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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

Addendum

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. At the first part of its thirteenth session, the Subsidiary Body for Scientific and Technological Advice invited the Chairman to further develop the draft texts relating to guidelines under Articles 7 and 8 of the Kyoto Protocol and methodologies for adjustments under Article 5.2 of the Kyoto Protocol contained in document FCCC/SBSTA/2000/L.10/Add. 3. In so doing, the Chairman was to take into account views expressed by Parties at the first part of its thirteenth session, in additional submissions and at the informal consultations held in Bonn from 6 to 8 October 2000, with a view to recommending a draft decision or draft decisions on these matters to the Conference of the Parties at its sixth session, for transmittal to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, for adoption at its first session.

3. Five additional submissions^{*} have been received. These submissions provide information which may assist the Chairman to further develop the draft texts mentioned in paragraph 2 above. In accordance with the procedures for miscellaneous documents, these

^{*} 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 as submitted.

FCCC/SBSTA/2000/MISC.7/Add.2

GE.00-64007

submissions are attached and reproduced in the language in which they were received and without formal editing.

4. The secretariat has also received a submission from the Climate Action Network. It is the practice of the secretariat not to reproduce documents from non-governmental organizations. However, Parties may wish to request copies of this submission directly from Climate Network Europe, Ms Karla Schoeters, Rue Taciturne 44, 1000 Brussels, Belgium. Tel.: +32-2-2310180, Fax: +32-2-2305713, e-mail: info@climnet.org.

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PAPER NO. 1: 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 issues related to Article 7 and 8 of the Kyoto Protocol.

The EU stresses that issues related to Articles 5, 7 & 8 of the Kyoto Protocol are dependent, among others, on outcomes on the development of rules for eligibility criteria for the mechanisms, compliance issues and on how questions concerning Articles 3.3, 3.4 and 3.7 are solved. When decisions on these matters have been reached, the impact on issues related to Art. 5, 7 & 8 need to be considered. The EU will further elaborate on its views and may wish to check its views on some related details later on.

The current submission provides additional views on the three following issues:

- 1) the timing of the pre-commitment period review;
- 2) how to define “questions of implementation” which might be identified during the review of national system and annual inventories;
- 3) the US proposal concerning “domestic compliance”

It also includes a proposed preliminary draft text for guidelines under Article 8 regarding institutional arrangements of the expert review team.

1) Proposal for the timing of the pre-commitment period review

The EU considers that the “pre-commitment period review” (PCPR) is the ensemble of reviews using the criteria and procedures established in guidelines under Article 8 which must be completed before 31/12/2007, for a Party to be declared eligible at that date for participation in the Kyoto mechanisms.

Each Party would have to undergo a review of the eligibility requirements before it would be able to participate in the mechanisms: a PCPR would be essential for those Parties who wished to participate from 1 January 2008.

If the PCPR is successfully completed, or if [x] months (a specified time period sufficient to allow the Article 8 expert review teams and the enforcement branch of the Compliance Committee a reasonable opportunity to identify and rule upon any problems) have elapsed since the Party has submitted a report documenting that it meets the eligibility requirements for participation in the mechanisms and the Compliance Committee has not found that the Party does not meet one or more of the requirements, this Party would have access to the use of Kyoto mechanisms.

In the EU’s opinion, the elements to be reviewed could be submitted separately, as explained below, in order to ensure an efficient organisation of the PCPR as a whole.

National Systems

Description of national system should be reported as a single report which should also be a part of the first National Communication to be submitted after the entry into force of the Kyoto Protocol (in accordance with current part II.E of draft guidelines under Article 7).

Some Parties could anticipate the submission of this report so that the review of their national system could start as soon as early 2005. All Parties should have submitted their national system to review by end 2006 so that the last national system review could be completed by end 2007.

Therefore, the window for national system review would be open from early 2005. Review of information arriving after end 2006 will not be completed before the start of the commitment period.

Inventories

Two inventories are to be reviewed: the base year inventory and the annual inventory for the latest available year.

It is desirable that both inventories are reviewed in conjunction with the national system. Therefore, the window for reviewing both base year inventory and latest annual inventory (data for either year 2003 or year 2004) would be open from April 2005 to mid 2007.

National Registries:

Timing issues on that issue will depend on the further discussions on design and contents of registries and relevant procedures for their review.

National Communication:

We believe that the PCPR should check that the 4th national communication has been submitted and that it includes all mandatory information requested by the guidelines, in particular related to policies and measures, demonstrable progress and projections.

