

10 August 2000

ENGLISH/SPANISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Thirteenth session

Lyon, 11-15 September 2000

Item 9 (b) of the provisional agenda

**METHODOLOGICAL ISSUES**

**GUIDELINES UNDER ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL**

**Submissions from Parties**

**Note by the secretariat**

1. At its twelfth session, the Subsidiary Body for Scientific and Technological Advice invited Parties to submit, by 1 August 2000, comments on issues related to Articles 5, 7 and 8 of the Kyoto Protocol, particularly on guidelines for preparation of the information required under Article 7, guidelines for the review process under Article 8, methodologies for adjustments under Article 5.2, and on some aspects related to modalities for the accounting of assigned amounts contained in document FCCC/SBSTA/2000/INF.7. It requested the secretariat to compile these views into a miscellaneous document (FCCC/SBSTA/2000/5, para. 36 (h)).

2. The secretariat has received 9 such submissions.\* In accordance with the procedures for miscellaneous documents, these submissions are attached and reproduced in the language in which they were received and without formal editing.

---

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

## CONTENTS

<b>Paper No.</b>		<b>Page</b>
1.	<b>AUSTRALIA</b> (Submission received 3 August 2000)  <b>Articles 5, 7 and 8</b>	   4
2.	<b>CHINA</b> (Submission received 25 July 2000)  <b>Guidelines under Articles 5, 7 and 8 of the Kyoto Protocol</b>	   14
3.	<b>FRANCE</b> <b>(ON BEHALF OF THE EUROPEAN COMMUNITY</b> <b>AND ITS MEMBER STATES)</b> (Submission received 1 August 2000)  <b>Methodological issues. Guidelines under Articles 5, 7 and 8</b> <b>of the Kyoto Protocol</b>	     16
4.	<b>INDIA</b> (Submission received 1 August 2000)  <b>Comments on issues related to Articles 5, 7 and 8</b>	   30
5.	<b>JAPAN</b> (Submission received 4 August 2000)  <b>Comments on issues related to Articles 5, 7 and 8</b>	   33
6.	<b>MEXICO</b> (Submission received 2 August 2000)  <b>Articulos 5, 7 y 8 del Protocolo de Kioto</b>	   38

7. **POLAND**  
(Submission received 26 July 2000)  
  
**National systems for the estimation of anthropogenic  
gas emissions and sinks** 39
8. **SAUDI ARABIA**  
(Submission received 13 July 2000)  
  
**Guidelines for preparation of information Required under Article 7  
of the Kyoto Protocol** 43
9. **UNITED STATES OF AMERICA**  
(Submission received 4 August 2000)  
  
**United States Views on Articles 5/7/8** 46

## PAPER NO. 1: AUSTRALIA

### ARTICLES 5, 7 AND 8

Further to the UNFCCC paper SBSTA/2000/L.2, the following comments are provided by Australia on issues related to:

- Methodologies for adjustments under Article 5.2, and further methodological work needed to develop methods for adjustments;
- Guidelines under Article 8

The comments provided here elaborate on Australia's previous submissions on these topics.

#### Comments on Article 5

##### *Adjustment Process*

There is no obligation under the Protocol to submit inventories prior to the commitment period. Accordingly, the use of adjustments for inventories submitted prior to the commitment period would be unlikely to occur. However, adjustments may have to be utilised in order to determine the inventory for the base year. Australia wishes to emphasise that we view adjustments as a last resort option to address inventory problems, which should only need to be sparingly used in the early stages of the implementation of the Kyoto Protocol. We note that the option that Parties have to prepare inventories using Tier 1 methodologies, which cover situations of poor data or absence of tailored methodologies, make it unlikely that adjustments would be widely used.

In our view, adjustments should be able to be applied by a Party, either upon the Party's own initiative or when recommended by an Expert Review Team (ERT), to calculate a technical inventory estimate where it is not possible to do so in accordance with the Revised 1996 IPCC Inventory Guidelines as elaborated by good practice. We see several reasons why it is preferable that adjustments be calculated and applied by the relevant Party rather than imposed externally:

- the Parties themselves are usually in the best position to access and utilise the data they possess. It would probably be easier for a Party to access the relevant information than for an external body to do likewise.
- placing upon Parties the responsibility to estimate emissions, whether by following the IPCC guidelines and good practice, or by using adjustments, will assist with the ownership by Parties of the data against which compliance will be assessed
- the skills, experience and methodologies used in the calculation of adjustments will assist with the 'capacity building' of countries to develop sound inventory data
- the more involvement that a party has in the development of adjustments, the more ownership of the process and the final inventory will result.

The application of adjustments should not be seen as a punishment of those Parties that have submitted an unreliable inventory. Instead, adjustments should be viewed as a means to provide revised technical estimates for the purposes of assessing compliance with the Protocol.

#### *Disagreement over adjustments*

Where a Party and an ERT are unable to agree on adjustments, then the issue will be referred to the Compliance Institution (CI, or however named) to facilitate a resolution of the disagreement. The CI will be unable to assess compliance without having a complete inventory available for the Party in question. For this reason the CI may have to determine an adjustment without the consent of the Party, so as to be able to assess the compliance of that Party. This option should only be considered as a last resort when all reasonable attempts at reaching an agreement with the relevant Party have failed.

#### *When should adjustments be reviewed?*

Adjustments should be reviewed during the annual inventory review. Adjustments may be calculated and applied to base year figures and commitment period inventories. Adjustments should apply only to years in which problems occur, but they should not be employed to ensure 'time series' consistency. Adjustments to base years should also be subject to review prior to the first commitment period. Adjustments applied may be replaced if the Party is able to provide a revised estimate that is accepted by an expert review team.

Where a review team does recommend the making of an adjustment instead of the Party proposing one itself, the Party should be given perhaps 1 to 2 months to make the recommended adjustments. Adjustments applied as a result of the annual review should be taken into account in the annual compilation and accounting of emissions inventories and assigned amounts.

#### Comments on Article 8

We provide comments on how Australia views Article 8 operating in Attachment A (below).

#### *The establishment of a review team*

Article 8 requires the review of inventory information supplied by Parties under Article 7 for the purposes of satisfying the requirements of Article 3. Australia is of the view that the nature of this task is essentially a technical one, involving the close examination of a Party's implementation of its commitments under the Protocol. The ERTs should not be required to decide if a Party has or has not satisfied their commitments under the Protocol, nor be required to pressure any Party into observing their commitments. For this reason the work of the Expert Review Team (ERT) should involve the examination and interpretation of the information provided by Parties and not the forming of conclusions which should be made as part of the compliance process.

Australia's preference for any ERT established for the purposes of Article 8 is for it to be able to adequately discharge its function while being as cost-effective as possible. This goal could

best be served by the ERT acting as contracting agent for experts, rather than being a large institution that attempts to discharge its duties entirely from 'in house' resources.

This idea came from attempting to resolve how ERTs could deal with the enormous bulking of work that will occur, and also aiming to draw upon the huge range of expertise that will be available and avoid the creation of an ERT elite. Assuming that emissions trading gets underway, we anticipate a demand for thousands of experts world wide to carry out the task of monitoring and verifying of emissions. In Australia we already have hundreds of people carrying out this sort of work through our voluntary business programs, and through speculative activity.

Our aim is to tap this pool for skills either through asking a local in a country for input on the non-controversial matters; or else asking an outsider to undertake the more controversial tasks, so as to avoid a conflict of interest. There would need to be a small standing group located in the secretariat called the 'ERT', which would engage expertise as needed for particular tasks. The standing group would be experts in their own right to ensure that they could identify and allocate problems and produce reports and should be able to undertake smaller tasks, or even larger ones when time permitted. They would be more than just coordinators, though that would be a key element of their role. Australia has no firm position on the size of the ERT standing group, or the way in which outside expertise should be recruited.

---

## **Australia's view of Article 8 guidelines**

The following comments are structured according to relevant sections of the Co-Chair's text 'Proposed elements of draft guidelines under Article 8 of the Kyoto Protocol', 11 June 2000. Where comments have not been provided, the Co-Chair's text should be followed.

Throughout, references to Parties should be taken to be Annex I Parties.

### **Part 1**

#### **A Objectives**

- To ensure that the compliance body has the information necessary to carry out the task assigned to it
- For the remainder, follow Co-Chair's text

#### **B General approach**

- Some components of FCCC guidelines should be incorporated in these guidelines
  - but note that this is an interim stage, and final guidelines for Article 8 may be self-standing
- For the remainder, follow Co-Chair's text

#### **C Reporting**

- Interim reports should be provided to the compliance institution on first order problems that are identified at the initial check stage (as outlined in Part II B below)
- Final reports should be available publicly, as well as to the compliance institution and to the COPMOP
- Any drafts of the interim or final reports would constitute working documents that would be made available only to the Party concerned
- Questions of implementation (a term which will require definition) should be included in final reports
- For the remainder of this section, follow Co-Chair's text

#### **D General timing**

##### ***1a Review prior to first commitment period (1 CP) (replace Co-Chair's's text with:)***

- Base year inventory
  - reviewed using guidelines for inventory review (see part II of these guidelines)
  - any adjustments should be made prior to 1 CP
  - should be reviewed prior to 1 CP
  - any compliance-related problems outstanding after review should be resolved prior to 1 CP

- National system
  - reviewed using guidelines in Part IV
  - should be reviewed prior to 1 CP
  - this review would use annual inventories submitted for years prior to review of the national system
  - any compliance-related problems outstanding after review should be resolved prior to 1 CP
- National Registries
  - reviewed using guidelines for review of registries in Part V
- Assigned amounts
  - review calculation of initial assigned amount to ensure consistent with relevant guidelines for the calculation of assigned amounts, and consistent with verified base year inventory
- Inventory from 200x (date to be determined)
  - Parties may chose to submit inventories under Protocol requirements prior to 1 CP
  - this would be a facilitative measure to assist Parties in ensuring that inventories will be Protocol-compliant by the commencement of 1 CP
  - no consequences would apply if problems were identified in this voluntary review process
  - inventories submitted under these conditions would be reviewed under Protocol conditions
- National communication
  - using guidelines in Part VII

***1b Specific procedures of pre CP review (replace Co-Chair's text with:)***

- pre CP reviews are initiated as Parties report upon the relevant elements
  - Parties shall be required to have reported on the following elements by the start of 2006
  - base year, national system, national registry, assigned amounts
  - national communication if the conditions outlined in Article 7.3 apply
  - the elements identified in 1a above should all have been reviewed prior to the start of 2007
  - noting for national communications that this applies only if the conditions outlined in Article 7.3 apply
  - this timetable would enable any remaining improvements to be made, or issues to be resolved, during 2007
- the elements identified in 1a above should be reviewed and reported upon separately
  - they should not be reviewed together owing to the different expertise required, and the delays that this would introduce in finalising feedback and improvement if required on individual elements

***2 Annual review***

***2a***

- in addition to the elements identified, information on Article 6 might be reviewed as needed

***2b (replace Co-Chair's text with the following:)***

- the annual review should start with the first annual inventory submitted for review under Protocol requirements



- annual review should commence prior to a Party making transfers or acquisitions
  - to ensure that they continue to meet required standards
- however, reviews should be conducted on the basis that the inventory in question is to be considered valid and that it can be relied on for the purposes of the Protocol, including participation in emissions trading, until it is proven to be defective.
  - certified emission reduction units generated under the clean development mechanism should in any event be transferable prior to the commencement of the first commitment period.
- reviews should in general be conducted as desk reviews, with country visits if required
  - these procedures may be further elaborated after the conclusion of the trial period for reviews
  - ERTs should be permitted discretion in requesting in-country visits
- during the commitment period, each country should have one in-country visit to review its annual inventory
  - this would take place separately from the periodic review
- annual reviews should be completed within one year

### ***3 Annual compilation and accounting***

- the annual compilation and accounting should take place for each Party
  - and for all Parties after the true up following the end of 1 CP
- annual compilation and accounting would take place upon the completion of the annual review of inventories for the end of the first year in which transfers and acquisitions take place
  - ie during 2010 if transfers and acquisitions commence 2008
  - in this case at the end of 2008 and 2009 there should be an annual compilation of transfers and acquisitions for each Party (which would not include inventory data)
  - earlier if transfers and acquisitions commence earlier
- compilation and accounting should be performed under the authority of an ERT
- compilation and accounting would record adjusted inventory data
  - not unadjusted data
- retain bullet points 3-5

