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Thirteenth session

Lyon, 11-15 September 2000

Item 7 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION

Thirteenth session

Lyon, 11-15 September 2000

Item 7 of the provisional agenda

**MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE
KYOTO PROTOCOL**

**Principles, modalities, rules and guidelines for the
mechanisms under Articles 6, 12 and 17 of the
Kyoto Protocol**

Additional submissions from Parties

Note by the secretariat

Addendum

1. The Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, at their twelfth sessions, urged Parties, if they wished to make additional submissions, to do so in succinct, legal language and directly related to the text in document FCCC/SB/2000/4, by 1 August 2000, for inclusion in a miscellaneous document to be issued before the thirteenth sessions of the subsidiary bodies. Submissions received later would be issued at the thirteenth sessions (FCCC/SBSTA/2000/5, para. 23 (d)).

2. Five such submissions* have been received in addition to those contained in document FCCC/SB/2000/MISC.4. 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. For the submission by Uruguay, an unofficial translation was received and is attached.

* 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 text as submitted.

FCCC/SB/2000/MISC.4/Add.1

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PAPER NO. 1: BOLIVIA

SUBMISSION OF THE REPUBLIC OF BOLIVIA FOR THE CONSOLIDATED TEXT OF THE CHAIRMAN OF THE JOINT WORKING GROUP ON MECHANISMS

The following text appears in the form of legal language directly related to the text of the Chairman Chow Kok Kee's compilation on Mechanisms, numbered FCCC/SB/2000/4, as it appears on its edited version of the 28th July 2000. Commentaries for the drafting of general concepts appear between keys, like the following: {}. Additions to the text are given in **bold** characters. Options for substitution of one concept for another are given by striking the substituted concept and adding a word in **bold** (this may be read also as a request for bracketing the stroked text and adding one option with the text in bold).

The references to the text are given as follows: Part (One to Four), Title of Issue and Paragraph. Where it is necessary, the page number and line are also given.

1. GENERAL COMMENTS

{Throughout the text, it should be established the alternative use of the concept "*emissions reductions*" or "*emissions reductions units*" as equivalent to "*reductions of emissions by sources and/or enhancement of removals by sinks*". Whenever it is applicable, it should be made clear that the term "*emissions reductions*" when it refers to *net emissions reductions*, includes both reductions of emissions by sources and enhancement of removals by sinks, unless it is explicitly intended to apply to only one of these two categories or concepts}

{Validation should be merged with registration, as to be only one step in the process}

2. PART ONE: ARTICLE 6 OF THE KYOTO PROTOCOL

2.1. Draft Decision B/CP.6

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(Decision/CMP.1), 3rd Para: *Affirming that, in their actions to achieve the purpose of Article 6, Parties should be guided by Article 2 and 3 of the Convention...*

*>Equity: Equity relates to equitable emission entitlements. Developed countries shall contract greenhouse gas emissions to reduced levels with per capita emission levels in developed and developing countries coming on a converging path, **and related to a trend leading to the stabilization and eventual reductions of the concentration of greenhouse gases in the atmosphere**, so as to avoid perpetuating existing inequities between Parties included in Annex I and Parties not included in Annex I;<*

{Add to this equity concept, the other concept of equity detailed for Article 12, as follows:}

The principle of equity in the Convention must apply to all aspects of the CDM based on equitable development rights and equitably spread regional activity, as well as equitable procedures and requirements being applied to all Mechanisms.

{Add to “Transparency”:]}

Transparency: All aspects of project activities and the institutions under Article 6 shall be transparent, including in relation to costs, risks and liabilities incurred by Parties, while protecting confidential information;

2.2. B. [Executive Board [of the clean development mechanism]]

Para 5, last sentence: *The [executive board] shall be fully accountable to the COP/MOP [as a separate ~~standing~~ delegate body of the COP/MOP].*

Para 6 (b): ~~>>Revise and amend the areas in which Article 6 project activities can be undertaken and the types of project activities that can be included [and s Submit recommendations for adoption to the COP/MOP on the areas in which Article 6 project activities can be undertaken and the types of project activities that can be included,] as well as < determine suggestions to the COP/MOP for the determination of new baseline and monitoring methodologies in accordance with the provisions in section G on validation below [and submit recommendations for adoption to the COP/MOP];<~~

Para 6 (d), last line: *participation by all Parties included in Annex I, in particular those with economies in transition][and submit recommendations **on these matters** for adoption to the COP/MOP];*

2.3. E. Participation

Para 18 (b): *[Is in compliance] [Has not been found to be in non-compliance] with its commitments under Articles 3, 5 and 7 >and Article 12 of the Convention<*

Para 21: *A Party operating under Article 4 [may] [may not] [acquire] [transfer] [and/or] [use] ERUs resulting from Article 6 project activities [to contribute to compliance with its Article 3 commitments] if another Party operating under the same Article 4 agreement, or a regional economic integration organization to which the Party belongs and which is itself a Party to the Protocol, is found not to be in compliance with its obligations under Articles 5 and 7.<*

Para 24 (a): *>Designate a national authority to approve **and submit** Article 6 project activities;<*

2.4. G. Validation

Para 37: *[The accredited independent entity shall [provide the project participants with a recommendation] [recommend to [the executive board]] that the project be registered as an Article 6 project activity if it determines that the project design, as documented, conforms with [the requirements for validation] [baseline and monitoring methodologies and other*

criteria contained in the UNFCCC Article 6 reference manual], or after the proper adjustments, where applicable, regarding methodologies and criteria have been made.]

Para 41 (f): *>Give priority to carbon sequestration for the combating of desertification, the conservation of biodiversity and watersheds, and/or the improvement of soil management<;*

Para 48, chapeau: *[~~Emission~~ reductions of emissions by sources or enhanced removals by sinks shall be considered real if the baseline takes adequate account of] [The baseline should take adequate account of]:*

Para 48 (a): *The validated project boundary, defined as the space within which the project is implemented and its **reductions of emissions by sources** or removals by sinks occur;*

Para 56, chapeau: *The baseline for a project activity to reduce emissions by an existing source should, taking into account **the observed** trends, represent the lowest of:*

Para 57, chapeau: *The baseline for a project activity to reduce emissions by a new source should, taking into account **the observed** trends, represent the lowest of:*

Para 60, Option 2: *: reasonable better-than-average current industry practice [and trends] for existing or new sources, **as well as for removals by sinks**, as appropriate.*

2.5. H. Registration

Para 72 (a)(iv): *Objections may only be submitted by Parties, **stakeholders**, [accredited observers to the UNFCCC] [and legal entities];*

2.6. I. Monitoring

Para 79 (a): *Greenhouse gas emissions **by sources** and/or removals by sinks associated with the Article 6 project activity;*

Para 79 (b):*Parameters related to the determination of baseline emissions **by sources** and/or removals by sinks. >This may include monitoring parameters outside the project activity boundaries to capture leakage effects[, <at national or subnational level]<;*

2.7. K. Certification

Para 92: *Certification is the written assurance by an independent entity that, during a specific time period, a project activity achieved, **or will achieve, with an acceptable degree of certainty**, its ~~emission~~ reductions of emissions by sources and/or removals by sinks [and other **necessary** performance indicators], as verified.*

Para 96: *The independent entity shall certify in writing that, during the specific time-period, the project activity achieved (or is expected to achieve) ~~emission~~ reductions of emissions by sources and/or removals by sinks, as verified.*