In accordance with EU's views that the first national communication under the Protocol would be the 4th national communication under the Convention and should be submitted by the end of 2005, carrying out these checks would not figure in the critical path for 1 January 2008.

Summary of our views:

The main part of the workload for reviewing elements required prior to the commitment period, in particular with respect to assessing eligibility criteria for participation in mechanisms, might take place between mid 2005 and end 2007.

Parties should be allowed to submit separately elements to be reviewed, even if the review of some of them, namely: national systems and inventories, are to be carried out in conjunction. Parties could also prefer to submit them in a single package. If so, the deadline for submission should not be later than 01/01/2006.

The review of national systems should be possible as early as beginning of 2005.

Element to be reviewed	ERT ready to start from	Latest submission date for completion before 2008
National system	January 2005	December 2006
Base year and annual inventories (to be reviewed together, and in conjunction with review of national system)	April 2005	15 April 2006
National Registry	January 2006	June 2007 (to be confirmed)
National Communication	January 2006	(NC4 due in 2005)

2) Identification and classification of problems

These problems are related to the implementation of commitments by a Party. The mandatory requirements in relevant guidelines on Articles 5-7-8 and to be adopted by the Cop/moP are the basis for such an assessment.

With respect to national systems to be in place prior to the commitment period, the EU suggests the following items (which need further elaboration) to be considered as individual problems of implementation by the Party:

- Failure to designate a single national entity with overall responsibility for the national Inventory...*according to paragraph 12(a) of guidelines on national systems*;
- Problems with definition and allocation of specific responsibilities in the inventory development process... *according to paragraph 12(c) of guidelines*;
- Problems with the inventory QA/QC plan... *according to paragraph 12(d) of guidelines*;
- Problems with processes for the official consideration and approval of the inventory... *according to paragraph 12(e) of guidelines*;
- Problems in identifying key source categories... *according to paragraph 14(a) of guidelines*;
- Problems in making a quantitative estimate of inventory uncertainty ... *according to paragraph 14(d) of guidelines*;
- Problems in archiving inventory information... *according to (paragraph 16a of guidelines)*;

With respect to annual inventories, the EU has already submitted (May 2000, included in FCCC/SBSTA/2000/MISC.1/Add.1, page 30) its preliminary views on classification of problems.

Taking into account the sharing of views that took place in Lyon, we propose to elaborate these views as follows:

Problems with implication on the total aggregated estimate have their origin either where there is some gap in the inventory estimates or where some parts cannot be considered to be consistent with IPCC methodologies for inventories.

Both cases are relevant for applying adjustments in accordance with Article 5.2. However the EU still considers that compliance with the Protocol's requirements should not be largely

dependent on adjusted estimates and, therefore, suggests that the following problems related to size or frequency of adjustments should be regarded as “first order problems”:

- Gaps in the inventory estimates for source categories (or lack in coverage of sources) that would lead to adjustments all together exceeding [5] percent of the total submitted inventory;
- Methodological problems relating to inventory estimates in one or several sources categories that would account all together for more than [5] per cent of the total GHG inventory estimate for a particular year.
- Repetition of either a methodological problem or a gap related to a “key source”¹ category identified in a previous inventory.

A definition of “methodological problems” has obviously to reference methods described in the Revised 1996 IPCC guidelines for national GHG inventories, as elaborated by IPCC good practice guidance (in accordance with paragraph 14(b) of national systems guidelines).

Applying these IPCC documents is the best way to ensure, to various extent, application of the five general principles (transparency, consistency, comparability, completeness, accuracy) for inventory construction.

With regard to transparency, in order to be consistent with the mandatory functions of the national systems (see paragraph 14(c) of national systems guidelines), the definition of “methodological problems” has to include transparency problems on documentation, description of methodologies and assumptions, as well as transparency problems with activity data, process information and emissions factors, as they are necessary to support the methods selected for preparing inventories. These issues of transparency extend to how emissions estimates made by legal entities regarding their own emissions are in accordance with Good Practices and are reflected in the national inventory.

With regard to completeness, the EU believes that the key source analysis must be included to the submission of annual inventories, complementing the inventory report, given that identification of key source categories is a mandatory function of the national system.

With respect to timeliness, besides the “first order problem” related to failure to submit all elements by the due date, we see the need to elaborate on failure to provide information so that the review cannot be completed within the scheduled timeframe.

On the same rationale as above, concerning repetition of problems, we also believe that it would be useful to cover the repetition of problems below the “first order” threshold, such as repeated failure to provide estimates of uncertainties for a key source category consistent with the IPCC GPGaUM².