### ***4 Periodic review***

4a

- national communications should be reviewed periodically
  - national systems and national registries should not necessarily be reviewed periodically, but only if:
    - the information that they produce (inventories and information on transfers and acquisitions, respectively) reveals a potential problem
    - Parties report changes that, in the view of ERTs, warrant review

4b

- national systems should be reviewed once prior to 1 CP
  - they should not be reviewed thereafter unless
  - there are changes notified by a Party which in the view of the ERT warrants review
  - there are problems identified in annual inventory reviews which point to problems with national systems
- periodic in-country visits should occur on a rolling basis

## **E Composition and institutional arrangements**

*(replace existing section with:)*

The Article 8 review function should:

- be undertaken by a body comprising a small number of experts (precise number to be determined)
  - housed in the secretariat
  - expertise should cover
    - key source categories identified for the majority of Parties
    - national systems
    - registries
    - Article 6 project issues
    - national communications
  - further consideration needs to be given to requirements for training/expertise
  - term of service should be limited
    - perhaps 2-4 years
    - to enable utilisation of a broad range of expertise
    - to avoid concentration of expertise in a small number of individuals
- be charged to
  - take responsibility for timeliness and quality of review process
    - of inventory, national system, registries, base years, Article 6 projects, national communications
  - manage review process
    - including commissioning appropriate expertise to undertake review of particular issues
  - take responsibility for reports
- draw upon experts from a roster of experts
  - roster would be large, with experts covering all sources, sectors, gases
  - the roster approach would enable ERTs to avoid overload problems and ensure the timely management of workload peaks (eg resulting from submission of annual inventories)
  - it would also minimise costs that might attach to a large standing body
  - experts would be commissioned by ERTs to undertake specific tasks within specific timeframes
  - this involvement would be deemed to be undertaken under the authority of an ERT

## **Part II**

### **National inventory review**

#### **A Purposes**

- To ensure that the compliance institution and the COPMOP has adequate information on greenhouse gas inventories and emission trends
- Delete option 1
- Follow remainder of Co-Chair's text

## **B Timing etc**

### **3 Procedures** *(replace Co-Chair's text with following)*

- Initial check to be performed by ERTs

Section 3 completed by end April each year

- Results of initial check would constitute an agenda for ERTs to consider in their review of Party inventories
  - though review would not be limited to this list
- ERTs would commission experts from roster to consider issues raised by initial check and other questions (eg adjustments)
  - experts would be commissioned as needed to investigate problems identified by ERTs
  - commissioning to be completed by end June each year
- Experts from roster would investigate issues raised
  - experts to conduct review of specific items, including seeking any clarification necessary from a Party
  - experts would review any adjustment made by a Party
  - experts may recommend an adjustment to a Party
  - if Party corrects a problem, experts to confirm adequacy of correction
  - experts to provide written report upon results of investigation for inclusion in ERT report
- ERTs to compile results of expert investigations, as well as other material, into reports
- If required, in-country visit would prompt need for review of national system
- Time limits to be stipulated for each stage of process, and to cumulatively amount to not more than one year

### **4 Reporting** *(replace Co-Chair's text with following)*

- A status report to record receipt of the inventory may be produced by ERTs
- Initial check would be conducted by ERTs
  - initial check to comprise automated data matching
  - identifying issues such as outlier data figures, inconsistencies within sections of inventories, trend comparison within and between inventories, etc
  - results of the initial check should be made public
  - if initial check identifies a first order problem which remains uncorrected by a Party after a set period of time it would be forwarded to the compliance institution
  - initial check report would not replace the final ERT report, which would be produced once full review has taken place
- Annual inventory reviews will result in one final report
  - draft reports may be produced for comment by a Party, but these would constitute working documents that would not be passed to the compliance institution or made public
- Final report would include, as relevant:
  - identification of all issues investigated
  - this would include adjustments made by Parties and accepted by ERTs
  - Parties, not ERTs, would report information on justification and methodology for adjustments
  - identification of unresolved problems
    - including those relating to adjustments

- information on difficulties faced during review process
- information on any issues raised by compliance institution in previous years
- information on issues that could be investigated in future reviews
- information on any issue of concern that has not been investigated

### **C Identification and classification**

Section 1 – add to Co-Chair’s text that any of the problems identified on page 6 may be subject to adjustment; they may also be ‘first order’ (subject to definition)

Section 2 – delete (contents have been incorporated into section B above)

Section 3 – replace with the following:

- A The following problems would be identified during the automated initial check, would be raised immediately with the Party, and if unresolved within a short period of time would be brought to the attention of the compliance institution
  - failure to submit an inventory or national inventory report
    - timelines to be determined, but if more than x weeks late this would delay further review processes and should be considered by the compliance institution
    - this situation would prevent review from continuing
  - failure to submit data for a key source category
  - key source category to be defined using last available reviewed inventory
  - provided data for x% of key source categories has been submitted, review would proceed
- B The following problems would be considered first order and would be identified during the process of the annual review
  - methodological problems pertaining to more than x% of total inventory estimate
  - proportion of inventory subject to adjustment is greater than x% of total inventory for that year
  - these problems would be identified and reported to the compliance institution even if a Party is working to resolve them
  - a Party could, if it wished, readily overcome such problems for the purposes of inventory review by reverting to a Tier 1 calculation method

### **D Procedures for adjustment**

(retain dot points 1 (first option) and 2 (without brackets); replace remainder of Co-Chair’s text with the following

- Adjustments may be applied by a Party:
  - before it submits its inventory
  - upon recommendation of the ERT whenever an inventory estimate has been calculated in a way that is inconsistent with IPCC Good Practice Methodology.
- In the event that a Party has difficulty in determining an appropriate adjustment, the Party may seek facilitative assistance from the compliance institution
- Should there be unresolvable difference between a Party and an ERT, the adjustment would not be imposed, but the issue would be referred to the compliance institution for resolution

- for the purposes of compliance assessment, it will be necessary to have numbers to cover a Party's full inventory
  - therefore it may ultimately be necessary for the compliance institution to generate an adjusted figure against which to assess Party compliance
  - in this event, the adjustment may have to be applied without Party consent
  - however every effort should be made to avoid this situation
  - Adjustments are reviewed during the annual review
  - If a Party disagrees with an ERT's recommendation to calculate an adjustment, or if an ERT disagrees with a Party's calculation of an adjustment, then the issue would be referred to the compliance institution
  - If a Party applies an adjustment, but later is able to calculate a number according to IPCC guidelines and good practice, then the adjustment may be removed
    - Parties would identify where such replacements have occurred
    - ERTs may review such revised figures
    - the approval of ERTs would not be required to substitute the figure
    - but ERTs may chose not to accept the revision
  - If a Party and an ERT agree upon an adjusted figure, then this constitutes acceptance of this figure
    - this is the process for acceptance of any other inventory number
    - there is no need for compliance institution involvement
-

PAPER NO. 2: CHINA

**Guidelines under Articles 5, 7 and 8 of the Kyoto Protocol**

On the item “methodological issues – Guidelines under Articles 5,7 and 8 of the Kyoto Protocol”, China submitted, as requested, its views on January 31, 2000 contained in document FCCC/SBSTA/2000/MISC.1. On June 11, 2000 during the SB-12 session, the Group of 77 and China submitted their position paper titled “G-77 and China position paper on elements to be included in the preparation of Proposed Elements of draft guidelines under Article 8 of the Kyoto Protocol (informal paper No.8)” and China fully endorsed the position paper. In addition, in response to the request of FCCC/SBSTA/2000/L.2, China submits following views on the item, and further views may be elaborated and submitted.

**I. Elements of guideline under Article 7.1 of the Kyoto Protocol**

- Information on the acquisition of CERs from CDM projects under Article 12, which may include the descriptions of project names, scales, project sites, participants of projects, process of CERs generation, the amount of CERs acquisition, how the funds for CDM is additional.
- Information on the acquisition/transfer of ERUs from projects under Article 6 of Kyoto Protocol, which may include the descriptions of project names, scales, project sites, participants of projects, process of ERUs generation, the amount of ERUs acquisition/transfer.
- Information on the acquisition/transfer under Article 17 of Kyoto Protocol, which may include the descriptions of the process of the acquisition/transfer.
- Information on the net changes in greenhouse gas emissions by sources and removals by sinks resulting from afforestation, reforestation and deforestation in base year and commitment years.

**II. Elements of guideline under Article 7.2 of the Kyoto Protocol**

- Information on the implementation of Article 2 of the Kyoto Protocol, in particular the information on national policies and measures to mitigate climate change such as: energy efficiency improvement, development of new and renewable energy; national policies and measures to minimize the adverse effects on the international trade, and social environmental and economical impacts on other Parties, especially developing country Parties.
- Information on the implementation of Article 3.2 of the Kyoto Protocol showing what demonstrable progress has been made in achieving the commitment under this Protocol by year 2005, and how.
- Information on the implementation of Article 3.14 of the Kyoto Protocol, in particular, the information related to national policies and measures to minimize the adverse effects on the international trade, and social environmental and economical impacts on other Parties, especially developing country Parties.

- The information on what technologies have been transferred by developed country Parties, and how to be transferred by developed country Parties, under the Article 10 of the Protocol. A uniform reporting format could be set for this purpose.
- Information on the implementation of Article 11 of the Kyoto Protocol, in particular, the information on how the additional financial resources have been provided. A uniform reporting format could be set for this purpose.

### **III. Guideline under Article 5.2**

- Adjustments should be applied when information of emission estimation submitted by Annex I Parties are incomplete and/or are calculated in a way that is not consistent with the Revised 1996 IPCC Guidelines. Methodologies for adjustments under Article 5.2 should be objective, transparent and comprehensible, and need to be carefully studied and agreed upon by COP serving as MOP to the Protocol.
- Given the complexity of the methodologies for adjustment, adjustments should be conservative to ensure that the application of the adjustment should not overestimate emissions in the base year and should not underestimate emissions in other years.

### **IV. Further elaboration of Guidelines under Articles 5, 7 and 8**

- It may be logical to consider the further elaboration of the Guidelines under Articles 5, 7 and 8 soon after the mechanisms under Articles 6,12 and 17, LULUCF under Article 3.3 and 3.4, and compliance under Article 18 have in place.

PAPER NO. 3: FRANCE  
on behalf of the European Community and its member States

**METHODOLOGICAL ISSUES**  
**GUIDELINES UNDER ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL**

France, on behalf of the European Community and its member States, welcomes the opportunity to send additional comments on supplementary information pursuant to Article 7 and methodological and technical aspects related to this article, as well as to provide further views on review under Article 8 and adjustments under Article 5.2, in accordance with the conclusions of the 12<sup>th</sup> session of SBSTA.

The EU believes that precise and comprehensive guidelines on reporting and review on all aspects of the Protocol will enable Parties to produce reliable and comparable reporting, which in turn will facilitate the work of the review process under Article 8, limit the need for adjustments under Article 5.2, and facilitate Parties' participation in the Kyoto Mechanisms. The EU believes that Parties should have the opportunity to start reporting according to these guidelines as soon as they are adopted, in order to allow Parties to gain experience with reporting under Article 7.1 and 7.2 before the beginning of the commitment period. Likewise, Parties reporting according to guidelines under Article 7.1 and 7.2 should have the opportunity to have this information reviewed according to the guidelines for the review process under Article 8 before the 1<sup>st</sup> commitment period.

In the EU's view the work under the Kyoto Protocol should aim to achieve guidelines that cover commitments under the Kyoto Protocol and under the Convention. It should be avoided that each individual guideline is produced twice. However, any specific text should ensure a clear distinction between commitments under the Convention and under the Protocol. One possible way to implement this view would be to start the guidelines under the Protocol with a section on "applicability" explaining which parts of the specific guidelines are only relevant for Parties to the Protocol. In the respective decision, Parties could agree to use the new guidelines for reporting/ review etc. under the Convention with the specific distinction outlined in the "applicability"-section.

**PART 1: INFORMATION REQUESTED UNDER ARTICLE 7**

*(see paragraph 36.(c) of document FCCC/SBSTA/2000/5)*

The EU believes that guidelines for reporting under Article 7.1 and 7.2 are the starting point for the work. Logic implies that guidelines on the review of information can only be finalised if guidelines dealing with reporting of the information (Article 7) to be reviewed have been elaborated and finalised.



