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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, 3 and 4, 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.

FCCC/SB/1998/MISC.1/Add.5

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PAPER NO.: INDONESIA  
(on behalf of the Group of 77 and China)

POSITION PAPER OF G-77 AND CHINA AT THE THIRD MEETING OF THE  
JOINT SBI/SBSTA CONTACT GROUP ON THE MECHANISMS OF THE  
KYOTO PROTOCOL

1. The G-77 and China's initial list of questions on issues is the Group's contribution to the first part of the tasks assigned to SBSTA-SBI at its 8<sup>th</sup> session under paragraph 5 of Decision 1/CP.3, that is, to give guidance to the Secretariat on the preparatory work needed for consideration of COP4.

2. On the basis of these list of issues, the Group then worked on the "draft proposed schedule on mechanisms" prepared by the co-Chairs, starting with the list of issues related to the mandate in para. 5 of Decision 1/CP.3.

3. In the consideration of this draft, the Group was guided by the following basic positions:

(a) that we have to proceed on a step-by-step basis on mechanisms in a protocol that has yet to enter into force and that a common understanding has to be reached on the nature of these mechanisms. The study of methodological issues is a first step to be taken.

(b) that the above must be accomplished under the sole authority of the Conference of the Parties with the assistance of its subsidiary bodies, and other relevant bodies which have defined relationships with the Convention, such as the IPCC, working through its subsidiary bodies. In this regard, there must be a clear delineation of functions between the two subsidiary bodies, consistent with the mandate given to them by Articles 9 (SBSTA) and Article 10 (SBI) of the Convention.

(c) that these two first items are what is expected of us at this session, in preparation for COP4, namely, guidance to the Secretariat for preparatory work, and allocation of work. Timing of this work comes at a later stage, and also depends upon the other Articles of the Protocol. Timing and scheduling should be dealt with by SBI/SBSTA at their 9<sup>th</sup> Session.

4. There are likewise different priorities, as well as linkages, mentioned in each Article concerning the mechanisms in the Protocol. Issues of the cdm (Article 12) should be addressed first.

5. As to paragraph 6 of Decision 1/CP.3, the task is for allocation of work between the two subsidiary bodies. The draft conclusions prepared, presumably under the guidance of the two Chairs of the subsidiary bodies, do not reflect the full range of opinions expressed during the general discussions of these mechanisms. These conclusions, and the timing proposed therein, are not acceptable to the Group of 77 and China.

In particular, the work programme laid out in the annex to the draft decision is duplicative of the work being done already in the joint contact group on mechanisms. The articles of the Protocol that would be dealt with under this paragraph (Articles 5, 7, 8 , and 18, and relevant sub-paragraphs of Articles 2 and 3) are closely interlinked with the those of the mechanisms. They therefore cannot be considered separately from the work being accomplished by the Joint Contact Group on mechanisms.

The Group proposes that only one contact group, the joint contact group co-chaired by the Netherlands and Brazil, work on these matters, which would also allow effective participation of small delegations in the work being done in these sessions.

6. The Group would like to reiterate that for COP4, important tasks dealing with the implementation of the Convention have to be accomplished. Focus of the work at these June sessions, and in COP4 should be on these tasks.

Proposed Work Programme on Mechanisms of the Kyoto Protocol  
- Group of 77 & China

Article 12 - clean development mechanism

Methodological /Technical Work

1. Purpose of cdm projects
2. Complementarity to domestic action
3. Part of Annex I commitments
4. Additionality criteria in funding
5. Criteria for real, measurable and long-term benefits related to climate change
6. Compatibility with sustainable development priorities/strategies
7. Criteria for project eligibility
8. Criteria for certification
9. Criteria for project baseline
10. Definition of the concept of certified emission reductions
11. Acquisition and transfer of certified emission reduction
12. Systems for independent auditing and verification of project activities
13. Format for reporting
14. Identification/ determination of share of proceeds
15. Adaptation
16. Implication of Article 12.10 of the Kyoto Protocol
17. Outcome of methodological work on Articles 3.3 and 3.4 of the Protocol