3) Comments on the US proposal concerning “domestic compliance”

The present guidelines on national communications already refer partially to such reporting so that this proposition can be taken into consideration by the EU:

- in Part V (C) of the current guidelines for national communications (Policy-making process, under policies and measures), it is requested that *“The national communication should describe the overall policy context, including any national targets for GHG mitigation. ...Relevant inter-ministerial decision-making process or bodies may be noted. The national communication should provide a description of the way in which progress*

¹ A “key source” category is defined in chapter 7 of the IPCC good practice guidance.

² Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories

with policies and measures to mitigate GHG emissions is monitored and evaluated over time. Institutional arrangements for monitoring of GHG mitigation policy should also be reported in this context”

- in Part V (D) (Policies and measures and their effects, under Implementing entity or entities): *“This should describe the role of national, state, provincial, regional and local government and the involvement of any other entities”*.

Such information relates also to the commitments under Article 4.1 (b) of the Convention to formulate, publish and regularly update national and, where appropriate, national programmes containing measures to mitigate climate change.

In the reporting on the implementation of the Protocol, the present requirements under the National Communication could be completed by adding a section to the National Communication, describing the “Domestic Programme” in place to meet the commitments under the KP, and of its monitoring, as proposed by the US. In the NC4, this section can also contribute to demonstrate progress in 2005 as referred to in Article 3.2 of the Kyoto Protocol. Also, for each policy and measure, where appropriate, it could be requested to refer to :

- type of policy/measure (legislation, economic, negotiated/voluntary agreement, other);
- the legislative, regulatory and or negotiated text covering each policy or measure;
- the administrative entity in charge of implementation and enforcement;
- the way/procedures of enforcement;
- comments on effectiveness;
- how the information is made public.

Proposed draft text for guidelines under Article 8

Institutional arrangements of the expert review body

General provisions

1. The expert review body³ is hereby established in order to provide the expert review teams⁴ needed to conduct reviews under these guidelines. The ERB shall start in [200x]
(*provision to be part of a decision text that establishes the ERB, further discussion on the bracketed year together with the discussion of pre-commitment period review*)
2. The ERB shall consist of [x] members. Members shall serve in their personal capacity and shall have recognized competence in all relevant areas to be reviewed, such as inventory preparation and reporting methodologies, national systems, national registries, Article 3.3 and 3.4 activities, and major sections of the national communications.
3. The ERB shall consist of members of a standing review group and ad hoc review experts.
4. The standing review group members and the ad hoc review experts shall interact and cooperate in their functioning in accordance with responsibilities in paragraphs 18 and 19.
5. The annual and periodic review of submitted information shall be conducted by ERTs composed of standing review group members and ad hoc review experts in accordance with the provisions in part II to part IV of these guidelines. For each Annex I Party, each annual and periodic submission shall be assigned to an ERT that shall be responsible to perform the

³ hereinafter referred to as ERB.

⁴ hereinafter referred to as ERTs.

review in accordance with procedures and timelines established in these guidelines. ERTs should have specific qualifications, experience and references for the task to which they are assigned to.

(ERTs could differ in size and composition for different review tasks, specific provisions could be elaborated together with the elaboration of part II to IV and included in these parts. The size of ERT for inventory review should be determined after trial period for inventory review.)

6. To the extent possible, and without compromising other selection criteria, the formation of an ERT should ensure that it includes at least one member with the necessary language skills to assess background documentation that may not be available in English.

Standing review group

7. The standing group shall consist of [y] members nominated by Parties for the standing group and selected in accordance with selection criteria and procedures to be agreed by the COP/MOP at its first session. [z] members of the standing group shall be selected for a term of two years, and [z] shall be selected for a term of four years. At each biennium thereafter, [z] new members shall be selected for a term of four years. *(further elaboration is needed with regard to management/responsibilities within the standing review group)*

8. The standing review group members are located at the UNFCCC secretariat during the period of their service. They provide permanent service on review tasks.

Participation of ad hoc review experts

9. The ERB includes [x] ad hoc review experts nominated by Parties from the roster of experts and selected on the basis of their expertise and in a manner that ensures the participation of Non-Annex I Party experts. Each year, ad hoc review experts are selected for one annual or periodic review cycle.

10. Parties shall nominate experts to the roster of experts according to the procedures for such nominations. The nominating Party should ensure that nominated experts have adequate time and, as appropriate, financial support to participate in the review.