### **Supplementary information to be provided in the inventory under Article 7.1**

The EU has already submitted its views on supplementary information to be provided under Article 7.1 of the Protocol: see document FCCC/SBSTA/2000/MISC.1, Table 1 (pages 45-46).

With regard to the reporting of inventory information, the EU believes that further work on the structure and content of the national inventory report will be necessary taking into account the trial period for reporting and review. The review of inventory information will depend on comparable disaggregated data and a clear explanation of methodologies. The existing guidelines for inventory preparation are not sufficient in this regard and the EU considers this issue as an element that needs further elaboration after CoP6 in the preparation of guidelines under Article 7.1.

### **Supplementary information under Article 7.2 to be provided in the National Communication**

EU has already submitted views on supplementary information to be provided under Article 7.2 of the Protocol: see document FCCC/SBSTA/2000/MISC.1, Table 2 (pages 46-47).

Article 7.2 requires for supplementary information in National Communications to demonstrate compliance with commitments under the Protocol in general. This would include non-inventory supplementary information connected with commitments under Article 3 as well as supplementary data relevant to commitments under other articles.

EU expects that progress will be made at SBSTA13 concerning reporting on Article 3.2, which must be based on a definition of what is “demonstrable progress”.

As the EU stated before in a paper on this issue presented at SBSTA 12, there are several elements that could be considered in reporting demonstrable progress:

- Actual emission level for the last inventory available (2003);
- projected emission level in 2005 (2005 projections from the 2003 inventory);
- projections, made in 2005, on the expected (domestic) emissions in 2008 - 2012;
- implemented / planned Policies and Measures on domestic emission reduction / sinks enhancements;
- implemented/ planned use of the mechanisms.

Furthermore, progress by implementing the commitments under the Protocol might also be demonstrated by, for example, the state of implementation of the National System, the state of implementation of the National Registry; commitments under Articles 10 and 11 (provision of

new and additional resources, transfer of technology, capacity building activities). Of course this is not a final list, but only some elements that could be part of “demonstrating progress”.

It is clearly the responsibility of each Annex-1 Party to demonstrate its progress, which ought to be subsequently reviewed and assessed by the CoP. It is therefore necessary to set guidelines for reporting on this subject in a way that the provided information may be evaluated, and to set criteria and procedures for such an evaluation.

To be able to do that, “demonstrable progress” should be defined first. Reporting requirements under Article 7.2 depend on that.

The EU suggests SBSTA to prepare a CoP6 Decision on this issue asking Parties to provide a submission for SBSTA 14, in order to present their views on:

- a) a definition of “demonstrable progress”, and
- b) to what extent demonstrable progress is already covered by the current requirements of national communications.

A decision on demonstrable progress and relevant reporting requirements should be prepared for CoP7.

## **PART 2: REVIEW PROCESS UNDER ARTICLE 8**

*(see paragraph 36.(d) of document FCCC/SBSTA/2000/5)*

The EU welcomes the considerable progress achieved on guidelines under Article 8 and thanks the secretariat and co-chairs for its assistance and for the preparation of draft negotiation text. However, with regard to the progress of specific parts, the EU believes that the existing work on guidelines under Article 8 should be more balanced in favour of the elaboration of guidelines for review of national communications taking into account that it is the only review element where experiences from two reviews across all Annex I Parties already exist. For this reason, the EU provides in attachment 1 hereafter further views and draft text on guidelines on the review of national communications.

A draft text on guidelines for the review of national systems is also provided in attachment 2.

### **General approach to reviews:**

The ultimate purpose of the review process under Article 8 is to ensure that the CoP/moP and the compliance body (in accordance with relevant decisions by the CoP and/or the CoP/moP) have the adequate information necessary to carry out the assigned functions and to take decisions on any matter required for the implementation of the Protocol.

Consequently, this review process encompasses commitments under the Protocol and related commitments under the Convention.

Reports produced under the review process should include a summary of problems found.

### **Pre-commitment period review:**

Each Annex I Party shall be subject to review prior to the 1st commitment period.

The purpose of this pre-commitment period review is to assess compliance with Articles 5 and 7, which is a prerequisite for participation in the mechanisms.

This review should assess the following elements:

- a) Base year inventory;
- b) Initial assigned amount;
- c) National system;
- d) Latest annual inventory and inventory report submitted to the secretariat;
- e) National registry and
- f) National Communication, to be submitted in 2005 in the EU view.

In-country visits during the pre-commitment period review could be conducted simultaneously for several elements, but different experts teams or groups within the expert review team should be responsible for the different elements.

This pre-commitment period review should commence not later than 01/01/2006 and might start earlier on request from an Annex I Party, if relevant information was already provided.

Contrary to review during the commitment period, the pre-commitment period review doesn't need to have an expedited procedure as Parties have not yet started trading under the Protocol.

### **Review of annual GHG inventory:**

It should commence with the inventory following immediately the inventory reviewed during the pre-commitment period review.

The annual inventory review cycle comprises two stages:

#### ***Initial checks***

The purpose of this first stage is to determine promptly whether the annual submission is complete and contains information provided in the correct format (in accordance with relevant reporting guidelines).

Considerable gaps and omissions detected during the initial-checks stage should be immediately forwarded to the compliance authority.

#### ***Individual annual inventory review by the expert review team (ERT)***

1. Purposes of the individual annual review should be, inter alia:

- to examine departures from the requirements of relevant guidelines on annual inventories and to examine whether IPCC Good Practice Guidance was applied and documented,

- to identify any problems such as irregularities and inconsistencies (in accordance with section on classification of problems) and to recommend the application of adjustments.
2. It takes place after the initial-checks status report is available and has to be completed within one year of the inventory submission.
  3. It is conducted as a desk review. In addition, each Annex I Party shall be subject to at least one in-country visit scheduled over the course of the commitment period.
  4. During the commitment period the ERT may request to conduct an additional in-country visit based on the findings in(from?) the annual desk review. Decision on such an additional country visit should be taken in consensus between the ERT and the Party.
  5. Annex I Parties should provide ERT with access to all information necessary. Parties could provide aggregated data related to military and business data and information on the aggregation procedures if the disaggregation of information would conflict with established national provisions for data confidentiality. If a Party discloses company specific or military information to the ERT that is deemed confidential, the Party could request a guarantee that the data will be treated with professional secrecy and maintained confidential by the ERT.

### ***Composition of the ERT***

Further considerations could be provided on this issue after the trial period for the technical review of greenhouse gas inventories from Parties included in Annex I to the Convention, as decided in decision 6/CP.5.

### **Review of national communications**

Proposed draft guidelines for review of national communications are in Attachment 1 hereafter.

## **PART 3: ADJUSTMENTS UNDER ARTICLE 5.2**

*(see paragraph 36.(e) of document FCCC/SBSTA/2000/5)*

The EU already expressed its views in its submission included in document FCCC/SBSTA/2000/MISC.1 Add.1.

Guidance on adjustments should cover the procedures of the adjustment process, such as the selection of experts and provisions to establish a transparent and well documented procedure.

It should also specify conditions under which an inventory is no longer considered adjustable. The EU believes that if the total of adjustments applied to a Party's inventory exceeds 5% of the inventory there should be reference to the compliance authority.

Guidance should be general with regard to the choice of methods for adjustments and a general overview of the possible approaches seems to be sufficient. A procedural approach for a case by case calculation of adjustments by adjustment expert teams should be developed.

With regard to methodologies, there is a need to address more precisely on how, in practical terms, to make adjustments conservative. However, in the view of the EU it is not necessary to put large efforts on the development of generic methodologies and hierarchies of methods for adjustments.

Further experiences with inventory review should be taken into account when this issue is addressed in greater detail in the future and any invitation to the IPCC National Greenhouse Gas Inventory Programme to deal with methods for adjustments should be discussed after the trial period of inventory review has been evaluated.

#### **PART 4: TIMETABLE FOR ELABORATION OF GUIDELINES AND GUIDANCE TO BE ADOPTED BY COP**

*(see paragraph 36.(f) of document FCCC/SBSTA/2000/5)*

The EU wishes to finalise key elements on guidelines under Articles 7 and 8 by the end of CoP6.

Key elements on guidelines for reporting under Article 7 and review under Article 8 should be elaborated and adopted at CoP6 although some parts will be preliminary at that time and will require further work after CoP6 in order to finalise these guidelines.

Key elements on guidelines for reporting under Article 7 include that “demonstrable progress” (Art 3.2) is subject to supplementary information under art. 7.2.

Key elements on guidelines for review under Article 8 include guidelines for review of annual inventories, review of national systems and review of national communications. Further elements, including review of national registries and information under Article 6 should be elaborated after CoP6 as they depend on the outcomes of the mechanism issues.

The EU suggests that finalisation of guidelines for review under Article 8 should wait until sufficient experience has been gained in the trial period **for the technical review of greenhouse gas inventories from Annex I Parties in accordance with decision 6/CP.5.**

#### **PART 5: MODALITIES OF ACCOUNTING OF ASSIGNED AMOUNTS**

*(see paragraph 36.(g) of document FCCC/SBSTA/2000/5)*

The term "initial assigned amount" seems to be appropriate in order to clearly identify the assigned amounts calculated on the basis of Article 3.7, and where appropriate, Articles 3.5 and 3.8, without taking into account Article 3.3, 3.4, 3.10, 3.11, 3.12 and 3.13.

The assigned amount should be fixed before the commitment period, after review of the base year inventory as part of the pre-commitment period review. Any recalculation during the

commitment period should only be allowed if previously announced by the Annex I Party at the time of fixing its initial assigned amount.

At this time the secretariat should allow Parties to register their fixed initial assigned amounts in their national registries.

With regard to the three fluorinated gases, the EU views are as follows:

- The Protocol requests a common base year for all three gases.
- In principle, the assigned amount should be based on actual emission data. Since the final decision on the initial assigned amount will be taken (at the latest) in 2007, that leaves enough time for Parties to develop methodologies for estimating actual emission data for these gases.

## **ATTACHMENT 1:**

### **GUIDELINES ON THE REVIEW OF NATIONAL COMMUNICATIONS AND OTHER COMMITMENTS UNDER THE PROTOCOL**

#### **Purpose**

The purposes of the guidelines on the review of national communications, including information reported under Article 7.2, are:

- To promote consistency in the review of the information contained in the national communications, including information reported under Article 7.2, for Annex I Parties;
- To provide a thorough and comprehensive technical assessment of national communications and reported information under Article 7.2 under the Kyoto Protocol;
- To examine in an objective and transparent manner if quantitative and qualitative information was submitted by Annex I Parties in accordance with reporting guidelines under Art. 7.2 of the Kyoto Protocol;
- To ensure that CoP/moP and the compliance authority have adequate information on the implementation of commitments other than commitments under Art. 3.1. of the Kyoto Protocol
- To assist Annex I Parties in meeting their commitments under the Kyoto Protocol, other than Art. 3.1;

#### **Timing and procedures**

Each Annex I Party shall be subject to one review of its national communication submitted during the commitment period according to relevant decisions by the CoP/moP.

The review of national communication covers the national communication, including supplementary information reported under Article 7.2.

The review of national communications comprises two stages:

- Compilation and synthesis of information;
- Individual in-depth review by the expert review team.

The compilation and synthesis of information shall:

- Facilitate the comparison of country information

*(to be further elaborated)*

The individual in-depth review is conducted as a country visit by the expert review team.

The individual in-depth review shall:

a) provide for a detailed examination of each part of the national communication, as well as procedures and methodologies used in the preparation of the information, such as :

- policies and measures
- projections and emission trends
- the effects of policies and measures
- relevant factors and activities to explain emissions trends
- vulnerability assessment and adaptation
- finance and technology transfer
- education, training and public awareness
- research and systematic observation

*(to be further elaborated)*

b) provide an assessment of completeness and timeliness of submission of national communication;

c) provide a detailed examination of supplementary information provided under Article 7.2;

d) Provide an assessment of which policies and measures have been effectively elaborated and/or further elaborated, as requested by Article 2.1(a); *(to be further elaborated)*

e) Provide an assessment to which extent co-operation with other Parties has taken place to enhance the individual and combined effectiveness of their policies and measures, as requested in Article 2.1(b);

f) Provide an assessment of steps taken in direction of ICAO and IMO in order to implement Article 2.2;

g) Provide an assessment of demonstration of progress in achieving commitments under the Protocol, as requested by 2005 in Article 3.2;

h) Review of projects under Articles 6 and 12; *(will depend on discussion in mechanism group)*

i) Identify problems related to each part of the national communication and to the reporting of supplementary information;

j) Provide an assessment if recommendations of previous reviews under the Protocol have been taken into account by the Annex I Party; *(to be further elaborated)*

Information on Global Climate Observation Systems (GCOS) should be reviewed in co-ordination with the GCOS secretariat in a desk review.