2.8. I. Issuance of ERUs

Para 99: *The Party in which the project activity site is located shall issue ERUs by converting [AAUs][PAAs]⁹ to ERUs and transferring them to Parties and/or entities participating in the project activity, in accordance with the provisions on registries contained in decision D/CP.6. >Issuance shall be based on the ~~emission~~ reductions of **emissions by sources** or enhancement of removals by sinks of the project activity, as verified and certified in accordance with the Party's procedures and criteria.< The ERUs shall be distributed among the project participants according to their agreement.*

Para 101 (a): *Convert AAUs to ERUs, in accordance with decision D/CP.6, in respect of the ~~emission~~ reductions of **emissions by sources** and/or removals by sinks resulting from a registered project activity for a specific time period;*

2.9. Appendix X – Supplementarity

Para 101, Option 2, first sentence: *~~Parties included in Annex I shall not primarily use extraterritorial means to fulfil their obligations under Article 3~~ **Parties included in Annex B shall fulfill their obligations under Article 3 primarily through domestic action.***

{Apply this to the Annex on Supplementarity for all three Mechanisms}

{Options 2 and 4 are combinable, since they are complementary to each other}

2.10. Appendix A – Standards and procedures for the accreditation of independent entities

Para 109 (f) (v): Methodologies for implementation and accounting of GHG emissions by sources and/or removals by sinks

{There is a necessity of some provisions for liability and penalties in this Annex}

2.11. Appendix B - [Project proposal] [UNFCCC Article 6 reference manual]

Para 116 (b) (ii): Project boundaries (geo-referenced);

Para 116 (c) (vii): Data sources to be used to calculate the baseline emissions and/or removals, such as historic data on emissions and/or removals, variables and parameters used;

Para 121 (c) (v): Project boundaries and its influence zone;

Para 121 (d) (Add xiii): Methodologies for the calculation of losses and leakage, and its liability assessment;

Para 121 (h) (ii): Contribution to other sustainable development criteria, as defined in environmental agreements (e.g. biodiversity, desertification), and in Agenda 21, as applicable

{As an Option, the following drafting could apply:}

Para 121 (h)(ii), Option 2: *A report on the degree in which sustainable development variables (as defined in Agenda 21) and/or the environmental factors are affected as a result of the implementation of the project;*

Para 121 (i) (Add a vii): *Monitoring of leakage and losses*

3. PART TWO: ARTICLE 12 OF THE KYOTO PROTOCOL

{Ratify here that, throughout the text, it should be established the alternative use of the concept “*emissions reductions*” or “*emissions reductions units*” as equivalent to “*reductions of emissions by sources and/or enhancement of removals by sinks*”. Whenever it is applicable, it should be made clear that the term “*emissions reductions*” when it refers to *net emissions reductions*, includes both reductions of emissions by sources and enhancement of removals by sinks, unless it is explicitly intended to apply to only one of these two categories or concepts}

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3.1. Draft Decision B/CP.6

Operative Paragraph 2: *Decides to establish the clean development mechanism on an interim basis {delete the brackets}, in observance of Article 12, Paragraph 10 of the Kyoto Protocol, The COP shall assume, etc.*

Page 53 (Draft Decision by COP/MOP)

{Combine the two concepts of equity; in the first one, the following text should be added:}

*Equity: The principle of equity in the Convention must apply to all aspects of the CDM based on equitable development rights and equitably spread regional activity, **and equitable procedures and requirements being applied to all Mechanisms.***

{On the second concept of Equity, please add the following:}

*>Equity: Equity relates to equitable emission entitlements. Developed countries shall contract greenhouse gas emissions to reduced levels with per capita emission levels in developed and developing countries coming on a converging path, **and related to a trend leading to the stabilization and eventual reductions of the concentration of greenhouse gases in the atmosphere.** The CDM shall not have dormant any possibility or potential, etc. <*

{On the second definition of equity, please bracket the entire last sentence, which reads “*Projects under the CDM shall not increase the costs of reducing emissions in host country Parties in the long term*”}

Concept of sustainable development, last sentence: *The CDM should be oriented towards improving the quality of life of the very poor from the environmental **and social** standpoint and creating opportunities for the private sector of the host country Party [related to design and implementation of project activities];*

Concept of Additionality: *[Additionality: Reductions in emissions **by sources** [and enhancement of removals by sinks] should be additional to any that would occur in the absence of the project activity, in accordance with Article 12, paragraph 5 (c). >Public< funding for CDM project activities shall [be **clearly** additional to] [not result in a diversion of] Global Environment Facility >[and] [or] other financial commitments of Parties included*

in Annex I <, official development assistance > [and] [or] financing from other systems of cooperation <;]

3.2. A. Role of the COP/MOP

Para 1 (a): *The ability **and the extension of the mandate** of the executive board to establish rules, guidelines, or procedures that elaborate on or implement decisions of the COP/MOP*

3.3. B. Executive board

Para 7, first sentence: *The executive board shall supervise the [daily management of the][**implementation of the**] CDM to ensure that CDM project activities are in conformity with the Convention, the Protocol and all relevant decisions of the COP/MOP.*

Para 7, last sentence: *The executive board shall be fully accountable to the COP/MOP [as a separate ~~standing~~ **delegate** body of the COP/MOP].*

Para 8 (b): *>> ~~Revise and amend the areas in which Article 6 project activities can be undertaken and the types of project activities that can be included~~ [and s Submit recommendations for adoption to the COP/MOP **on the areas in which Article 6 project activities can be undertaken and the types of project activities that can be included,**] as well as < ~~determine suggestions to the COP/MOP for the determination of~~ new baseline and monitoring methodologies in accordance with the provisions in section G on validation below [and submit recommendations for adoption to the COP/MOP]; <*

Para 8 (g): *Assist in arranging **national, bilateral and** [multilateral] funding of CDM project activities as necessary, including acting as a project clearing-house and publishing summary information on proposed CDM project activities in need of funding;*

3.4. D. Designated operational entities

Para 31 (c): *[Be authorized by the designated national authority for CDM of the host Party to operate therein.] **and/or** [Comply with applicable laws of the Parties hosting CDM project activities that it validates, verifies or certifies];*

3.5. E. Participation

Para 35 (c): *[Is in compliance] [Has not been found to be in non-compliance] with its commitments under Articles 3, 5 and 7 >and Article 12 of the Convention<, etc.*

Para 38: *If a Party included in Annex I emits less than its assigned amount, any CERs it has acquired may be used by that Party in the next commitment period, **or transferred to other Annex I Party to be used in the current commitment period.***

Para 39: *A Party operating under Article 4 [may] [may not] [acquire] [transfer] [**and/or**] [use] CERs resulting from CDM project activities [to contribute to compliance with its Article 3 commitments] if another Party operating under the same Article 4 agreement, or a regional economic integration organization to which the Party belongs and which is itself a*

Party to the Protocol, is found not to be in compliance with its obligations under Articles 5 and 7.<

{Please bracket Paragraph 42}

Para 44 (a): *>Designate a national authority for CDM to approve **and submit** CDM project activities located in its territory;<*

3.6. F. Financing

Para 49: *>Public< funding for CDM project activities shall [be **clearly** additional to] **and** [not result in a diversion of] Global Environment Facility >[and] [or] other financial commitments of Parties included in Annex I<, official development assistance >[and] [or] financing from other systems of cooperation<*

{Please bracket Options number 2 and 3 of Paragraph 50}

3.7. G. Validation

Para 57 (a): *>The project design document has been approved by [the host Party] [each Party involved] in the form of a formal letter of approval [which states how the project assists the host country in achieving sustainable development, taking into account its economic, environmental and social conditions according to its own priorities and needs and the need to minimize adverse environmental, social and economic effects taking into account existing guidance for sustainable development, **as determined in Agenda 21 and the relevant multilateral environmental agreements**];<*