Institutional Issues

1. Authority and guidance of the COP
2. Executive Board - Constitution, Composition, and Functions
3. Accountability of the Executive Board to the COP/moP
4. Functions/ provision of guidance
5. Procedure
6. Identification and designation of operational entities
7. Monitoring and auditing of operational entities

Participation in projects

1. Private and/ or public entities
2. Responsibility of Parties
3. Guidance to be provided by the executive board

Process

1. Approval by both Parties
2. Procedure to attain certification of project activities
3. Certification of emission reductions
4. Acquisition and transfer of certified emission reduction .
5. Assistance in arranging funding for projects assistance
6. Rules to guarantee transparency, non-discrimination and to prevent distortion of competition

Linkage

1. with contribution to compliance with part of commitments under Art. 3 of Annex I Parties
2. with contribution to meet the costs of adaptation
3. with Article 6 projects
4. CERs and ERUs accruing from projects
5. Work related to Article 18 of the Kyoto Protocol

Article 6 projects

Methodological/Technical Work

1. Supplementarity to domestic action
2. Criteria for Article 6 projects
3. Criteria for project baselines
4. Acquisition and transfer of emission reduction units
5. Compliance with Article 5 and 7 of the Kyoto Protocol
6. Verification
7. Reporting
8. Non-compliance
9. Outcome of methodological work on Article 3.3 and 3.4

Process

1. Approval by Parties of projects
2. Assessment of Additionality
3. Compliance with Article 5 and 7
4. Acquisition and transfer of emission reduction units

### Institutional

1. Role of COP/moP, SBSTA and SBI
2. Work on non-compliance
3. Elaboration of guidelines as per Article 6.2
4. Involvement of legal entities operating under the responsibility of a Party
5. Definition of institutional authority

### Linkage

1. With Article 5
2. With Article 7
3. With Article 8
4. With Article 18
5. With Article 12, in particular Article 12.8
6. With Article 17

### Activities Implemented Jointly

Activities Implemented Jointly (AIJ) cannot be part of this work programme. AIJ will be governed by COP decisions, namely, 5/CP.1, 8/CP.2 and 10/CP.3. According to decision 5/CP.1, the COP shall take into consideration the need for a comprehensive review of the pilot phase in order to take a conclusive decision on the pilot phase and the progression beyond that, no later than the end of the present decade. The secretariat should prepare an update on information about the pilot phase of AIJ.

### Article 17 - emissions trading between Annex I Parties

#### Issues for Work Programme

1. Basis of rights and entitlements of Annex I Parties for trading emissions
2. Determination and creation of such rights and entitlements
3. Supplimentarity to domestic action for the purpose of meeting quantified emission limitation and reduction commitments under Article 3
4. Conformity with the principle of equity in the Convention
5. Real and verifiable reduction of GHG emissions
6. Elements of principles, modalities, rules and guidelines for any trading in emissions
7. Elaboration of principles, modalities, rules and guidelines, including the funding of adaptation
8. Matters relating to verification, reporting and accountability
9. Whether any commonality with other mechanisms

## Initial list of issues on Mechanisms of the Kyoto Protocol Group of 77 and China

The following is an initial list of issues from the Group of 77 & China on “mechanisms”. The issues are listed as: (1) General, (2) Article 6 projects, (3) Article 12 - clean development mechanism, (4) Article 17 - emissions trading between developed country Parties. These issues need to be properly addressed to enable progress.

### General

1. What are the points of difference and points of similarity among the three mechanisms provided for in the Kyoto Protocol to the Convention.
2. How to ensure that domestic actions by developed countries are their primary means of GHG limitation and reduction, and that the overseas mechanisms remain supplemental to such domestic actions by developed countries for the purpose of meeting their quantified emission limitation and reduction commitments.
3. How can it be ensured that these mechanisms lead to real and verifiable limitation and reduction of GHG emissions by developed countries.
4. How to ensure that the COP or COP/moP will maintain the responsibility for every stage of defining, developing, structuring and institutionalizing the mechanisms.
5. What are the specific roles of the SBSTA and the SBI with regard to these mechanisms.
6. What will be the systems for ensuring independent auditing, verification and accountability of the working of these mechanisms.