If an Annex I Party expects difficulties with the timeliness of its national communication submission, it shall inform the secretariat before the due date and explain the reasons for the delay of the submission. If the national communication then is submitted within [2] weeks after the due date, it is still considered to be in time.

At any stage in the review process, expert review teams may raise questions and request additional information or explanations from Annex I Parties. The questions and requests should be forwarded to the respective Party as soon as possible. Annex I Parties shall make every effort to clarify questions from the expert review team, provide additional information to the expert review team and/or correct identified problems as soon as possible but at least within the time limits set out by the expert review team.

The expert review team shall be composed from the standing body of review experts supplemented by experts from the roster. The expertise of the expert review team should in general cover all major parts of the national communication and supplementary information under Article 7.2. In particular, each expert review team shall include experts with adequate experiences in projections and quantification of policies and measures. *(to be further elaborated)*.

The review team should have access to all information required for its assessment.

During in-country visits, Annex I Parties shall provide expert review teams with access to information necessary to substantiate the information provided in the national communication, including archived information, key quantitative and qualitative data, policies and measures, progress in the limitation of GHG emissions. Annex I Parties shall provide appropriate facilities for expert review teams for carrying out their work.

The individual in-depth review of national communications should be completed within two years of the national communication submission for each Annex I Party.

### **Identification and classification of problems**

The problems identified in the assessment of national communications shall be sub-divided in the following categories:

- problems related to individual sections of the national communication, including supplementary information under Article 7.2;
- problems related to transparency;
- problems related to completeness;
- problems related to timeliness;
- problems related to a Parties response to questions posed by the expert review team and
- unresolvable differences between the ERT and an Annex I Party.

The secretariat, the expert review team and each Annex I Party should follow the timing indicated in table ... *(to be elaborated)*

## **Reporting**

Expert review teams shall, under their collective responsibility, produce a report on the in-depth review of national communication for each Annex I Party to be finalised within [x] after the review started for the Party.

The in-depth review report should include the following structure:

- (a) questions of implementation of the commitments under the Kyoto Protocol
- (b) problems with and factors influencing the fulfilment of commitments according to the categories in paragraph x. *(see above identification of problems)*  
*(to be further elaborated)*

The draft of each in-depth review report will be sent to the Annex I Party subject to review for comment. The Party should provide comments within [x] weeks upon receipt of the draft report.

The expert review team shall produce the final in-depth review report taking into account the Party's comments within [x] weeks upon receipt of the comments. The final in-depth review reports are forwarded to the compliance body. The report should include a summary of problems found and related to compliance.

The secretariat shall produce a report on the compilation and synthesis of information for all Annex I Parties.

The secretariat in co-ordination with the GCOS secretariat shall produce report on the implementation and progress of GCOS covering all Annex I Parties.

## **ATTACHMENT 2:**

### **GUIDELINES ON THE REVIEW OF NATIONAL SYSTEMS**

#### **Purpose**

The purposes of the review of national systems are:

- (a) To ensure that the CoP/moP and the compliance body as established in accordance with relevant decisions by the [CoP] and/or [CoP/moP] have adequate information on national systems established under Article 5.1;
- (b) To assess the extent to which the guidelines for national systems under Article 5.1 have been adhered to, especially any mandatory elements;
- (c) To assess the adequacy of institutional, legal and procedural arrangements for estimating anthropogenic emissions by sources and removals by sinks;
- (d) To assist Parties in meeting their commitments under Article 5.1.

#### **Timing and Procedures**

The review of national systems should cover:

- (a) Activities undertaken by the Annex I Parties to implement mandatory general and specific functions in accordance with paragraphs 10, 11, 12, 14 and 16 in guidelines under Article 5.1, including plans and internal documentation related to these functions;
- (b) Performance of other functions as defined in paragraphs 13 and 15 in guidelines for national systems;
- (c) Reported information in accordance with guidelines under Article 7;
- (d) Archived information in accordance with guidelines under Articles 7 and 5.1;

Changes in national systems reported by Parties according to Article 7 should be reviewed in conjunction with the annual inventory review.

A thorough review of national systems should be conducted as an in-country visit as part of the pre-commitment-period review, in consent with the Party.

Based on any findings during the individual inventory review and on findings related to changes in national systems, the expert review team can request an additional country visit to review the national system, in consent with the Party.

Review activities include discussions with personnel, reviewing of records, written procedures and other relevant documentation. The following steps, in particular, shall be included in the review process:

- (a) understanding of the national system, especially institutional, procedural and legal arrangements;
- (b) assessing strengths and weaknesses of the national system;
- (c) gathering relevant evidence with regard to the performance of the functions defined in guidelines for national systems;
- (d) evaluating review findings;
- (e) preparing review findings and conclusions;
- (f) preparing questions to Parties and consideration of responses and additional information;
- (g) reporting review findings and conclusions, including questions of implementation;
- (h) providing recommendations with regard to the implementation of the national system.

Annex I Parties shall provide expert review teams with access to information necessary to substantiate the implementation of guidelines for national systems and the performance of mandatory functions as defined in those guidelines. Expert review teams shall ensure the confidentiality of any information that it has received in confidence. If a Party discloses company-specific or military information to the expert review team that is deemed confidential according to established national provisions, the Party could request a guarantee that the data will be treated with professional secrecy and maintained confidential by the expert review team.

It should be ensured that the expert review team has appropriate knowledge of the fields that are assessed, including knowledge and experience on the relevant management, technical and procedural issues, and sufficient training and proficiency in the specific skills of auditing/reviewing to achieve the stated objectives.

### **Identification and Classification of problems**

Archiving functions may be assessed using a representative sample of about [15] source categories, including at least 10 key source categories, defined in accordance with IPCC good practice guidelines, as chosen by the expert review team.

*(Further work on identification of questions and classification is needed)*

### **Reporting**

Expert review teams shall, under their collective responsibility, produce a report on the review of national system for each Annex I Party to be finalised within [12 months] after the review started for the Party.

The review report should include the following elements:

- (a) questions of implementation of the commitments under the Kyoto Protocol;
- (b) effectiveness and reliability of the institutional, procedural and legal arrangements for estimating GHG emissions;
- (c) performance of mandatory functions as defined in guidelines for national systems;
- (d) Recommendations for further improvement of national systems.

*(to be further elaborated)*

The draft of each review report will be sent to the Annex I Party subject to review for comment. The Party should provide comments within [x] weeks upon receipt of the draft report.

The expert review team shall produce the final review report taking into account the Party's comments within [x] weeks upon receipt of the comments. The final review reports are forwarded to the compliance body.

PAPER NO. 4: INDIA

**Comments on issues related to Articles 5, 7 and 8**

**Article 5**

1. Adjustment to a Party's inventory under Article 5.2 may be required as a result of expert review under Article 8. Necessity for adjustments could arise where potential problems are identified with the completeness of inventories, data sets and methodologies. Adjustments would also be required, where uncertainties in estimation of emissions are too high for assessing compliance.
2. Following options can be considered for adjustments:
  - i) IPCC default method: In case of omission of a source or a sector, IPCC default method may be used if activity data is available.
  - ii) Extrapolation of Emission: This method can be applied where a source category or activity is underrepresented.
  - iii) Estimation of the basis of Annex-I averages: Where the emission factor is inappropriate, adjustments may be applied by using emission indices arrived at from average emission rates of countries with similar emission profiles.
  - iv) Extrapolation on the basis of growth factor: Where acceptable estimates of a base year and growth factor is available, this method could be use to arrive at emission of year to be adjusted.
3. The quality of data used in an inventory is important. Minimum standards with respect to data quality need to be laid down. The reporting format should be uniform. In cases where IPCC guidelines are not followed, it should be clearly demonstrated that an alternative approach would result in better estimate of emission or sequestration. Adjustments may be necessary where different methodologies are followed. The adjustments should be conservative.
4. The process of adjustment should be non-arbitrary and transparent. Where potential problems have been identified with an inventory, the Party should be provided opportunity to apply adjustments or provide clarifications. This process needs to be facilitative and should be completed in a reasonable time period.

## **Article 7**

### **1. Supplementary information to be incorporated in Annex-I Parties' National Communication under article 7.1:**

Article 7.1 of the Kyoto Protocol requires Parties to incorporate in their annual GHG inventory supplementary information necessary to demonstrate compliance with Article 3 in accordance with guidelines to be developed in pursuance of Article 7.4. The supplementary information should include the following:

- i) Methodology applied to compile the inventory including description of uncertainties involved;
- ii) Activity data and emission factors with rationale;
- iii) Gaps in data;
- iv) Adjustments made under Article 5.2;
- v) Transfers and acquisitions of emission reduction units and parts of assigned amount and acquisitions of certified emission reductions;
- vi) Accounting of assigned amounts; and
- vii) Changes in carbon stock due to land use, land-use change and forestry.

### **2. Supplementary information to be incorporated in Annex-I Parties' National Communication under article 7.2:**

Article 7.2 of the Kyoto Protocol stipulates that each Party included in Annex-I shall incorporate in its national communication the supplementary information necessary to demonstrate compliance with its commitments under the Protocol. Such information may include:

- i) Information on the Party's national system for estimation of emission by sources and removals by sinks under Article 5.1;
- ii) Information on the Party's system for the accounting of assigned amounts under article 7.4;
- iii) Information on Party's national registries; and
- iv) Detailed description of policies and measures and their implementation to meet the commitments under the Protocol.

## **Article 8**

The process of review should be transparent, comprehensive and expeditious. The purpose of such reviews should be to facilitate compliance. Where the expert review identifies potential problems in the fulfilment of commitments due to any inadequacies in the inventory, the Parties may be informed of such problems. The Parties may then apply adjustments or provide clarifications. The matter may be referred to the compliance mechanism if this process does not lead to resolution.



## PAPER NO. 5: JAPAN

### **Comments on issues related to Articles 5, 7 and 8**

In response to a request by the SBSTA at its twelfth session, Japan submits its views on guidelines under Articles 5, 7 and 8.

In Japan's view, the COP6 decisions should clearly define what obligations under Articles 5, 7 and 8 will be imposed to each Annex I Party, as well as how these Articles, the Kyoto Mechanism and Compliance will be inter-linked. Japan believes that such decisions are essential for Parties to move forward their ratification of the Protocol.

#### ***Comments on guidelines under Article 8***

##### **General approach to review**

##### Review prior to the first commitment period

Whether and how the review prior to the first commitment period should be conducted is closely linked to how each Party's "mechanisms eligibility" should be reviewed, and therefore, relevant provisions of the guidelines under Article 8 should be elaborated taking into account the discussions of the mechanisms group.

Nevertheless, according to the provisions of the protocol, each Annex I Party has some obligations prior to the first commitment period, including:

- a) to have in place, no later than one year prior to the start of the first commitment period, a national system for the estimation of anthropogenic emissions by sources and removals by sinks, in accordance with Article 5.1;
- b) to have made demonstrable progress in achieving its commitments under the Protocol, in accordance with Article 3.2.

In relation to such obligations, each Annex I Party might have to undergo review under Article 8 for, at least, the following elements:

- a) a national system for the estimation of anthropogenic emissions by sources and removals by sinks, in accordance with Article 5.1;
- in relation to the obligation with Article 3.2 above,
- b) the annual inventory of anthropogenic emissions by sources and removals by sinks for 2005<sup>1</sup>; and
  - c) the national communication under the Convention.

In addition, the initial assigned amount of each Annex I Party should be calculated by each Party, and be established through the review under Article 8 before the start of the commitment period, as the early establishment of initial assigned amount would provide each Party with the concrete target, and would contribute to stable operation of the Kyoto Mechanisms.