Para 57 (d): *[Objections **and/or suggestions**] [Comments] by stakeholders have been **properly** considered;*

Para 59: *[The designated operational entity shall [provide the project participants with a recommendation] [recommend to [the executive board]] that the project be registered as a CDM project activity if it determines that the project design, as documented, conforms with [the requirements for validation] [baseline and monitoring methodologies and other criteria contained in the UNFCCC CDM reference manual], **or after the proper adjustments, where applicable, regarding methodologies and criteria have been made.**]*

{ Please bracket Para 62}

Para 63 (g): *Not include activities enhancing anthropogenic or non-anthropogenic removals by sinks of greenhouse gases ~~until the outcome of methodological work on Article 3, paragraphs 3 and 4, is reached and the COP/MOP decides on the eligibility of such project activities in the CDM that go against other multilateral environmental agreements or against the principles agreed on Agenda 21 and the UN Commission on Sustainable Development.~~*

Para 63 (h): *Give priority to carbon sequestration for the combating of desertification, **the conservation of biodiversity and watersheds, and the improvement of land management.***

Para 65: *A project activity initiated before the first session of the COP/MOP may only be eligible for validation and registration as a CDM project activity if it [commenced after **January 1, 2000**] [was reported as an activity implemented jointly under the pilot phase] and it meets the criteria and provisions regarding the CDM contained in this document, etc.*

Para 68 (c): *Investment additionality. The value of the CERs shall significantly improve the financial and/or commercial viability, **as applicable**, of the project, **or the activity should not be possible to finance in the absence of the project**;*

Para 68 (d): *Technology additionality. The technology used for the project shall be the best [available **and practicable** for the circumstances of the host Party] [practicable internationally]*

Para 70, chapeau: *[~~Emission~~ reductions **of emissions by sources** [or enhanced removals by sinks] shall be considered real if the baseline takes adequate account of] [The baseline should take adequate account of]:*

Para 70 (a): *The validated project boundary, defined as the space within which the project is implemented and its **reductions of emissions by sources** [or removals by sinks] occur;*

Para 70 (b): *Leakage due to the project, defined as the increase in emissions **by sources** [or decrease in removals by sinks] outside the validated project boundary. ~~Emission reductions~~ **Reduction of emissions by sources** [or increases in removals by sinks] outside the validated project boundary, which are due to the project activity cannot be credited to the project activity. Only leakage at the national or subnational level shall be taken into account;*

{Please bracket Paragraph 71}

Para 72 (a): *The actual GHG emissions **by sources** [or removals by sinks] after the project has been implemented can be measured and monitored, in accordance with provisions in this document and the UNFCCC CDM reference manual;*

Para 72 (b): *The GHG emissions **by sources** [or sink enhancement] baseline is calculated using [the registered] [an approved] methodology;*

Para 76 (a): *A project-specific baseline which establishes the emissions **by sources** [and/or removals by sinks] for a specific reference case, etc.*

Para 76 (b): *A [multi-project] [standardized] baseline for a given project type and specific geographic area, which will use ~~a performance standard~~ **a general methodology** approved by the executive board and be contained in the UNFCCC CDM reference manual.*

Para 78, chapeau: *The baseline for a project activity to reduce emissions by an existing source should, taking into account **the observed** trends, represent the lowest of:*

Para 79, chapeau: *The baseline for a project activity to reduce emissions by a new source should, taking into account **the observed** trends, represent the lowest of:*

Para 80, chapeau: *[Project design and calculation of a baseline for a land-use, land-use change and forestry project to reduce emissions **by sources** and/or enhance removals by sinks will need to address:*

Para 80 (d): *Environmental **and social** additionality.*

Para 81: *[Methodologies and approaches to deal with project design and baselines for land-use, land-use change and forestry projects shall be those approved by the ~~executive board~~ COP/MOP.]*

{Please bracket Options 1 and 3 of Paragraph 82}

Para 82, Option 2: *reasonable better-than-average current industry practice [and trends] for existing or new sources, **as well as for removals by sinks**, as appropriate.*

Para 85: *Relevant national policies and circumstances, including, inter alia, sectoral reform initiatives, local fuel availability, **trends in land use and land-use change**, power sector expansion plans, and the economic situation in the project sector, shall be considered in the development of a project baseline.*

{Para 88, Add a new Option 3, as drafted below:}

Option 3: *The baseline of a project should be revised and adjusted if:*

- (a) *New and more accurate information on the determining factors of the project becomes available;*
- (b) *A major natural disturbance occurs in the area of the project, thus affecting substantially the baseline assumptions.*

Para 89: *A project-specific or [standardized] [multi-project] baseline methodology, contained in the UNFCCC CDM reference manual, may be revised at any time by the ~~executive board~~ COP/MOP. Any revision shall only be relevant to baselines ~~validated~~ **approved** subsequent to the time of revision and therefore shall not affect existing registered projects during their crediting period.*

3.8. H. Registration

Para 93 (a)(iv): *Objections may only be submitted by Parties, **stakeholders**, [accredited observers to the UNFCCC] [and legal entities];*

Para 93 (c): *>Revise the UNFCCC CDM reference manual to reflect ~~its~~ **decisions by the COP, in the initial phase of the CDM, and COP/MOP decisions thereafter.** <*

3.9. I. Monitoring

Para 98 (a): *Greenhouse gas emissions **by sources** [and/or removals by sinks] associated with the CDM project activity;*

Para 98 (b): *Parameters related to the determination of baseline emissions **by sources** [and/or removals by sinks]. >This may include monitoring parameters outside the project boundaries to capture leakage effects[, at the national or subnational level]<;*

Para 100:

*Comparability means that estimates of emissions **by sources** [and removals by sinks] should be comparable between the baseline and the project, and across projects. >For this purpose, project participants should use methodologies and formats listed in the UNFCCC CDM reference manual;<*

*Completeness means that monitoring covers, for the project baseline and actual emissions **by sources** [and/or removals by sinks], all relevant GHGs and sector and source categories, **as well as sinks**, listed in Annex A to the Protocol. Completeness also means covering all relevant performance indicators both within and outside the project boundary. >Monitoring operations should also provide a sound basis for assessing the contribution of the activity in achieving sustainable development;<*

3.10. J. Verification

Para 103: *Verification is the periodic independent review and ex post determination by a designated operational entity of the monitored ~~emission~~ reductions **of emissions** by sources [and/or enhancements of removals by sinks] that have occurred as a result of a registered project activity during the verification period.*

3.11. K. Certification

Para 105: *Certification is the written assurance by a designated operational entity >that has verified the project< that, during a specific time period, a project **activity** achieved, **or will achieve, with an acceptable degree of certainty**, its ~~emission~~ reductions **of emissions by sources** [and/or removals by sinks] and other **necessary** performance indicators, as verified.*

{Add a Paragraph 108 bis, as follows:}

Para 108 bis: *The designated operational entity shall certify in writing that, during the specific time-period, the project activity achieved (or is expected to achieve) reductions of emissions by sources and/or removals by sinks, as verified.*

3.12. Issuance of certified emissions reductions

Para 109: *[The CERs are not transferable.] [Once issued, CERs may be transferred to another Annex I Party or entity, to comply with their specific emissions reduction commitments]*

