

**SENSITIVE****UNCLASSIFIED****RELEASED IN FULL****DECONTROLLED**

Articles 4.8 &amp; 4.9 &amp; 3.14

Background:

While Articles 4.8 and 4.9 of the UN Framework Convention on Climate Change (UNFCCC) together take up approximately one half of a page, they have proved to be some of the most controversial articles of the Convention. In the negotiations "adaptation and compensation" issues are typically paired up with the related Articles 2.3 and 3.14 of the Kyoto Protocol.

Article 4.8 highlights the special needs of specific categories of countries, such as small island states and countries with low-lying coastal areas, which are particularly susceptible to the potential impacts of climate change. Also on this list of special needs countries are those economies which are highly dependent on income from fossil fuels. Thus, the potential threat to very small islands in danger of submersion from sea level rise is seemingly equated to the hypothetical threat of loss of income claimed by wealthy oil producing states with significantly higher GDP levels. Article 4.9 is less controversial, highlighting the specific needs and special situation of the least developed countries (LDCs) with regard to funding and technology transfer. LDCs are identified as such by the General Assembly of the United Nations: they are the poorest countries in the world. Articles 2.3 and 3.14 of the Protocol indicate that Annex I (developed) Parties should strive to minimize the adverse effects of climate change and/or the impact on developing countries of the methods used to abate their emissions per their commitments under the Protocol, thereby effectively linking the adaptation and compensation issues within the Protocol articles.

The negotiations on these topics have generated heated debates and numerous impasses, and developed countries remain concerned that the OPEC delegations are intent on pushing measures which are untenable, and which are not consistent with the spirit of the Convention. We are concerned that the oil-producing nations' unreasonable demands will distract the Parties from addressing the very real situation in which the LDCs and island states find themselves. We believe that the mere idea of a country being required to compensate Saudi Arabia because it has reduced its oil production levels is untenable, particularly now, when oil prices are so high. The Saudis are also pushing for an elimination of taxes on gasoline and on coal subsidies. The Saudis have openly stated their intention to prevent conclusions from being reached during the first week of meetings in order to force the ministers to address the matter in the second week. They have said that some measures to reduce the impact on oil-producing states are essential to the final package at COP-6.

While we support responding to the concerns of the developing countries which are vulnerable to the impacts of climate change, we and others have argued against the provision of new and additional funding for adaptation. The current text includes repeated references (all bracketed) to obligations on developed Parties to set up new funds, to provide new and additional funding, etc. Instead we have sought to improve the effectiveness and efficiency of existing efforts.

Objectives at COP-6:

- We need to identify ways in which we can assist Parties at risk from climate change to adapt to the effects of climate change, drawing from the existing pool of resources.
- We must ensure that OPEC countries do not distort the intent of these articles and insert a "poison pill" into the negotiations by demanding compensation for hypothetical losses in oil revenue, and instead seek measures to facilitate diversification of the economies of developing countries that have traditionally relied on fossil fuel production and export as a major source of revenue.

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