---

<sup>1</sup> We consider that it is not necessary to apply a complete set of guidelines for Article 8, in particular those for adjustments, to the review of this information, since the obligation under Article 3.2 is different from those of Article 3.1.

Japan also notes that there might be other information to be reported under Article 7.2 prior to the commitment period. Such information, if any, should be subject to review following submission of the information by a Party.

The timing of the review of each of the above-mentioned elements will depend on the timing of submission by a Party, and need further consideration.

#### Annual review

The in-country visit should be conducted once during the commitment period, in conjunction with the periodic review for each Annex I Party. However, the ERT for the in-country visit would consist of two parts; one is for national communication, and the other is for inventory related information.

Any changes in the national system and national registry should only be subject to the annual review if a Party reports the changes. In such a case the secretariat should select experts for the review of such information as members of the ERT for that Party. Such information should be reviewed together with other elements to be reviewed annually.

#### Annual compilation and accounting of emissions inventories and assigned amounts

In our view, the purpose of this process is to provide the COP/moP with aggregate information on emissions and assigned amounts for all Annex I Parties for each year of the commitment period

Japan considers that the inventory-related and assigned amount information of each Annex I Party, including cumulative emissions and adjustments, should be included in the report of individual review, which would be forwarded to the compliance body. Thus the annual compilation and accounting for each Party would be duplicative and unnecessary.

We envisage that annual compilation and accounting would be conducted as follows:

- for every year of the commitment period, the secretariat would compile and account the cumulative emissions for the years from 2008 up to that year and assigned amounts of all Annex I Parties following the completion of review of such information submitted under Article 7, paragraph 1, by each Annex I Party. The report of the annual compilation and accounting of emissions inventories and assigned amount would be prepared by the secretariat and would be forwarded to the COP/moP.
- for the final year of the commitment period, such compilation and accounting would be initially conducted following the completion of review of such information submitted under Article 7, paragraph 1, by each Annex I Party.

After the 'true-up' period (to be defined in the compliance text), the secretariat would revise the compilation and accounting based on the information of each Party's activities during the 'true-up' period. The report of the revised annual compilation and accounting would be prepared by the secretariat and would be forwarded to the COP/moP. How to report the information on each Party's activities during the 'true-up' period, and how to review such information before the revision of the compilation and accounting should be further elaborated.

### Reporting

All final review reports<sup>2</sup> should be forwarded to the compliance body and the COP/moP through the secretariat. It is the compliance body that determines if the Party is in compliance or not based on the reports.

### Expert review team

The Article 8 review would require huge amount of work by experts, hence 'ad-hoc' ERTs would not be appropriate.

We support the establishment of a standing body of experts to conduct reviews under Article 8, in particular the annual review. Such a body would be supplemented by experts from the roster maintained by the secretariat to be used on an ad-hoc basis.

While expert review teams should have access to information necessary to conduct the technical review under Article 8, any confidential information should be protected properly. We suggest adding the following text, which is similar to the sentence included in the Mechanisms text.

*Expert review teams shall ensure the confidentiality of any information that was marked by the provider as proprietary or confidential, where such information is not otherwise publicly available.*

### **Review of national inventory submission**

#### Identification of question of implementation

According to the provisions of the protocol, the 'question of implementation' under Article 8.3, which is also referred to in Article 6.4, should be identified through the Article 8 review process and indicated in the review report. Thus it is not necessary to involve the compliance body to identify the 'question of implementation'. The guidelines under Article 8, therefore, should provide guidance on how such 'question of implementation' is identified by expert review teams. We suggest the following procedure.

When any questions are found in the review in accordance with Article 8, the Party should be provided with the opportunity to answer such questions, clarify issues or provide additional information. Such questions should not be considered as "questions of implementation" under Article 8.3.

If the expert review team finds the answer and any additional information from the Party unsatisfactory, and also finds that there is sufficient information to raise the questions officially, it should mention it in its draft report with the information, and send the draft to the Party.

Then, the Party should have an opportunity to express its views and to provide explanatory text to be included in the report. If the team still finds that there is sufficient information to support the questions, the team should forward its final review report with the explanatory text provided by the Party, through the secretariat to COP/moP and the compliance body, indicating that the team still finds the questions to be pursued. Then, the questions should be considered as "questions of implementation" under Article 8.3.

---

<sup>2</sup> For the final year of the commitment period, in addition to the report of annual review for each Annex I Party, a review report of information on the Party's activities during the 'true-up' period should be forwarded to the compliance body and the COP/moP through the secretariat.

What constitutes ‘question of implementation’ could be linked to the classification of ‘first order’ problems, and needs to be further discussed.

#### Procedures for adjustments in accordance with Article 5.2

As we expressed in June session, we would like to add another option on the procedures for adjustments under Article 5.2.

- 1) An adjustment may be calculated by an Annex I Party in accordance with the recommendations of an expert review team;
- 2) The expert review team shall decide whether to accept or reject the adjustment;
- 3) If the Annex I Party’s adjustment is rejected by the expert review team, the expert review team shall calculate an adjustment and recommend it to the Annex I Party;
- 4) The Annex I Party shall decide whether to accept the adjustment;
- 5) If the Annex I Party disagrees with the expert review team’s recommendation, this shall be notified to the compliance body through the final review report. The compliance body shall consider the report and determine whether the adjustment recommended by the review team shall be applied.

#### Time-scale for each step of the review process

The annual inventory review for each Annex I Party should be completed as expeditiously as possible, and there should be timeframes for each step of the review process. However, the time-scale allowed for a Party to respond should be sufficient for collecting additional information and for the internal co-ordination. We should consider such time-scales taking into account the experience gained through the technical review of annual inventories on a trial basis and language difficulty of Parties.

#### Review of national registries

This part of the guidelines should be elaborated once any guidelines on national registries, or at least, elements of such guidelines are agreed.

Nonetheless it should be noted that it is impossible for a Party to establish accounts for ‘all’ legal entities within its national registry, and that a Party should have discretion on whether and which legal entities within its jurisdiction should be involved in each of the Kyoto mechanisms. Therefore, one of the purposes of the review of national registries would be to review if **each legal entity authorized by a Party to hold units of assigned amount** has established a separate holding account within the Party’s national registry.

#### **Review of Information related to Article 6**

To be elaborated after a discussion in the Mechanism Group.

#### ***Comments on guidelines under Article 7.1***

#### Information related to Articles 3.3 and 3.4

Detailed guidelines for reporting inventory information related to Articles 3.3 and 3.4 should be developed based on the COP decisions on LULUCF and on any good practice guidance for this sector to be developed by IPCC following the invitation of the SBSTA at its twelfth session. Such guidance should take into account the characteristics of this particular sector, including technical appropriateness of frequent measurement, and what Articles 3.3, 3.4 and 3.7 explicitly require.

The changes in assigned amount under Article 3.3 must be reported as changes between 2008 and 2012, and need not to be reported for each year of the commitment period. It is because the COP decided in its Decision 9/CP.4 regarding Article 3.3 that “the adjustment to a Party’s assigned amount shall be equal to verifiable changes in carbon stocks during the period 2008 to 2012.” Each Annex I Party is required to report any changes in assigned amount under Article 3.3 for the years of the commitment period for which, in case, such changes were added to or subtracted from the Party’s assigned amount by the Party. The same rules should be applied to the reporting relating to Article 3.4.

PAPER NO. 6: MEXICO

**ARTÍCULOS 5, 7 Y 8 DEL PROTOCOLO DE KIOTO**

Sobre las cuestiones metodológicas bajo los artículos 5, 7 y 8 del Protocolo de Kioto, se está de acuerdo con el texto y con las directrices que determina para la realización de los sistemas nacionales de estimación de inventarios de emisiones de gases de efecto invernadero. Sin embargo, no se considera oportuno que México presente una opinión sobre el texto debido a que se trata de lineamientos dirigidos a los países del Anexo I y México no forma parte de este grupo.

PAPER NO. 7: POLAND

**National systems for the estimation of anthropogenic greenhouse gas emissions and sinks (in the inventory pursuant to the decision of the Fifth Conference of the Parties)**

The meeting of the provisions of Article 5.1. will require the establishment by 2007 of the national system for collecting statistical information for the purposes of the Protocol, the systematic verification of existing, and development of new, emission factors, the preparation of annual inventories of greenhouse gas emissions and sinks as well as the monitoring of measures implemented to reduce emissions or enhance sinks, along with an evaluation of their quantitative effect on the emission levels (providing indispensable information for an evaluation of emissions and sinks of these gases).

Poland is preparing to implement new guidelines for national greenhouse gas inventories (not to be mistaken for annual emission inventories). Since the beginning of 2000 a two-year trial period is in place for the implementation of new guidelines for preparing such national inventories.

The inventory of greenhouse gas emissions and sinks as well as the emissions of their precursors is now performed on the basis of the structure of emissions and sinks as contained in the "Revised 1996 IPCC Guidelines for National Gas Inventories" and following the basic principles of this methodology. It is prepared by the Team of Experts and accepted by the Ministry of the Environment. To date, Poland has met its commitments for the years: 1988, 1990, 1992, 1994, 1996 and 1998, forwarding them principally in time. Work has now been completed on the inventories for the outstanding years: 1991, 1993 and 1995.

The application of the new guidelines to assess the uncertainty of inventory data in the national greenhouse gas inventories will elongate the process of preparing inventories of greenhouse gas emissions and sinks. This process will also become longer as an effect of the need to ensure two-stage quality control for the inventory results (QC/QA).

Another difficulty will be the necessity of performing inventory calculations again in the case of changes in the methodology, changes in the emission factors or activities adopted as well as the inclusion of new categories of sources (making it necessary to recalculate back all the results in order to keep the trend). Methodological corrections should not be introduced more often than every 5 years.

Poland takes efforts to perform a variety of expert analyses to specify emission inventories, including:

- Detailed surveys of emission sources and sinks for the purposes of the inventory of greenhouse gas emissions for 1999 in the scope of: land-use change and forestry, transport and volatile emissions from the carbon system.
- Detailed surveys of emission sources and sinks for the purposes of the inventory of greenhouse gas emissions for 1999 in the scope of: animal enteric fermentation and animal waste, the emissions from arable land soils and solid waste landfills.

In addition, projects are also conducted in the non-governmental sector to ensure more accurate inventories of greenhouse gas emissions (e.g., the project performed by FEWE).

It is important for Poland that the national statistical system should be adequate in order to provide for the quality, transparency and reliability of annual greenhouse gas registers.

On commission from the Ministry of the Environment, the study entitled "A proposal for unification of the scope of information on air protection collected to meet the needs of the ministerial and public statistics". It is planned that, after its adjustment to the requirements of the new Act on Environmental Protection, this proposal will enter into force in 2002.

With respect to Article 7, based on the provisions of the Convention relating to the preparation of the national communications (providing for the incorporation in these communications of the necessary information to allow for the assessment of the implementation of the provisions of Article 3), Poland will have to develop and implement the mechanism for monitoring the emissions of CO<sub>2</sub> and other greenhouse gases following the pattern of European Union Council Decision 1999/296/EC of 26 April 1999 amending Decision 93/389/EEC.

The guidelines for preparing the information referred to in Article 7 of the Kyoto Protocol are extended to include additional information:

⇒ in the period before commitments become effective, with respect to:

- progress in reducing greenhouse gas emissions, along with information on the implementation of the national system (Article 5.1), the preparation for the national system of registers and the application of the Kyoto mechanisms, and on the base year
- the meeting of the full range of commitments (Article 4)
- the acquisition of certified emission reductions (CER), in accordance with Article 12 of the Kyoto Protocol
- the adverse effects of climate change
- the measures taken to reduce greenhouse gas emissions and to enhance their sinks (Articles 2.1 and 2.2)

⇒ in the first commitment period and later:

- the meeting of the full range of commitments (Article 4)
- the transfer or acquisition of ERUs, AAUs and CERs, in accordance with Articles 6, 12 and 17 of the Kyoto Protocol
- the adverse effects of climate change
- the measures taken to reduce greenhouse gas emissions and to enhance their sinks (Articles 2.1 and 2.2)

In order to strengthen the administrative capacity for developing national inventories and communications, the relevant structure was established to deal with the Convention on Climate Change and the Kyoto Protocol activities in Poland.