Para 110: *[The CERs are not fungible with assigned amount. The CERs and the assigned amount are unlike concepts. The CERs and assigned amount cannot mix or assimilate with each other.] [Parties may exchange ERUs, CERs and [AAUs][PAAs], in accordance with*

rules and procedures established by the COP/MOP which are to ensure their effective environmental equivalence]

Para 111: *>Project participants (or the designated operational entities on behalf of them) shall submit to the executive board a request for issuance of CERs, accompanied by a notification of their certification by a designated operational entity.<*

Para 112 (a): *Issue CERs in respect of the ~~emission~~ reductions of emissions by sources [and/or removals by sinks] resulting from a registered project for a specific time-period;*

Para 113: *[CERs can only be used for compliance and cannot be [banked], traded or transferred to another Party.] [CERs can be used by one Annex B Party for compliance in the current commitment period or in subsequent commitment periods, or can be transferred to another Annex B Party for compliance with their specific emissions limitation commitments.]*

3.13. Appendix X – Supplementarity

Para 116, Option 2, first sentence: *Parties included in Annex I shall not primarily use extraterritorial means to fulfil their obligations under Article 3* **Parties included in Annex B shall fulfill their obligations under Article 3 primarily through domestic action.**

3.14. Appendix A – Standards and procedures for the accreditation of independent entities

Para 119 (a): *Good expertise on certification procedures;*

Para 119 (b): *Implementation of a process system to demonstrate the application of certification procedures;*

Para 120 (f) (v): *>Sustainable development criteria and implementation<;*

Para 120 (f) (vi): *Methodologies for implementation and accounting of GHG emissions by sources and/or removals by sinks*

Para 120 (g): *Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including management reviews, and decisions on validation, verification and certification. The applicant operational entity shall make available to the accreditation body:*

Please add a Para 120 (h): *Not having any pending process for malpractice, fraud and/or others incompatible with its functions as a designated operational entity*

{Apply this concept also to Article 6}

{There is a necessity of some provisions for liability and penalties in this Annex}

3.15. Appendix B – CDM Reference Manual

Para 123 (b) (i): *The criteria a project shall meet to be eligible to use the [standardized] [multi-project] baseline (e.g. technology, sector, geographic area, as appropriate);*

{To the Annex to Appendix B – Project design document:}

Para 126 (c) (ii): *Policy and institutional context:*

- *Policy standards of the host country for the sectors involved;*
- *The host country's legal framework **and its degree of implementation**;*

Para 126 (c) (v): *Project boundaries (geo-referenced)*

Para 126 (c) (vii): *Socio-economic aspects:*

- *Influence of the project on the socio-economic situation of the host Party **and/or in the specific region in which the project is implemented**;*
- *Impact of the project beyond its project boundaries, **in the influence zone**;*

Para 126 (c) (Add viii): *Methodologies for the calculation of losses and leakage, and its liability assessment;*

Para 126 (d): *Contribution to sustainable development, as defined in Agenda 21 and the relevant multilateral environmental agreements;*

Para 126 (e) (vii): *Data sources to be used to calculate the baseline emissions **and/or removals**, such as historic data on emissions **and/or removals**, variables and parameters used;*

Para 126 (i)(i): *Comments **observations and/or suggestions** by local stakeholders and description of their involvement;*

Para 126 (j) (Add a vii): *Monitoring of leakage and losses*

3.16. Appendix E – Adaptation Fund

Para 5 (a): *Be country-driven, taking into account the common necessities of vulnerable countries within a given region, and the complementarities required by projects in the same region;*

4. PART THREE: ARTICLE 17 OF THE KYOTO PROTOCOL

4.1. Draft Decision C/CP.6

Page 101

Operative Paragraph 6 (a): *The first review shall be carried out no later than in [2005] [2012] [2013][2016];*

4.2. Annex – Modalities, Rules and Guidelines for Emissions Trading

Page 104

Para 5: *[Arrangements made among subsets of Parties **in relation to compliance with commitments in Article 3 and emissions trading**, including within regional economic integration organizations, shall be subject to the oversight of, and be accountable to, the COP/MOP.]*

Page 105

Para 13, Option 1, last sentence: *A Party, or legal entity, for which emissions at the end of the commitment period exceed its assigned amount, taking account of transfers and acquisitions of ERUs[, CERs] and [AAUs] [PAAs], calculated in accordance with Article 3, ~~may~~ shall not transfer ERUs[, CERs] and [AAUs] [PAAs]*

Page 107

Para 17, Option 8, first sentence: *Surplus units: Only excess reductions may be transferred and acquired under Article 17, **after the adjustments taking into account the transfers of ERUs and CERs.***

PAPER NO. 2: BRAZIL

Consolidated text on principles, modalities, rules and guidelines pursuant to Articles 6, 12 and 17 of the Kyoto Protocol in document FCCC/SB/2000/4 (28 July 2000)

Note by the Chairmen

Part Two: Article 12 of the Kyoto Protocol

Brazilian Submission

Part One: Article 6

General Remark: “Enhancements of removals by sinks”, “removals by sinks”, “sinks enhancements” and other related variations should be replaced by “anthropogenic removals by sinks”.

Part Two: Article 12

General Remark: “Enhancements of removals by sinks”, “removals by sinks”, “sinks enhancements” and other related variations should be replaced by “anthropogenic removals by sinks”.

Page 58, Para.8(b): replace “Revise and amend “by “Make recommendations to the COP/MOP concerning” and replace “determine” by “propose”.

Page 58, Para.8: include a new item 8(k): “approve the baseline methodologies on a project by project basis, in accordance with article 5, paragraph 2, as described in Appendix A”.

Page 61, Para.21: Insert in the first line after the word “withdraw” the words “on a provisional basis, until final approval by the COP/MOP,”.

Page 62, Para.25: delete the entire paragraph.

Page 62, Para.26: insert before “the accreditation body” the words “the executive board acting as” in the first and third line.

Page 62, Para.27. insert before “the accreditation body” the words “the executive board acting as” in the second line.

Page 62, Para.28: insert before “the accreditation body” the words “the executive board acting as” in the second line of the chapeaux.

Page 62, Para.29: insert before “the accreditation body” the words “the executive board acting as” in the first line.

Page 63, Para.31(a): insert before “the accreditation body” the words “the executive board acting as”.

Page 63, Para.31(e): insert before “the accreditation body” the words “the executive board acting as” in the first and second line.

Page 63, Para.33(b): delete the entire paragraph.

Page 65, Para.36: insert in the chapeaux after the word “Parties” the words “included in Annex I”.

Page 65, Para.37: delete the entire paragraph.

Page 67, Para.44(b): insert after the words “approval of” the word “validated” and after the word “project” the word “activities” and delete the words “design document”.

Page 67, Para.44(d): insert after the word “each” the word “validated”.

Page 67, Para.45(c): insert after the word “each” the word “validated”.

Page 68, Para.46: delete the entire paragraph.

Page 68, Para.48: delete the entire paragraph.

Page 72, Para.63: insert a new paragraph 63(j): “Be eligible to the Clean Development Mechanism if they involve reduction of emissions of greenhouse gases in sector/source categories listed in Annex A of the Protocol and the methodology for estimating anthropogenic emissions by source of all greenhouse gases not controlled by the Montreal Protocol are those accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties at its third session or by the Conference of the Parties serving as the meeting of the Parties to the Protocol at its first session in accordance with paragraph 2 of article 5.”

Page 73, Para.65: delete the entire paragraph.

Page 73, Para.66: delete the words “which are undertaken for reasons other than climate change” in the second and third line.

Page 73, Para.68: delete the items 68 (b), 68 (c) and 68 (d).