### Article 6 projects

1. What will be the elements of the guidelines for projects under Article 6, in particular, for ensuring transparency, accountability, reporting and verification.
2. What will be the criteria for deciding the baseline of projects.
3. How can compliance with Articles 5 and 7 of the Protocol be ensured, and how is this related to the work to be accomplished under Article 18.

4. What will be the procedure for transferring or acquiring emission reduction units resulting from projects under Article 6.
5. What will be the system for auditing and verifying projects under Article 6.
6. How will “legal entities”, to be involved in these projects, be defined, and how will the responsibility of the Party over “legal entities” for the purpose of the projects be ensured.
7. How will the benefits of a project under Article 6 be equitably shared between the participating Parties.
8. What will be the reporting criteria of a project under Article 6 to the COP/moP.

#### Article 12 - Clean Development Mechanism

1. What will be the criteria for ensuring a balance wherein each CDM project attains the objective of assisting developing country Parties in achieving sustainable development in accordance with their national priorities and strategy, and assisting developed country Parties in achieving compliance with their commitments under Article 3.
2. How to ensure that the CDM shall be subject to the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Protocol.
3. How to ensure that the executive board of the CDM shall function under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Protocol.
4. What will be the constitution, character and functions of the executive board of the CDM.
5. How will the emission reductions of a CDM project be certified? What will be the certification procedure, and by whom will this be done.
6. How to define and quantify “part” in “...part of quantified emission limitation and reduction commitments”, in Article 12.3 (b) of the Protocol.
7. How to ensure the responsibility and role of governments at each stage of the CDM projects.
8. How will it be ensured that the operational entity of the CDM, as designated by the COP, functions under the authority of the COP, and that its governance is separate from those of existing institutions.

9. How will Article 12.6 of the Protocol be implemented? What will be the criteria and processes for the CDM for arranging due funding.
10. How to ensure the independent auditing and verification of CDM project activities.
11. What will be the criteria for deciding the baseline of projects.
12. When should the benefits of CDM projects accrue to the participating developed country Parties.
13. What will be the action for non-compliance if a CDM project goes against the CDM criteria.
14. How to define: “a share of the proceeds”, and how will this share be apportioned for administrative expenses and adaptation.
15. How will the responsibility of a Party be ensured over the private/ public entities authorized by the Party to be involved in CDM projects.
16. How to ensure that CDM projects are equitably distributed so as to benefit all developing country parties, in particular the least developed country parties, and that the distribution of projects does not exacerbate existing regional / sub regional imbalances.
17. How will it be ensured that the financing for CDM projects shall be additional to ODA and other international funding, additional to and separate from the financial obligations under GEF and additional to the financial obligation of the Parties as provided in the Convention and the Protocol.
18. How will the additional economic benefits, if any, of a CDM project be shared equitably between the participating Parties.
19. How will the participating Parties report their CDM projects to the COP/mop.
20. What are the implications of Article 12.10 of the Protocol.

## Article 17 - Emissions Trading between developed country Parties

1. How will the emission rights and entitlements of developed country Parties be determined and created for trading emissions? Will this be consistent with the principle of equity keeping in view the historical and current responsibility of developed countries to climate change and the ultimate objective of the Convention.
2. How to ensure that any emissions trading between the developed country Parties shall be supplemental to domestic actions for the purpose of meeting their quantified emission limitation and reduction commitments.
3. How to ensure that emissions trading between developed country Parties will lead to real and verifiable limitation and reduction of GHG emissions for meeting the objective of the Convention and contributing to the protection of the environment.
4. What will be the environmental or economic impacts in any area due to emissions trading between developed country Parties.
5. How to ensure that any emissions trading between developed country Parties fully reflects the principle of equity between developed and developing countries.
6. How to ensure that emissions trading between developed country Parties shall conform to the principles, modalities, rules and guidelines including any compliance procedure to be defined by the COP.

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