- I. the Executive Office for the Convention on Climate Change and the Kyoto Protocol,
- II. the Steering Committee for the Convention on Climate Change and the Kyoto Protocol,
- III. the National Centre for Recording Pollution Emissions.

⇒ *The role of the Executive Office for the Convention on Climate Change*



Under the agreement signed in 1999 between the Minister of the Environment and the National Fund for Environmental Protection and Water Management (NFEPWM), the Executive Office for the Convention on Climate Change was established at NFEPWM.

The basic task of the Executive Office for the Convention on Climate Change, hereinafter called the Office, is the implementation of activities to carry out the tasks and meet the commitments under the United Nations Framework Convention on Climate Change and those under the acts which supplement or extend it in the scope as indicated by the Minister of the Environment. The Office also carries out tasks related to the mechanisms supporting the implementation of the provisions of the Convention on Climate Change and the Kyoto Protocol, including the mechanisms: of Joint Implementation, emissions trading and Clean Development Mechanism.

#### ⇒ *The role of the Steering Committee*

In order to enhance co-ordination between the interested ministries and institutions involved in the implementation of the provisions of the Convention and Protocol, the Steering Committee for the Convention on Climate Change and the Kyoto Protocol was established by a Decision of the Minister of Environmental Protection, Natural Resources and Forestry of June 1999. The Committee consisted of representatives of the interested ministries and recognised experts. The range of authority of this Committee, which was exclusively a body expected to provide opinion and advice to the Minister of the Environment, included, e.g., the expression of opinions and submission for the Minister's approval of programmes and activities to reduce emissions and enhance sinks of greenhouse gases, the recommendation of administrative measures to ensure their implementation and the monitoring of this implementation process, the initiation of new legislative, economic, environmental and financial instruments for raising the environmental and economic efficiency of activities undertaken, the identification of new forms of foreign co-operation, in particular bilateral co-operation aimed at attracting foreign capital and technologies to Poland which would be useful in meeting the commitments under the Convention in the form of Joint Implementation, emissions trading and foreign direct investments, following the principles proposed at the relevant international forums as well as the review of project proposals for Joint Implementation. The Committee was an open-ended one, and, in consequence, on a regular basis, representatives of a large number of ministries, institutions and recognised experts took part in its work.

As a result of a change in the statute of the Ministry of the Environment and the resultant new legal situation, the Minister's Decision establishing the Steering Committee lost its legal power. In view of the until then positive effects of the work of the Committee, preparatory work is now under way for establishing, under the existing legal regulations, a new body to provide opinions to the Minister of the Environment with a scope of authority resembling that of the Steering Committee.

#### ⇒ *The role of the National Centre for Recording Pollution Emissions*

The National Centre for Recording Pollution Emissions was established on 30 June 2000, under the agreement signed between the Minister of the Environment, the National Fund for Environmental Protection and Water Management and the Institute of Environmental Protection, to meet the domestic needs and international commitments in the scope of preparing air pollution emission inventories. The tasks of the Centre will include, e.g., the preparation of air pollution emission inventories for the purposes of environmental

management and national statistics, the Convention of Long-Range Transboundary Air Pollution, the United Nations Framework Convention on Climate Change, the commitments with respect to international organisations (OECD, EUROSTAT, EEA); the development of inventories in compliance with the requirements of the Convention, international organisations and domestic institutions; the performance of tasks resulting from its role of the National Reference Centre operating in the framework of the information network of the European Environment Agency (EEA) as well as the management of the national register of greenhouse gas emission units for the purposes of international emissions trading within the limits assigned under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

The National Centre for Recording Pollution Emissions is part of the structure of the Institute of Environmental Protection, while the Institute is a unit subordinated to the Ministry of the Environment.

PAPER NO. 8: SAUDI ARABIA

**GUIDELINES FOR PREPARATION OF INFORMATION REQUIRED UNDER  
ARTICLE 7 OF THE KYOTO PROTOCOL**

At its twelfth session, the Subsidiary Body for Scientific and Technological Advice (SBSTA) invited Parties to submit, by 1 August 2000, comments on issues related to Article 7 of the Kyoto Protocol, including particularly guidelines for the preparation of information required under Article 7. Saudi Arabia proposes the following decisions on those issues and requests that they be included in the miscellaneous document referred to in Paragraph 36(h) of the Report of the twelfth session of the SBSTA (FCCC/SBSTA/2000/5) and that they be considered when the SBSTA considers such guidelines at its thirteenth session.

DRAFT DECISION \_\_/CP.6

*The Conference of the Parties to the United Nations Framework Convention on Climate Change,*

*Taking into account* the relevant provisions of Articles 4 and 12 of the United Nations Framework Convention on Climate Change (Convention) and Articles 2, 3, 6, 7, 11, 12, 17, and 18 of the Kyoto Protocol, and

*Further taking into account* the relevant provisions of its Decisions \_\_/CP.6, \_\_/CP.6, \_\_/CP.6, and \_\_/CP.6 concerning, respectively, Articles 6, 12, 17, and 18 of the Kyoto Protocol,

***Decides***, pursuant to Article 12 of the Convention, that each Party included in Annex I to the Convention shall submit, on 15 April 2001 and on the fifteenth day of April in each year thereafter, a national communication containing, in addition to any other requirement established by decision of the Conference of the Parties to the Convention, all of the information specified in the decision hereinafter recommended to be adopted by the Conference of the Parties serving as the meeting of the Parties to the Protocol, and

***Recommends*** that the Conference of the Parties serving as the meeting of the Parties to the Protocol, at its first session after the entry into force of the Protocol, adopt the following decision:

***Decision \_\_/CMP.1***

***Guidelines for the Preparation of Information Required Under Article 7***

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Taking into account* the relevant provisions of Articles 4 and 12 of the United Nations Framework Convention on Climate Change (Convention) and Articles 2, 3, 6, 7, 11, 12, 17, and 18 of the Kyoto Protocol (Protocol),

Further taking into account the relevant provisions of its Decisions \_\_\_/CMP.1, \_\_\_/CMP.1, and \_\_\_/CMP.1 concerning, respectively, Articles 6, 12, and 18 of the Protocol and Decision \_\_\_/CP.6 concerning Article 17 of the Protocol and,

Bearing in mind that effective implementation of the Protocol and compliance by Parties included in Annex I to the Convention (Annex I Parties) with the relevant provisions of the Protocol, as elaborated by the rules, guidelines, modalities, and other relevant decisions of the Conference of the Parties to the Convention and the Conference of the Parties serving as the meeting of the Parties to the Protocol, will be facilitated by those Parties timely submission of information relevant to such implementation and compliance,

**Decides:**

1. Each Annex I Party shall submit, on 15 April 2001 and on the fifteenth day of April in each year thereafter, a national communication containing, in addition to any other requirement established by decision of the Conference of the Parties to the Convention or of the Conference of the Parties serving as the meeting of the Parties to the Protocol, all of the following information:

(a) A description of project activities in which the Annex I Party has participated pursuant to Articles 6 and 12 of the Protocol;

(b) An explanation of how the project activities in which the Annex I Party has participated pursuant to Article 12 of the Protocol have assisted Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention;

(c) The Annex I Party's current, best estimates of:

(i) the total amount of greenhouse gas emissions (expressed in tonnes of carbon dioxide equivalent) that the Annex I Party will be required to reduce, avoid, or sequester during the first commitment period set forth in Article 3, paragraph 7 of the Protocol, without taking into account net acquisitions of emission reduction units (ERUs), certified emission reductions (CERs), or [assigned amount units (AAUs)]/[(part of assigned amounts (PAAs)], in order to comply with its quantified emission limitation and reduction commitment under Article 3 of the Protocol; and

(ii) the amounts of ERUs, CERs, and [AAUs]/[PAAs], individually and in the aggregate, the Annex I Party expects to acquire (net of transfers by the Annex I Party) during each year of the first commitment period;"

(d) The annual contributions by the Annex I Party to each of the Funds established by the Conference of the Parties to the Convention with respect to Article 4, paragraphs 3, 5, 8, and 9 of the Convention and to each of the Funds established by the Conference of Parties serving as the meeting of the Parties to the Protocol with respect to Article 2, paragraph 3, Article 3, paragraph 14, and Article 12 of the Protocol, showing the date of each contribution since establishment of each Fund;

(e) The Annex I Party's current, best estimate, expressed qualitatively and quantitatively, of the effects of its policies and measures undertaken pursuant to Article 2, paragraphs 1 and 2 of the Protocol and otherwise undertaken to achieve its quantified emission limitation and reduction commitment under Article 3, paragraph 1 of the Protocol on developing countries and in particular those identified in Article 4, paragraphs 8 and 9 of the Convention, including the Annex I Party's best quantitative estimates of the effects of those policies and measures on such developing countries with respect to :

(i) the unit quantity and monetary amount of raw materials, fuels, and finished goods exported to the Annex I Party by developing country Parties in each year during the period 2000 through 2012;

(ii) the prices of raw materials, fuels, and finished goods imported from the Annex I Party by developing country Parties in each year during the period 2000 through 2012; and

(iii) the interest rates and the total interest payable by developing country Parties to the Annex I Party and its legal entities on the external debt of developing country Parties during the period 2000 through 2012;

(f) All steps taken by the Annex I Party to comply with its commitments contained in Article 2, paragraph 3 and Article 3, paragraph 14 of the Protocol, including steps taken to remove subsidies and other market distortions and tax restructuring to reflect the GHGs content of the emitting sources, and detailed information describing how and the extent to which each such step contributed to minimizing the adverse effects and impacts referred to in those Articles and in the information provided pursuant to Subparagraph 1(e); and

(g) All steps the Annex I Party has taken and anticipates taking to comply with its commitment contained in Article 3, paragraph 2 of the Protocol, including detailed explanation as to why the Annex I Party believes, with respect to each of its separate commitments contained in the Protocol, the described steps do or do not constitute "demonstrable progress in achieving" each such commitment.

2. The estimates and other information required by Paragraph 1, above, shall be accompanied by disclosure of the principal assumptions and the methodologies used by the Annex I Party in developing all of the estimates and other information, which shall be in a level of detail sufficient to enable a clear understanding of the bases for the estimates and other information.

## PAPER NO. 9: UNITED STATES OF AMERICA

### **United States Views on Articles 5/7/8**

The US would like to take this opportunity to present further views on Articles 5, 7, and 8 of the Kyoto Protocol. Much progress has been made to date on these issues and we expect that this progress will continue. Given the short-time frame between now and COP6, it is imperative that Parties define the overall scope and framework of 5,7 and 8, particularly those aspects which are essential for the integrity of the mechanisms and the compliance regime. Our comments seek to clarify those aspects of Articles 5,7 and 8, which we consider the highest priority.

### **Adjustments under 5.2**

As the United States has noted in previous submissions, the adjustment of inventory estimates submitted by Parties will be necessary to verify compliance with Article 3.1, if an estimate is incomplete or is prepared in a manner inconsistent with the IPCC Guidelines, as elaborated by the Good Practice Guidance.

In our view, adjustments serve an important policy purpose – to ensure that Parties have sufficient confidence in emission estimates to verify Annex I Parties compliance with Article 3.1. In this regard, methodologies for adjustments should result in adjusted estimates that provide assurance that emissions are not underestimated and removals by sinks and base year emissions are not overestimated. At the same time, they should not unreasonably inflate or deflate emissions numbers.

The IPCC Greenhouse gas inventory program is best suited to provide the technical input on methodologies for adjustments. Given that the development of methodologies will draw on existing methodologies for greenhouse gas estimation, we do not anticipate that this work will create a significant added burden for the IPCC inventory group. Rather, we envisage that two or three workshops would be sufficient to develop adjustment methodologies. This work should begin as soon as possible to enable input to be provided to the SBSTA at its 16<sup>th</sup> session. This would enable the COP to take a decision on adjustment methodologies at its 8<sup>th</sup> session.

Attached is a proposed decision for COP 6 that:

- 1) initiates the technical work necessary to support the application of adjustments (the annex to the decision gives technical guidance to the IPCC to develop more detailed methodologies for adjustments); and
- 2) recommends a decision to the COP/moP defining the scope and purpose of adjustments under Article 5.2.