Page 75, Para.76: delete the entire paragraph.

Page 98: insert a new item 5 (bis): “Also decides that adaptation projects aiming at maintaining the carbon stocked in forests may receive financial assistance from the adaptation fund. These projects shall be given high priority and shall be guided by information from national communications of Parties not included in Annex I, and be limited to the following activities:

a-Conservation of natural forests; and

b-Protection of endangered protected areas.”

PAPER NO. 3: REPUBLIC OF KOREA

FURTHER SUBMISSION BY THE REPUBLIC OF KOREA ON THE CLEAN DEVELOPMENT MECHANISM IN DOCUMENT FCCC/SB/2000/4

Draft decision B/CP.6

Operative paragraph 3, add bold text: Requests the Subsidiary Body for Scientific and Technological Advice to finalize, no later than at its [X] session, a positive list of renewable energy **including landfill gas** and energy efficiency technologies, **in particular in the transportation sector.**

II. Annex

Paragraph 9, Option 3, add bold text: three persons from each of the five United Nations regional groups **on a rotational basis.**

Paragraph 34, add bold text: Parties not included in Annex I may individually or jointly propose, develop, finance and implement projects under the CDM **by abiding by the modalities and procedures and any guidelines thereunder** with specific reference to decision 1/CP.3, paragraph 5(e).

Paragraph 51, delete (at the 3rd sentence after “Parties”): “included in Annex I”

Paragraph 63(d), add bold text: Prior to 2008, be included in a positive list of renewable energy **including landfill gas** and energy efficiency technologies, **in particular in the transportation sector** to be adopted by the SBSTA no later than at its [X] session;

Paragraph 78(d), replace “The average for such an existing source in Annex [I][II] Parties” with “The top [X] percent for such an existing source in Annex [I][II] Parties”

Paragraph 79(c), replace “The average for such a new source in Annex [I][II] Parties” with “The top [X] percent for such a new source in Annex [I][II] Parties”

Paragraph 109 and 110, replace these paragraphs with the following: **The CERs are transferable and fungible.**

Paragraph 120(a), add bold text: Be a legal entity **of either a single institution or a consortium of several institutions** (either a domestic legal entity or an international organization) and provide documentation of this status to the accreditation body;

Paragraph 121(a), add bold text: Work in a credible, independent, non-discriminatory and transparent manner **under the supervision of a national authority** which shall include:---

Paragraph 121(a)(ii), add bold text (at the 5th sentence): Demonstrate to the accreditation body that it has policies and procedures for the resolution of complaints, appeals and disputes

received from organizations **including NGOs** or other parties about the handling of its activities;

Paragraph 123(c)(bis), add the following: The information needed to prove the additionality of the project;

Paragraph 126(d)(bis) or (e)(bis), add the following: Additionality of the project (i) funding resources including international and public funding (ii) economic and financial assessment (iii) technology assessment;

PAPER NO. 4: UNITED STATES OF AMERICA

**Submission by the United States on
Baselines, Monitoring and Related Provisions for
the Clean Development Mechanism**

Narrative Description

Article 12.5(c) of the Kyoto Protocol calls for certification of emission reductions under the Clean Development Mechanism (CDM) on the basis of reductions in emissions that are additional to any that would occur in the absence of the certified project activity.

Creating an effective test for whether emission reductions or removals are actually additional to what would have occurred in the absence of the CDM's incentives, and determining the level of additional emission reductions or removals are a central challenge of the CDM. The U.S. acknowledges the inherent difficulty of determining additionality, since it requires knowledge of an alternative future that will never actually take place. Nonetheless, practical tests and proxies must be found. In attempting to determine additionality, Parties should be seeking tests that are robust in their ability to screen out "anyway" tonnes, that recognize a reasonable number of certified emission reductions (CERs), and that are objective and transparent enough to promote participation and investment in project activities that achieve real reductions and support sustainable development.

In the U.S. view, several of the additionality tests that have been proposed do not effectively meet these objectives. Some have supported an "investment" additionality test – i.e., that certified emission reductions should significantly enhance the financial and/or commercial viability of the project. Experience in AIJ and other "emissions offset" programs, however, indicates that investment additionality is both easy to game and an imperfect proxy for whether a project would have occurred otherwise. Thus, investment additionality has not proven workable in practice. Others have suggested limiting CDM credit to a set of specific technologies. This approach, however, does not address whether the reductions or removals from these projects would not have occurred anyway. Other proposals suggest limiting or discounting the number of credits awarded to projects as a way to reduce (but not eliminate) "anyway" credits. This approach has the drawback of undercutting the incentives for the very projects that the CDM is intended to encourage.

The United States considers that a more effective approach for gauging additionality of emissions reductions or removals would be to require that the project activity achieve a level of performance with respect to emissions reduction or enhancements of removals that is **significantly better than average compared with recently undertaken activities or facilities.**

An approach that uses superior performance compared to recently undertaken, comparable facilities or activities as a measure of additionality can achieve several objectives simultaneously:

- First, it serves as a **reasonable proxy for investment additionality**, since the investment that is required to achieve this level of superior performance would be considerably less likely to have been made without CDM credits. In contrast, it is much more likely that a project that achieves only average performance is one that would have been built anyway.
- Second, focusing on superior performance compared to **recently undertaken** activities or facilities means that the performance required of CDM projects will continuously improve as more CDM projects are undertaken –projects that are additional now may become normal practice in the future. Such an approach also weeds out older, and potentially ‘dirtier’, technologies and will help **promote cleaner technologies**, thus furthering lower emissions and sustainable development in non-Annex 1 Parties.
- Third, by focusing on **comparable** activities, the proposal is **practical** in enabling reductions in emissions and enhancements to removals to occur across the variety of project categories that Parties are envisioning and recognizing different conditions among countries and regions.
- Fourth, by promoting an **objective** performance criterion, this approach significantly increases the predictability of CDM decision-making while reducing the cost and time involved making decisions. This will create greater investor certainty than more subjective additionality tests, and will promote more projects.

Therefore, the U.S. proposes that the determination of additionality be comprised of two steps:

1) Determining whether a project activity meets an eligibility threshold: In order to be eligible as a CDM project activity, the activity must meet a level of performance with respect to reductions in emissions or enhancement of removals that is significantly better than average compared to a reference scenario.

- A reference scenario would consist of a set of recent and comparable activities or facilities in a relevant geographic area. The relevant geographic area would normally be the host Party, but a larger or smaller area could be defined to achieve a more representative reference scenario.
- This general standard would be elaborated and made more specific in the context of approved methodologies for defining the performance standard for specific project categories.

2) Determination of the project activity’s baseline: Once it is determined that the project meets the eligibility threshold, it is reasonable to grant credit on the basis of what would have happened in the absence of the project activity.

- This general standard would be elaborated and made more specific in the context of specific project categories and regions, but should be both realistic and practical. Any proposed baseline that uses a new baseline methodology would need to be approved by the executive board.

Application to Specific Project Categories

As noted above, in the case of both the eligibility threshold and the baseline, new methodologies would need to be approved by the executive board or a subsidiary body. As the Chair's text envisions, the United States supports allowing the executive board to approve "first of a kind" methodologies for broader application to projects in a specific country, region, or project category. Examples of the preliminary development of such methodologies for several project categories are described below.

