of the Decision 7/CP.8, in relation to paragraph 2. b) of the Decision 7/CP.7 (Transfer of Technologies in accordance with decision 4/CP.7).

Views

Points of view concerning the needs and priority areas to be assisted by the SCCF are submitted below. The purpose is to enhance the implementation of Article 4, paragraph 5 of the Convention, by increasing and improving, the transfer of and the access to, environmentally sound technologies (ESTs) and know how.

1 Enabling activities for evaluation of needs, barriers and facilities, in the developing country Parties, relative to the know-how and the ESTs and the access to them:

- a. To identify and evaluate specific needs in the matter of ESTs and know-how for the mitigation and adaptation to the climate change.
- b. To enhance the awareness of public and private institutions of the need to evaluate ESTs on an equal footing with other technology options.
- c. To determine priorities concerning mitigation and adaptation to the climate change technologies.
- d. To identify and analyse ways of facilitating the ESTs transfer.
- e. To identify and evaluate barriers at each stage of the transfer processes and ways for overcoming them.
- f. To facilitate participation of the public and private stakeholders in the consultative process for the identification and assessments of needs, opportunities, barriers and measures to address them, regarding the transfer of know-how and ESTs.
- g. To elaborate reports on the results of the need assessments for consideration by the Subsidiary Body for Scientific and Technological Advice.

2 Enabling activities for the development of actions and the adoption of measures in the developing country Parties, to enhance the implementation of Article 4, paragraph 5, of the Convention:

- a. To build, develop, strengthen, enhance and improve the knowledge, technical skills, capabilities and institutions involved in the ESTs assessment, adaptation, management and development.
- b. To form the basis for a portfolio of EST projects and programmes that can facilitate the transfer of, and access to, these technologies and know-how.
- c. ESTs application through demonstration projects.
- d. To promote widespread dissemination, application and development of ESTs and know-how.
- e. To identify, evaluate and elaborate policies and measures to create an environment conducive to public and private sector technology transfer.

- f. To integrate objectives of technology transfer into the national policies and particularly, in environmental and research and development policies and programmes.
- g. To improve the access capacity, flow and dissemination of the technical, economic, environmental and regulatory information relating to the development and transfer of ESTs, the availability of them from developed countries and opportunities for transfer.
- h. To improve knowledge about energy efficiency and the utilisation of renewable energy technologies.
- i. To strengthen the endogenous capacities and capabilities in the research, development, innovation, technological adoption and adaptation and technology for systematic observation relevant to climate change and its associated adverse effects.
- j. To enhance the coordination and cooperation of the full range of stakeholders in different countries and regions to engage them in cooperative efforts to accelerate the development and diffusion, including know-how, practices and ESTs transfer.
- k. To establish and/or strengthen training, expert exchange, scholarships and cooperative research programmes for the transfer, operation, maintenance, adaptation, diffusion and development of ESTs.
- l. To promote joint research and development programmes both bilaterally and multilaterally.

PAPER NO. 9: UZBEKISTAN

Initial Guidance to an operating entity for the Special Climate Change Fund

The effectiveness of the process of implementation of UN FCCC in the Republic of Uzbekistan and other Parties, not included into Annex 1, is, to a main extent, determined by the amount and terms of financing by the developed countries. The attraction of the additional financing by means of creation of the Special Fund on combating the climate change will make it possible to extend significantly the range of activities and tasks. The Republic of Uzbekistan is interested in the speedy initialization of the process on working out the Guidelines for GEF on this fund activities, which should take the necessity of the accelerated access for the solution of the priority task into the account.

At the same time, the areas of the additionally financed activities, presented in Resolution 7/CP.7, need structuring, the selection of the high-priority areas and further detalization. Taking into account the limited resources and in order to provide for more transparency, it is necessary to develop a program of activities with definition of priority areas, degree of timeliness and time-table for the implementation of activities. The outline of the importance of the national programs as the elements of "country-driveness" can be made in such program. It is necessary to envisage the activities for the circulation and distribution of the successful projects as well, as the use of the "good practice". Considering the demand of the Parties, not included to Annex 1, in the awareness about the main processes, being developed during the implementation of UN FCCC, as well, as the quantitative limitations for the participation in the activities of UN FCCC, it is needed to consider the working out of the training programs on the key issues of the Convention and Kyoto Protocol as well, as the improving the accessibility to the operational information.

To guarantee the effective functioning of the Special Climate Change Fund, it is expedient to set up a special group of experts at UN FCCC Secretariat. The range of this group activities should include the development of a program of activities, working out the guidelines for the operational body, definition of the project outlines and monitoring of the selection, financing and implementation of the projects.