## **Attachment: Proposed COP6 Decision on 5.2**

### **US Proposed Decision [--CP.6]: Good Practice and Adjustments under Article 5.2**

*The Conference of Parties,*

*Recognizing* the essential role of high quality greenhouse gas inventories under the United Nations Framework Convention on Climate Change and the Kyoto Protocol,

*Recognizing* the need for confidence in estimates of emissions and removals in order to enable verification of compliance with Article 3.1 of the Kyoto Protocol,

*Acknowledging* the importance of ensuring that anthropogenic emissions are not underestimated and that removals by sinks and base year emissions are not overestimated,

1. *Requests* the IPCC Inventory Taskforce to prepare a report on methodologies for adjustments, based on the guidance provided in the Annex to this decision, for consideration by SBSTA at its 16<sup>th</sup> session.
2. *Requests* SBSTA to consider this report and to recommend a decision on methodologies for the COP at its 8<sup>th</sup> session to agree to recommend to the Conference of the Parties serving as the meeting of the Parties to the Protocol.
3. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Protocol, at its first session, adopt the following decision:

### **Decision -/[CMP.1]**

#### **Good Practice and Adjustments under Article 5.2**

The Conference of the Parties serving as the meeting of the Parties to the Protocol:

*Emphasizing* that adjustments should not be used as a substitute for Parties' obligation to estimate and report emissions of greenhouse gases and removals by sinks, as set forth in and under Articles 5 and 7;

*Affirming* that the adjustment procedure is intended to be a policy tool to enable verification of Parties' compliance with Article 3.1:

1. *Adopts* the IPCC Report on Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories as an elaboration of the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories.

2. *Decides* that such Good Practice Guidance shall be used by Parties listed in Annex I in their estimation of greenhouse gas emissions.
3. *Reaffirms* that adjustments shall be applied to estimates of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol where an estimate is incomplete or is prepared in a manner inconsistent with IPCC Guidelines for National Greenhouse Gas Inventories, as elaborated by the Good Practice Guidance.
4. *Decides*:
  - (a) that the adjustment procedure shall commence only after a Party has been provided an opportunity to correct any deficiencies, in accordance with the timeline set forth in the guidelines for inventory review under Article 8;
  - (b) that the adjustment procedure should result in adjusted estimates that provide assurance that emissions are not underestimated and removals by sinks and base year emissions are not overestimated and, at the same time, do not unreasonably inflate or deflate emissions numbers;
  - (c) that adjustment procedures should be applied at the most disaggregated level that is sufficient to correct the inventory problem, subject to the availability of data, so that inventory estimates prepared in accordance with the IPCC Guidelines, as elaborated by the Good Practice Guidance, are not unduly adjusted;
  - (d) that adjusted emission estimates shall be used for the accounting of emissions and assigned amounts under Article 8;
  - (e) that adjusted estimates shall be calculated in accordance with the technical guidance on methodologies for adjustments set forth in Annex [ ] [to be added through a recommendation from COP 8].
1. *Decides* that a Party will only be rendered in non-compliance with Article 5.2 if, at any point during the commitment period, the sum of the percent difference for each year between the Party's adjusted annual inventory and its submitted annual inventory, relative to the submitted inventory, exceeds 30 percent, i.e. when
$$\Sigma((\text{adjusted inventory} - \text{submitted inventory}) / (\text{submitted inventory})) > .30$$



## ANNEX

### **Guidance for the development of adjustment methodologies under Article 5.2**

#### Objectives

1. The objectives of this work is to provide technical input on methodologies for adjustments under Article 5.2 that will:
  - (a) facilitate the use of consistent methods for adjustments for inventory problems;
  - (b) enable adjustments to be calculated in an objective, transparent and timely manner; and
  - (c) produce estimates that provide assurance that emissions are not underestimated and removals by sinks and base year emissions are not overestimated and, at the same time, do not unreasonably inflate or deflate emissions numbers;

#### General Approach

2. One or more adjustment methods should be identified for the following inventory problems:
  - (a) missing or incomplete estimates;
  - (b) misallocation of estimates;
  - (c) incorrect or misapplied emission factors, model parameters, or activity data;
  - (d) methods that are inconsistent with the IPCC Guidelines, as elaborated by the Good Practice Guidance;
  - (e) time series inconsistencies;
  - (f) unsubstantiated reductions; and
  - (g) missing or incomplete documentation of emission factors, activity data, or methodological approaches.
3. Guidance should be provided regarding the selection among a hierarchy of available adjustment methods. This guidance should take into account the characteristics of each sector and source category, and the following general criteria:
  - (a) availability and quality of emission factor and activity data;
  - (b) simplicity in approach to ensure transparency and timely implementation by expert review teams;
  - (c) a minimum number of steps involving expert judgment;
  - (d) minimal additional data collection by taking advantage of acceptable data already submitted by Parties and available international data sets;
  - (e) the substitution of new data only in situations where data are not reported transparently, or where existing data are considered to be inconsistent with the IPCC Guidelines, as elaborated by the Good Practice Guidance,
4. Guidance for adjustments to estimates of emissions and removals by sinks from the land-use, land-use change and forestry sector will be requested in a separate, future decision by the COP.
5. Adjustment methodologies should produce adjusted estimates in accordance with the definition in this decision, giving consideration to the nature of specific problems and individual sectors and source categories.

## **Further US Views on Article 7**

The United States would like to take this opportunity to provide more detailed views on Article 7. As we have stated previously, the COP6 decision should cover the elements to be reported under Article 7.1 and 7.2; however, detailed guidelines on the format for reporting should be developed after COP6. Additionally, the COP6 decisions should elaborate the basic modalities for accounting for assigned amount under Article 7.4, including the process to establish initial assigned amounts. We provide general comments on Article 7 below. Our proposed revision to the guidelines based on the draft elements of guidelines (Annex II of SBSTA Inf.5/Add.2) is attached.

### **Annual Reporting of information under 7.1**

Information on Parties' inventories and assigned amount is essential to verify compliance with Article 3.1, and to ensure the integrity of the mechanisms. For this reason, annual reporting of inventories and assigned amount should be mandatory for all Annex I Parties, including both regional economic integration organizations and their member states under Article 24.

On the inventory side, the guidelines must explicitly require submission of an inventory consistent with 5.2.

Additionally, the inventory should include estimates of emissions and removals related to the assigned amounts under Articles 3.3 and 3.4, clearly distinguished from other parts of the inventory. Although this information would be submitted as part of the annual inventory reports, Parties would not necessarily be required to update it annually. Requirements for when estimation of emissions and removals from land-use, land-use change and forestry are reported will depend on decisions under Articles 3.4 and 3.4. The issuance and cancellation of assigned amount resulting from these estimates should be reviewed against the estimate by expert review teams under Article 8.

With respect to assigned amount information, we note that establishment of national registries will enable (and require) electronic transmission of detailed assigned amount information at the end of the year. This information need not be replicated in its entirety in hard copy. Rather, Parties should be required to submit a summary of its assigned amount information with the annual inventory. This assigned amount information in the summary would cover the same categories already transmitted by the registry, but in aggregate. Thus, for example, the summary report would include the total number of AAUs transferred to other Parties during the previous year, and would identify the acquiring Parties, but it would not provide the serial numbers for these units.

We recommend deletion of the sections of the elements text on adjustments and compliance. Since Parties would only accept adjustments, not apply them, they can not be expected to provide information on adjustments in their annual reports. As compliance with Article 3.1 will be ascertained only at the end of the commitment period, this is not an annual reporting issue.

## **Reporting under 7.2**

We have a few general comments on the draft guidelines for reporting under Article 7.2. Detailed comments are provided in the attachment. First, as under 7.1, requirements for reporting under Article 7.2 should apply equally for all Annex I Parties, including regional economic integration organizations and their member states.

We recognize the importance of achieving demonstrable progress by 2005 and the role of the first national communication submitted under the Protocol in demonstrating Parties' progress in meeting their commitments. One important way in which a Party could demonstrate progress would be to show the institutional and legal steps they have taken to prepare to meet the Article 3.1 obligation, e.g.:

- a) the institutions and infrastructure necessary to meet the obligations, such as national systems for greenhouse gas estimation and national registries for accounting for assigned amount;
- b) passage of domestic legislation to implement the obligation; and
- c) programs for domestic compliance and enforcement relevant to the obligation.

Since the 7.2 guidelines under the Protocol will provide for detailed reporting on these areas, it would be redundant to elaborate an additional section on demonstrable progress in the guidelines. Therefore, the COP6 decision adopting guidelines for Article 7 should explicitly state that the sections of the first national communication covering the areas listed above are relevant to demonstrate progress toward meeting Protocol commitments pursuant to Article 3.2.

With respect to Articles 6,12, and 17, we note that several other areas of the guidelines cover implementation of commitments related to the mechanisms, specifically national registries and assigned amount reporting. Additionally, Parties would be expected to report on domestic trading programs as a policy and measure under Article 2, and on joint implementation projects under Article 6. Therefore, any additional requirements for reporting on Articles 6,12 and 17 should not duplicate these areas. Instead, Parties should report on the institutional arrangements and decision-making procedures that it has in place to coordinate activities related to participation in the mechanism(s), including the participation of legal entities.

The flexibility in implementation of commitments provided to Parties operating under Articles 4 and 24 merits specific consideration in the reporting guidelines. We note that Article 4 requires Parties operating under Article 4 to notify the Secretariat of the terms of the agreement in their instruments of ratification. However, Article 4 does not specify the scope of information to be provided; nor does it provide for information on continuing implementation of Article 4. For this reason, regional economic integration organizations operating under Article 24 should be required to report measures taken to ensure the integrity of the Article 4 arrangement. We have included language to this effect in the attachment.

## **Article 7.4 – Modalities for accounting for assigned amount**

The United States proposes that an additional section - “modalities for accounting for assigned amount” – be elaborated in the Article 7 guidelines. This section will contain two

basic components: the process for establishing initial assigned amount; and the requirements for national registries for tracking assigned amount.

On the first point, we would like to reiterate that it is essential that the initial assigned amounts of Parties be established prior to the commitment period, and that, once established, the initial assigned amounts remain fixed for the duration of the commitment period. To initiate this process, each Annex I Party would be required to submit a pre-commitment period report to demonstrate its capacity to track emissions and assigned amount. A Party could submit its report as late as January 1, 2007 (when Annex I Parties are required to have national systems in place.) However, we believe that most Parties would choose to submit the report earlier in order to prepare for the commitment period.

The report would include

- a) a complete greenhouse gas inventory and inventory report containing complete inventories from the baseyear up to the current inventory, prepared in accordance with IPCC methodologies and good practice;
- b) identification of the Party's selected baseyear under Article 3.7;
- c) the Party's calculation of its initial assigned amount pursuant to Article 3.7 and serial numbers for the entire amount;
- d) a description of its national system;
- e) a description of its national registry;
- f) its election of forest parameters (i.e. canopy cover threshold and minimum forest area) in accordance with Article 3.3 and 3.4 requirements; and
- g) its election of any additional activities under Article 3.4 that it intends to apply during the first commitment period.

In addition, Parties operating under an Article 4 arrangement would be required to report the serial numbers of initial assigned amount transferred or acquired pursuant to the Article 4 arrangement.

The pre-commitment period report would be subject to review under Article 8. The review team would review the inventory for consistency with good practice, and, if necessary, recommend any adjustment(s) to baseyear estimates. The team would review the Party's calculation of its assigned amount for conformity with its baseyear estimates and the requirements of 3.7 and review other elements for conformity with relevant requirements. The Party's initial assigned amount would then be recorded in tonnes of carbon dioxide equivalent in the Secretariat's database for accounting for emissions and assigned amount. Once recorded, each Party's initial assigned amount would be fixed for the duration of the commitment period.

Modalities for accounting for assigned amount under Article 7.4 should also cover requirements for national registries, since registries are essential for tracking assigned amount for all Annex I Parties. Therefore, we propose that the negotiations of registry guidelines be moved to the Article 5,7,8 working group. The registry section of the chairman's text on mechanisms, together with recent submissions by Parties on this text, should be the basis for registry negotiations in the 5,7,8 group.

**ATTACHMENT: Revised Guidelines for Article 7**

**Revised Guidelines for Article 7**

1. The application of these provisions is mandatory for each Party included in Annex I (including regional economic integration organizations and their member states), except for those expressed in non-mandatory language.