Power Generation: In the case of power generation, we envision that the eligibility threshold could be met in one of several ways, depending on the reference scenario used, and that methodologies could be developed by looking at the emissions performance of comparable recently undertaken activities or facilities within the Party or region in which the project activity is occurring. For fossil fuel projects, the performance threshold would be measured in terms of emissions per kilowatt-hour generated, and would be set at the [X] percentile of the recent and comparable activities or facilities and would represent the lowest emissions rates within a reference scenario for each fuel type. The baseline would be set at the weighted-average emissions rate for each fuel type, fossil component, and sector within the reference scenario.

Industrial Practices: For energy-intensive industrial practices, performance could be measured in terms of energy use per output of intermediate products. For steel, performance would be measured on the basis of energy use or GHG emissions per tons of "liquid steel;" for cement, the basis could be energy use or GHG emissions per tons of clinker. The threshold would then be analogous to the power sector – the [X] percentile of the lowest energy consumption or GHG emissions per unit of output, for facilities in the reference scenario, with baselines determined as the weighted-average emissions rate per unit of output.

Methane Capture: Methane capture project activities would also be required to meet the "significantly better than average" threshold. For example, if methane capture at landfills was not standard practice – as is the case in many countries – then by definition the threshold would be any capture project that is better than the current situation. The baseline would then be the previously existing condition – i.e., no capture – and the project would calculate credits based on the amount of gas captured.

LULUCF: Sinks projects would be considered better than average if they represent activities that are better than the prevailing conditions within a Party or region. Since performance of individual carbon sequestration areas may vary immensely due to natural variability, the threshold of performance may require demonstrating divergence from a regional trend. Baseline methodologies would then take into consideration the current situation for the purpose of calculating credits. One example might be an afforestation project that is significantly better than current regional practices.

The United States envisions that specific methodologies will be developed over the next several years for major project categories. This can occur through proposals for generally applicable methodologies, or through case-by-case decisions made on individual

project proposals. Alternatively, the executive board may develop methodologies on its own where it considers this will facilitate the approval of project activities.

Requirements for the Crediting Period

The United States proposal envisions that project participants must select a crediting period for a proposed project activity during registration. We believe it is reasonable that a project participant have the option of either a stable baseline over a single, fixed crediting period specific to the project type or a baseline that is periodically revised over a crediting period of indefinite length. For the former, the baseline would be stable for the duration of the crediting period, after which the project would be ineligible to accrue further CERs. For the latter, the project activity would have an indefinite crediting period and would continue to accrue CERs provided that it continues to meet updated threshold and baseline criteria reflecting evolving circumstances.

For project activities designed to enhance removals by sinks, the project participant must also propose a crediting period during which the carbon sequestered by the project activity remains sequestered. Additionally, the project participants must identify modalities to address the possibility that some or all of the carbon sequestered might be released before the end of the crediting period. The United States envisions that the executive board will approve all new methodologies relating to crediting for sink projects, to ensure that crediting reflects real, measurable and long-term benefits to the atmosphere.

Provisions to Address Permanence and Reversibility of Sinks Projects

Provisions are included to address the risk that carbon dioxide removed from the atmosphere and held in forests or soils can be re-emitted prematurely if sinks are harvested, burned or otherwise disturbed. The executive board would be given two key tasks:

- First, the executive board would approve carbon accounting methodologies for determining the climate benefits provided by sequestering a ton of carbon for various lengths of time, in comparison to the climate benefits provided by a ton of emission reductions from the energy or other sectors. Successful sequestration for long periods would provide more climate benefits and should earn more credit than sequestration for shorter periods.
- Second, the executive board would approve modalities to ensure that the credits from sequestration projects reflect the project's actual climate benefits as determined by the carbon accounting methodologies. The methodologies could address the issue of permanence by crediting sequestration fully as it occurs (e.g., on the basis of stock change), but requiring that tons of carbon dioxide released prematurely are made up through liability or insurance measures. Or, they could address the issue of permanence by issuing credits incrementally (e.g., on a ton-year basis) for each year that the sequestration is maintained.

Provisions for Accounting for Leakage

The U.S. proposal provides that the project design document must include a description of potential changes in emissions or removals that are likely to occur outside of the project boundary and within the geographic area of the reference scenario that are significant and reasonably attributable to the project activity. Additionally, those changes in emissions and removals occurring outside the area of the reference scenario that are significant and reasonably attributable to the project activity must be accounted for following guidance developed by the executive board. The changes in emissions or removals must be monitored and incorporated into the calculation of CERs during certification.

Requirements for Monitoring

During registration, project participants must propose a monitoring plan using either a methodology that has been previously approved by the executive board or an alternative monitoring methodology that is submitted for executive board approval by the operational entity. The monitoring methodology chosen must be sufficiently rigorous to provide an accurate calculation of emissions and/or removals. Where the methodology is not sufficiently rigorous, it must provide a conservative estimate that does not underestimate emissions nor overestimate removals. This approach allows for project participants to use less rigorous monitoring methodologies where rigor is not feasible, but will ensure that crediting for projects does not overestimate emission reductions or underestimate removals.

Monitoring must encompass all emissions or removals occurring within the project boundary, as well as those changes in emissions and removals that are outside of the project boundary but are within the geographic area of the reference scenario that are significant and can be reasonably attributable to the project activity. The U.S. proposal provides that the executive board may develop guidance to account for changes in emissions or removals occurring outside the geographic area of the reference scenario that are significant and are reasonably attributable to the project activity.

**Submission by the United States on
Baselines, Monitoring and Related Provisions for
the Clean Development Mechanism**

Legal Text

B. Executive board

[Note: paragraph 8 of the Chair's Text should include the following provision:]

8. The executive board shall, inter alia:

- (x) Review and approve threshold, baseline, monitoring, and sinks crediting methodologies;

[Note: The following new paragraphs relate to the procedures for executive board review of threshold, baseline and monitoring methodologies. They could be added as new paragraphs at the end of Section B; for convenience's sake, they are referred to here as paragraphs 24.1-24.8. Note that paragraph 24.1 would serve as an alternative the Umbrella Group's proposal for paragraph 24 bis.]

24.1. The executive board shall review and approve threshold, baseline, monitoring and sinks crediting methodologies for placement in the Reference Manual. Proposals for such methodologies may be submitted by:

- (a) a host country, for application to project activities within that country;
- (b) an OE on behalf of a project participant, for application to a particular project activity where the project participant proposes to use an alternative methodology to those already approved; or
- (c) the executive board itself.

24.2. The executive board shall expeditiously complete its review of proposals for new threshold, baseline, monitoring, and sinks crediting methodologies.

24.3. In reviewing proposals for new threshold, baseline, monitoring, and sinks crediting methodologies, the executive board may draw on such outside expertise as it deems appropriate.

24.4. Methodologies that have been approved by the executive board may be used by project participants without further executive board review provided that the designated operational entity determines that the methodology is appropriate to the circumstances of the proposed project activity.*

[Note: we assume that, once approved by the executive board, methodologies would be placed in the reference manual, and that this would be made clear in paragraphs 122 and 123.]*

24.5. The executive board shall approve a threshold methodology for a particular project activity or category of project activities if use of the methodology will demonstrate whether the project will achieve a level of performance with respect to reductions in emissions or enhancement of removals that is significantly better than average compared with recently undertaken activities or facilities within the reference scenario, in accordance with paragraph 69.

24.6. The executive board shall approve a baseline methodology for a particular project activity or category of project activities if use of the methodology will demonstrate whether the proposed baseline reasonably represents the emissions or removals that would occur in the absence of the proposed project activity.

24.7 The executive board shall approve a monitoring methodology for a particular project activity or category of project activities if the methodology can be consistently applied and is determined to:

- (a) be sufficiently rigorous to provide an accurate and reasonably certain calculation of emissions or removals; or
- (b) where the methodology is not sufficiently rigorous, provide a conservative estimate of emissions or removals that gives reasonable assurance that emissions are not underestimated and removals by sinks are not overestimated.

24.8. The executive board may develop guidance relating to the methodologies referred to in paragraph 96(e) concerning changes in emissions and removals from sources outside the project boundary and within the geographic area of the reference scenario that are significant and reasonably attributable to the project activity.

24.9 The executive board may develop guidance to account for changes in emissions and removals that are significant and reasonably attributable to a project activity but outside the geographic area of the reference scenario to be used in the calculation of CERs.

[Amend paragraph 25 of the Umbrella Group text to include the following:]

25. The executive board shall maintain a reference manual for the purpose of facilitating and enhancing transparency in the development of threshold, baselines, monitoring and other relevant project elements, in accordance with Appendix B. The reference manual shall include [baseline methodologies and multi-project baselines] **[approved threshold (paragraph 24.5), baseline (paragraph 24.6), monitoring (paragraph 24.7), and sinks crediting methodologies (paragraph 73bis)]**, as well as such other guidance that the executive board deems will facilitate and enhance transparency in the development of projects.*

[Note: paragraph 25 is a further modification to the Umbrella Group's proposed changes to this provision.]*

G. Registration

[Note: the following paragraphs combine the functions of Registration and Validation. They reflect or modify paragraph paragraphs 54-62 in the Chair's Text. NOTE: Many elements of this text are already contained in the Chair's text, but the United States has included relevant steps for registration here in their entirety for better understanding of the registration process]

[The following three paragraphs are identical to the Umbrella Group proposal of August 11]

54.Registration is the process of independent evaluation of a project activity against the requirements of the CDM, and its formal acceptance as a CDM project activity on the basis of a project design document.

55.Project participants shall submit to a designated operational entity, under a contractual arrangement, a project design document to initiate the registration process. The project design document shall contain all information required for the registration of a CDM project activity specified in this decision and in the Annex to Appendix B.

56.Except as required by national law, operational entities shall not disclose information obtained from CDM project participants marked as proprietary or confidential, where such information is not otherwise publicly available, without written consent of the provider of the information. Emissions data or other data relating to emissions additionality shall not be considered confidential.

[The following paragraph modifies current paragraph 57 and the Umbrella Group August 1 submission].

57.The designated operational entity selected by project participants to register a project activity shall review the project design document and any supporting documentation to confirm that the following requirements are met:

- (a) the project design document has been approved by [the host Party] [each Party involved] in the form of a formal letter of approval;
- (b) the project design document contains information required by the Annex to Appendix B to this decision;
- (c) the proposed project activity satisfies the threshold criteria set out in paragraph 69;
- (d) the proposed project activity satisfies the baselines criteria set out in paragraph 71;
- (e) the project design document contains a monitoring plan that satisfies the requirements set out in paragraphs 96-98;
- (f) the project design document uses a crediting period that satisfies the requirements set out in paragraph 73; and
- (g) for projects designed to enhance removals by sinks, the project design document contains a sinks crediting methodology in accordance with paragraph 73 bis.

57bis. The designated operational entity will review the information provided to determine whether it is sufficient to enable a decision regarding whether to register the project activity. If the information is not sufficient, the designated operational entity may request

further information from the project participants, and, where appropriate, provide recommendations for the modification of the methodologies used.

Note: The following paragraphs would replace current paragraphs 58 and 59 in the Chair's text.]

58. The designated operational entity will make the project design document publicly available, subject to confidentiality provisions in paragraph 56. It shall receive comments from Parties and UNFCCC-accredited non-governmental organizations on elements relating to environmental additionality as defined in paragraph 68 for [60] days from the date that the project design document has been made publicly available.

59. Following the time period specified in paragraph 58, the operational entity will make a determination as to whether, on the basis of the information provided in paragraph 57, and taking into account comments received under paragraph 58, the project activity should be registered.

[Note; Paragraph 60 is captured in the requirements in paragraph 57.]

[Note: This paragraph is identical to the first sentence of the current paragraph 61 of the Chair's text. The second sentence is contained in paragraph 95].

61. The designated operational entity will inform project participants if it determines that the project design, as documented, does not fulfil the requirements for registration, explaining the reasons for non-acceptance.

[Note: The following paragraphs specify the procedure for executive board review of decisions by the operational entities. Changes to the current text are in bold. In the Chair's Text, they are found at paragraphs 93-95.]

93. The operational entity will submit to the executive board its registration **determination** on a CDM project, along with the project design document and any comments received, and shall make it publicly available.

94. The registration **determination** shall be deemed final after [60] days from the date of receipt by the executive board of the registration determination unless a Party involved in the project activity, or at least [x] Parties on the executive board, request a review of the registration decision by the executive board.

(a) Requests for reviews shall be limited to issues associated with the applicability of **the baseline methodology to the project; the adequacy of the monitoring plan; in the case of sequestration projects, applicability of crediting methodologies**, or other issues relating to environmental additionality;

(b) Upon receipt of a request for review in accordance with this paragraph, the executive board shall perform a review in accordance with this paragraph and determine whether the proposed registration should be approved;

- (c) The executive board shall complete its review expeditiously, and in any case no later than the [second] meeting following its receipt of a request for review;
- (d) The executive board shall inform the project participants of its determination, and make its determination and the reasons therefor publicly available.

95. A project that is not accepted may be reconsidered for registration after appropriate revisions have been made to the project design document.

[Note: the following paragraph refers to the determination of additionality. It would be considered an alternative option to all provisions of the Chair's text concerning environmental additionality, financial additionality, investment additionality, technology additionality, etc., including paragraphs 68-69. Any other references to additionality in the text would be assumed to refer to the concept in the following paragraph.]

68. Greenhouse gas emission reductions or removals resulting from a project activity shall be considered additional for purposes of Article 12(5)(c) if the project activity meets the threshold criteria established under paragraph 69 and the emission reductions or removals exceed the approved baseline for the project activity.

[Note: the following paragraphs 69-70 establish a new threshold criterion requiring better than average environmental performance for CDM projects, which would replace criteria relating to technology and investment additionality.]

69. To be eligible as a CDM project, a proposed project activity must achieve a level of performance with respect to reductions in emissions or enhancement of removals that is significantly better than average compared with recently undertaken activities or facilities within the reference scenario. This threshold criterion shall be satisfied if:

- (a) the proposed project activity uses a methodology to demonstrate that it meets the threshold that has been approved by the executive board, and the designated operational entity determines that the methodology is appropriate to the circumstances of the project activity and has been properly applied; or
- (b) the proposed project activity uses an alternative methodology to demonstrate that the project will achieve a level of performance with respect to reductions in emissions or enhancement of removals that is significantly better than average, provided that the executive board approves the alternative methodology upon submission by the operational entity. Upon approval of the alternative baseline methodology by the executive board, the designated operational entity will determine that the methodology is appropriate to the circumstances of the project activity and has been properly applied.

70. The term "reference scenario" means a set of recent and comparable activities or facilities, that are defined in a manner sufficient to demonstrate what would likely have occurred in the relevant sector in the absence of the proposed project activity, taking into account any guidance provided by the executive board. The relevant geographic area for the reference scenario shall normally be defined as the host Party, but, depending on the circumstances,

may be defined to encompass a larger or smaller area, taking into account any guidance provided by the executive board.