**I. OBJECTIVES**

2. The objectives of the guidelines under Article 7 of the Kyoto Protocol are:
  - (a) to promote the reporting of consistent, transparent, comparable, accurate and complete information by Parties included in Annex I;
  - (b) to enable the Compliance [Institution] to assess compliance with Article 3.1; and
  - (c) to provide information for the Conference of the Parties serving as the meeting of the Parties to the Protocol (COP/MOP) on the implementation of the Kyoto Protocol by Annex I Parties.

**II. REPORTING OF INFORMATION UNDER ARTICLE 7.1**

3. Each Party included in Annex I shall annually submit to the Secretariat a single report containing the information required by these guidelines.

**A. Greenhouse Gas Inventory Information**

4. Each Party shall submit an inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol, prepared in accordance with Article 5.2 and relevant decisions of the COP and the COP/MOP. A Party need not separately submit an inventory under Article 12 of the Convention.
5. Each Party shall include information on the estimation of emissions and removals from land-use, land-use change and forestry under Articles 3.3 and 3.4, in accordance with any requirements that may be adopted by the COP/MOP. These estimates shall be clearly distinguished from other parts of the inventory.

**B. National systems in accordance with Article 5.1**

6. Each Party included in Annex I shall include in its national inventory report information on any changes that have occurred in its national system since its last submission.

### **C. Information on Assigned Amount**

7. Each Party included in Annex I shall report, in standard format, the following information :

- (a) Total holdings of assigned amount (AAUs,ERUs and CERs) at the beginning of the calendar year;
- (b) Total quantity of assigned amount issued by the Party during the previous calendar year under Articles 3.3 or 3.4:
- (c) Total quantity of assigned amount acquired during the previous calendar year and identification of each transferring Party;
- (d) Total quantity of assigned amount transferred during the previous calendar year and identification of each acquiring Party;
- (e) Total quantity of assigned amount retired or cancelled during the previous calendar year.
- (f) Total holdings of assigned amount at the end of the calendar year.

8. Additionally, each Party included in Annex I shall annually transmit electronically from its registry to the Secretariat the following information in standard format:

- a) The serial numbers of any assigned amount issued in the Party's national registry under Article 3.3 and 3.4 during the year through December 31 (23:59 GMT) and the reason(s) for the issuance;
- b) The serial numbers of any assigned amount transferred under Articles 6 and 17 to another Party's national registry during the year through December 31 (23:59 GMT) and the identity of the acquiring Party for each;
- c) The serial numbers of any assigned amount acquired under Articles 6, and 17 from another Party's national registry during the year through December 31 (23:59 GMT) and the identity of the transferring Party for each;
- d) The serial numbers of any assigned amount acquired under Article 12 during the year through December 31 (23:59 GMT);
- e) The serial number of any assigned amount moved to the Party's retirement account during the year through December 31 (23:59 GMT);
- f) The serial numbers of any assigned amount moved to the Party's cancellation account during the year through December 31 (23:59 GMT); and
- g) The serial numbers of any assigned amount held in the national registry, excluding holdings in the retirement and cancellation accounts, at the end of the year (December 31, 23:59 GMT).

9. Any Party that has acquired assigned amount in accordance with Article 12.10, from 2000 up to and including the year prior to the first commitment period shall report the serial numbers of such assigned amount in its first registry transmission.

10. Upon expiration of the ‘true-up period’ after the commitment period, each Party included in Annex I shall transmit from its registry to the Secretariat the following information:

- a) The serial number of all assigned amount held in its retirement account; and
- b) The serial numbers of any assigned amount that the Party intends to add to its assigned amount for the subsequent commitment period.

#### **D. National Registries**

11. Each Party included in Annex I shall report any changes in its national registry that have occurred since its last submission.

### **III. REPORTING OF INFORMATION UNDER ARTICLE 7.2**

12. In its national communication submitted under Article 12 of the Convention and in accordance with relevant decisions of the COP, each Party included in Annex I shall include the information required under paragraphs 12 – 17 below.

#### **A. National registries**

13. Each Party included in Annex I shall provide a description of its national registry. The description shall include the following information:

- a) The name and contact information for the designated representative responsible for the Party’s national registry;
- b) A description of the database structure used in the Party’s national registry;
- c) A list of and the electronic format of the information transmitted electronically from the Party’s national registry to an acquiring Party’s national registry when transferring assigned amount;
- d) A list of and electronic format of the information that would be transmitted electronically from the Party’s national registry to the independent transaction log when issuing, transferring, acquiring, retiring, and canceling assigned amount;
- e) An explanation of the procedures employed in the Party’s national registry to prevent discrepancies in the transfer, acquisition, and retirement of assigned amount;
- f) An overview of security measures employed in the Party’s national registry to deter computer attacks and minimize operator error;
- g) A list of publicly accessible data elements available through the electronic interface (e.g., world-wide web site) to the Party’s national registry; and
- h) An explanation of how to access information through the electronic interface to the Party’s national registry.

### **B. Implementation of Articles 6, 12 and 17**

14. Any Party included in Annex I that participates in a Kyoto mechanism under Articles 6, 12 or 17 shall provide a description of any institutional arrangements and decision-making procedures that it has in place to coordinate activities related to participation in the mechanism(s), including the participation of legal entities;

### **C. Joint fulfilment of commitments in accordance with Article 4**

15. A regional economic integration organization (REIO) that becomes a Party to this Protocol pursuant to Article 24.1 shall include in its national communication information on the implementation of:

- a) any measures aimed at enforcing the respective emission levels of members set forth in an agreement under Article 4 to fulfil their commitments under Article 3 jointly;
- b) the respective roles and responsibilities of the REIO and its member states with respect to their participation in the Kyoto mechanisms; and
- c) measures taken to ensure the consistency of inventory and assigned amount information gathered and reported by the REIO and by its member states.

### **D. National systems in accordance with Article 5.1**

16. Each Party included in Annex I shall provide a description of its national systems under Article 5.1. The description shall provide an overview of the entire inventory process, including:

- a) the name and contact information for the designated representative responsible for the Party's national inventory;
- b) roles and responsibilities of various agencies and entities involved in the inventory development process;
- c) the activity data collection process- who collects what, how often data is collected, where background data is archived;
- d) the process for selection of emission factors and methods, including the results of key source identification, and archiving of test data;
- e) the process for development of emission estimates – who calculates what, how estimates are compiled and integrated, how recalculations are conducted;
- f) the QA/QC plan and implementation – who reviews the inventory, role of public or external reviewers, uncertainty assessment; and
- g) procedures for official consideration and approval of the inventory.

### **E. Policies and measures**

17. Each Party included in Annex I shall provide information on policies and measures taken to implement its commitments under the Kyoto Protocol .



## **F. Domestic Compliance Programs**

18. Each Party included in Annex I shall report any relevant information on the its domestic compliance measures. This information shall include:

a) a description of relevant domestic compliance and enforcement programs a Party has in place to meet its commitments under Article 3.1 of the Protocol, including the legal authority for such programs, how they are implemented, and what resources are devoted to implementation;

b) a description of the effectiveness of the above programs, including a summary of actions to identify, prevent, address, and enforce against cases of non-compliance with domestic law;

c) a description of how information related to domestic compliance/enforcement (e.g. rules on compliance and enforcement procedures, actions taken) is made public.

## **IV. MODALITIES FOR ACCOUNTING FOR ASSIGNED AMOUNT UNDER ARTICLE 7.4**

### **A. Establishment of Initial Assigned Amount**

19. By January 1, 2007, each Party included in Annex I, including each Party operating under Article 4, shall individually submit to the Secretariat a report to establish its initial assigned amount and to demonstrate its capacity to account for its emissions and assigned amount during the commitment period. This report shall include the following information:

- a) a greenhouse gas inventory and national inventory report containing complete inventories for all years from 1990, or other approved baseyear under Article 3.5, to the most recent year available, including emissions and removals from land-use, land-use change and forestry; in accordance with paragraph 3 of these guidelines;
- b) identification of its selected baseyear under Article 3.8;
- c) calculation of its initial assigned amount, pursuant to Article 3.7;
- d) serial numbers for its entire initial assigned amount, in accordance with relevant decisions of the COP/MoP;
- e) a description of its national system for greenhouse gas estimation reported in accordance with paragraph 16 of these guidelines; and
- f) a description of its national registry for tracking its assigned amount reported in accordance with paragraph 13 of these guidelines.

20. Any Party operating under Article 4 of the Protocol shall report the serial numbers of initial assigned amount that it has transferred or acquired pursuant to its Article 4 arrangement, and identify each acquiring or transferring Party.

21. The initial assigned amount of each Annex I Party, calculated pursuant to Article 3.7, shall be recorded in the Secretariat's database for accounting for emissions and assigned amount. Once the initial assigned amount is recorded, it shall remain fixed for the duration of the commitment period.

### **B. National Registry requirements**

(Current working draft from mechanisms group)

## **IV. LANGUAGE**

22. The information reported in accordance with these guidelines shall be submitted in one of the official languages of the United Nations. Annex I Parties are encouraged to submit, where applicable, a translation of this information in English.

## **V. UPDATING OF THE GUIDELINES**

23. These guidelines shall be reviewed and revised, as appropriate, by consensus in accordance with decisions of the COP/MOP, taking into account any relevant decisions of the COP.

## **US Views on Article 8**

Since we have not had sufficient time to consider the Secretariat's draft guidelines on Article 8 (FCCC/SBSTA/2000/7) at length, we will provide only general comments at this time.

### **Part I**

On the composition of the review teams, it is critical that we design a process that will enable timely, thorough and consistent reviews of all Annex 1 parties. While many details of the team composition can be determined at a later date, we believe that the workload associated with the annual review of inventories and assigned amount information will require a standing team, of approximately 8-10 members. Experts on the standing team would be nominated by Parties to ensure accountability to Parties. However, formal procedures for selection of the experts will be necessary to ensure that the team is comprehensive, diverse and highly qualified. For some tasks, including the review of national communications, additional experts could be selected on an ad hoc basis to assist the standing team.

Given the current workload, decisions regarding the exact size and composition of the standing team, as well as the procedures for selection of the experts do not need to be made prior to COP6. However, the guidelines should be clear that the experts will not be selected on an ad hoc basis, and will not be selected by the Secretariat.

### **Part II**

Part II of the guidelines on inventory review needs clarification. In our view, the initial check should be a very basic and automatic review of the inventory (principally or entirely focusing on the CRF), completed within 2 weeks of the due date of submission and posted in 6 weeks. Its purpose is to quickly identify if a submission is timely, complete, and in the correct format to facilitate the in-depth individual review. Additionally, the initial check would enable certain obvious "first-order" problems to be identified quickly. The initial check is not intended to provide a thorough review of methodologies, and efforts to extend its scope will only detract from its usefulness as a quick status check. For additional US views on the initial check and, on the identification of problems at this stage, see our previous submissions.

The current draft of the guidelines also does not adequately describe the individual inventory review process. Although it is not necessary to fully elaborate the procedures for this stage prior to COP6, it will be important to establish clearly the steps involved, and the opportunities for Party response. In this regard, the timeline for inventory review laid out in Secretariat's draft is overly detailed, and provides too many opportunities for Party comment. We do not consider it necessary to establish exact time frames for all of the review steps now, provided that the guidelines are clear that the entire annual review will be completed in under a year.

On the procedure for adjustments, we reiterate our strong view that the review team should calculate and propose adjustments. We do not consider it appropriate for Parties to calculate adjustments, since Parties have the obligation, and will already have had the opportunity, to prepare inventories in accordance with IPCC methodologies and good practice. Further, proposals to create a separate 'adjustments team' are inefficient and could lead to inconsistent calculation of adjustments. Instead, adjustments should be calculated and recommended by

the standing expert team. This approach will promote consistent and objective calculation of adjustments, and will avoid the need for additional experts.

**Parts III-VII**

The United States does not support review of Article 6 projects under Article 8. If the Article 6 rules establish national level requirements, these would be reported in the national communication and reviewed under Article 8. Project reporting and project review would be handled by a separate procedure under Article 6. For this reason, Part VI of the guidelines should be deleted.

We do not consider the remainder of the guidelines - review of national systems, registries and national communications – to be a priority for COP6. These sections should be further elaborated after completion of the guidelines for national registries and reporting under Article 7.

- - - - -