[Note: the following paragraphs 71-72 establish new modalities for the setting of baseline criteria, which would be used to establish a reasonable case of the level of emissions or enhancements of removals of greenhouse gases that would have occurred in the absence of the CDM project activity. These paragraphs would be an alternative to paragraphs 75-87 of the Chair's Text]

71.A proposed project activity must use a baseline that reasonably represents the emissions or removals that would occur in the absence of the proposed project activity in accordance with paragraph 72 below.

72.A baseline shall be deemed to reasonably represent the emissions or removals that would occur in the absence of the proposed project activity only if:

- (a) it is derived using a baseline methodology that has been approved by the executive board and the designated operational entity determines that the methodology is appropriate to the circumstances of the project activity and has been properly applied; or
- (b) it is derived using an alternative baseline methodology, provided that the executive approves the methodology upon submission by the designated operational entity and following approval of the alternative methodology by the executive board, the designated operational entity determines that the methodology is appropriate to the circumstances of the project activity and has been properly applied.

[Note: the following paragraph refers to the crediting period for a CDM project activity. It is an alternative to paragraph 74 in the Chair's Text.]

73.Project participants must select a crediting period for a proposed project activity using one of the following alternative approaches:

- (a) a single crediting period, after which the project activity is not eligible to further accrue certified emission reductions. The baseline remains fixed throughout the crediting period. The crediting period is defined as the shorter of:
 - (i) the expected operational life of the project; or
 - (ii) 15 years [in the case of emission reduction project activities], and [X] years in the case of project activities involving land-use change and forestry]; or
- (b) a crediting period that is renewed every [5] years by the project participant, provided that the OE determines that the project activity continues to satisfy the threshold and baseline criteria based on updated data.

[Note: The following paragraph establishes a requirement for a sinks crediting methodology, which is identical to the Umbrella Group's proposal for paragraph 57(b).]

73 bis. For projects designed to enhance removals by sinks, the project design document shall ensure that crediting of sinks projects reflects real, measurable and long-term benefits in enhancement of removals and/or avoidance of emissions of greenhouse gases. For this purpose, the project design document shall include:

- (a) a proposed period of time during which the carbon would remain sequestered; and,
- (b) modalities to address the possibility that some or all carbon sequestered through the project is released before the time specified in subparagraph (a) has elapsed, for example through modalities for ensuring that any carbon released before the specified time period has elapsed will be made up, or modalities regarding the rate at which CERs are issued over the duration of the project

I. Monitoring

[Note: the following paragraphs 96-98 would be an alternative to paragraphs 96-102 in the Chair's text.]

96. Project participants shall propose, as part of the project design document, a monitoring plan to be used for the purpose of demonstrating emissions or removals by sinks from the project. The monitoring plan shall provide for:

- (a) the collection and archiving of all relevant data necessary for estimating or measuring emissions or removals of greenhouse gases occurring within the project boundary during the crediting lifetime;
- (b) quality assurance and control procedures;
- (c) periodic calculation of emissions and/or removals of greenhouse gases occurring within the project boundary in accordance with an approved monitoring methodology specified in the project design document;
- (d) documentation of all steps involved in the calculations referred to in subparagraph (c);
- (e) an identification of all potential sources of greenhouse gas emissions and removals outside the project boundary and within the relevant geographic area within the reference scenario that are significant and reasonably attributable to the project activity; and
- (f) methodologies to monitor or estimate all measurable changes in emissions and removals that are significant and reasonably attributable to the project activity from sources outside the project boundary and within the relevant geographic area within the reference scenario, taking into account any guidance provided by the executive board.*

97. The term “project boundary” means all sources of emissions and or removals of greenhouse gases that are within the control of the project participant and are significant and reasonably attributable to the project activity.

[Note: Paragraphs 96 (e)-(f) and 97, read in conjunction with paragraph 106 bis below and paragraph 24.8 above, deal with leakage.]*

98. A monitoring methodology is approved for purposes of paragraph 96(c) if:
- (a) it has been previously approved by the executive board, provided that the designated operational entity determines that the methodology is appropriate to the circumstances of the proposed project activity and has been properly applied; or
 - (b) it is an alternative methodology proposed for application to a particular project activity, provided that the executive board approves the methodology upon submission by the designated operational entity; following approval by the executive board the designated operational entity determines that the methodology is appropriate to the circumstances of the project activity and has been properly applied.

J. Verification

[Note: the following provision would be added into paragraph 104 of the Chair's text.]

104. (d) bis In reviewing project documentation and conducting, as deemed appropriate, on-site inspections, the designated operational entity will verify that the monitoring methodologies for estimation of emissions or removals have been applied correctly and its documentation is complete and transparent;

K. Certification

[The following provision relating to leakage should be inserted in the section on Certification.]

106. Project participants shall submit a request to the operational entity for certification of accrued emission reductions or removals associated with a project activity over a specified time period. Project participants shall include as part of this request calculation and documentation of the following:
- a). emissions and removals that are significant and reasonably attributable to the project activity within the project boundary;
 - b). emissions and removals that are significant and reasonably attributable to the project activity outside the project boundary and within the geographic area of the reference scenario;
 - c). the total emissions and removals from a) and b) above;
 - d) comparison of total emissions and removals within the geographic area of the reference scenario to the appropriate baseline; and,
 - e) any additional factor required by the executive board to account for changes in emissions and removals that are significant and reasonably attributable to the project activity but outside the geographic area of the reference scenario.

Annex to appendix B -- Project Design Document

[] The project design document shall include: [...]

- [] The proposed formula for calculating, on a periodic basis, the additional reductions and/or removals occurring within the project boundary, including the baseline, monitored emissions and/or removals and other relevant parameters.

PAPER NO. 5: URUGUAY

PROPUESTA DE URUGUAY PARA SU INCLUSIÓN EN EL TEXTO DEL DOCUMENTO SOBRE MECANISMOS PREVISTOS EN LOS ARTS. 6,12 Y 17 DEL PROTOCOLO DE KIOTO (FCCC/SB/2000/4)

La Delegación del Uruguay propone:

1- en el párrafo 65 del documento referido ut supra, agregar a continuación de “**regarding the CDM contained**” la frase: “**in the article12, pargraph 10 of the Kyoto Protocol ...**”.

2- en el párrafo 65, la eliminación de la segunda frase desde “**Following project validation**” hasta “**certification and issuance of CERs**”.

3- Agregar párrafo 65bis con el texto siguiente:

“65bis. Las actividades de proyectos de uso de la tierra, cambio en el uso de la tierra y forestación que a través de los procedimientos de certificación, validación y registro den lugar a la obtención de UREs para el periodo comprendido entre el año 2000 y el comienzo del primer período de compromiso, solo serán elegibles si cumplen las condiciones establecidas en el artículo 3.3 del Protocolo de Kioto”.

(unofficial translation)

**URUGUAYAN PROPOSAL FOR INCLUSION OF TEXT IN THE DOCUMENT ON
MECHANISMS PURSUANT ARTICLES 6, 12 AND 17 OF THE KYOTO
PROTOCOL (FCCC/SB/2000/4)**

The delegation of Uruguay proposes:

1. In paragraph 65 of the document referred above, to add after “regarding the CDM contained” the following sentence: **“in the article 12, paragraph 10 of the Kyoto Protocol.”**
2. In paragraph 65, to delete the second sentence from **“Following project validation” to “certification and issuance of CERs”**.
3. To add in paragraph 65 the following text:

65bis. Project activities for land use, land use change and forestry that would let obtain CERs, through the procedures of certification, validation and registry, for the period between the year 2000 and the beginning of the first commitment period, will only then be eligible if they comply with the conditions established in article 3.3 of the Kyoto Protocol”.

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