11. Ad hoc review experts should successfully complete a training programme.

12. Ad hoc review experts perform desk review tasks in their home countries. They participate in in-country visits and in ERB meetings with the standing review group at the UNFCCC secretariat. They provide service on review tasks during part of the year according to the commitment of their nomination.

Responsibilities of expert review body members

13. General responsibilities of the ERB shall include:

(a) performance of annual and periodic reviews according to procedures established in part I to VII of these guidelines through desk review and in-country visits,

(b) preparation of review reports,

(c) *...to be elaborated further according to functions defined in part II to VII of review guidelines*

Functions during inventory review (may be moved to part II at a later stage)

- (d) identification of problems,
- (e) clarification and correction of problems through requests and recommendations to Annex I Parties under review,
- (f) preparation of adjustments during inventory review,
- (g) estimation of implications of problems on total aggregate inventory estimate,
- (h) classification of problems.

14. Other specific responsibilities *(to be allocated depending on views expressed on management/responsibilities)* shall include:

- (a) management of the review process,
- (b) assignment of submissions under Article 7 to the appropriate ERT in accordance with the provisions in parts II to IV,
- (c) assignment of one standing review group member to be the main responsible for communication with the Annex I Party under review,
- (d) Arrangements for and assurance of appropriate training of review experts,
- (e) selection of ad hoc review experts, in co-operation/consultation with the secretariat,
(further discussion is needed on this issue),
- (f) planning of in-country visits,
- (g) performance of computerized initial check procedure during inventory review,
- (h) performance of computerized data analysis and data comparison across inventory years and across Parties during inventory review,
- (i) *to be elaborated further according to functions defined in part II to VII of review guidelines.*

Avoidance of conflict of interest

15. No member of the ERB who is a national of an Annex I Party that is reviewed shall participate in the ERT responsible for any review of that Party.

16. The inventory submission of the same Annex I Party should not be reviewed in two successive review years by ERTs with identical composition of experts.

PAPER NO. 2: JAPAN

SUBMISSION ON GUIDELINES FOR REVIEW UNDER ARTICLE 8

Following the discussion at the first part of SBSTA13, Japan submits its views for further elaboration of the guidelines under Article 8. They are in addition to the views already submitted in the past, and most of them are focused on new paragraphs to be added. Further editorial modifications to the existing paragraphs will be proposed during the intersessional consultation to be held in Bonn in October 2000.

PART III: REVIEW OF INFORMATION ON ASSIGNED AMOUNTS

As noted in the current draft, the process needs to be further elaborated, in particular for the resolution of problems identified by the review team. Japan considers that the ERT (and any compliance body in case of disagreement between the ERT and the Party) should play a role in resolving a problem if the Annex I Party concerned, in the ERT's view, has failed to correct the problem. We suggest the following language as a basis for discussion among Parties on this matter.

During the review of the information on assigned amounts, the expert review team shall identify problems and shall notify the Annex I Party of the problems. The Annex I Party may correct the problems or provide additional information within the time-frame set out in these guidelines.

If the expert review team finds that the Party's response has not adequately corrected the problems, it shall make a recommendation to the Party concerned for resolving the problems.

Within the time-frame set out in these guidelines, the Party concerned shall notify the secretariat of its intention to accept or reject the recommendation, with its rationale. Failure to respond by this date shall be considered as [rejection][acceptance] of the recommendation.

If the Party concerned accept the recommendation, the Party concerned shall reflect the recommendation on its national registry.

If the Party concerned does not accept the recommendation, it should send a notification to the expert review team including its rationale, and the expert review team shall send the notification along with its recommendation to any body that may be designated by the COP/MOP for compliance-related purposes.

PART III bis: ANNUAL COMPILATION AND ACCOUNTING OF EMISSION INVENTORIES AND ASSIGNED AMOUNTS

Japan suggests the following as a text to be put in the section of 'Purpose'.

The purpose of the annual compilation and accounting of emissions inventories and assigned amounts is to ensure that any body that may be designated by the COP/MOP for compliance-related purposes have adequate information on emissions inventories and assigned amounts for each year of the commitment period.

In the 'Timing and procedures' section, it should be clearly mentioned that the emission inventory information necessary for the annual compilation and accounting is that of greenhouse gases listed in Annex A of the Protocol, whereas the inventory information dealt with in the review process (Part II of the guidelines) would not be limited to the Annex A related information. In this regard Japan proposes the following modification of the current text.

Paragraph 2

(a) Aggregate annual ~~greenhouse gas~~ emissions inventory information on the greenhouse gases listed in Annex A for each year of the commitment period that has been subject to an annual review;

(c) Cumulative emissions of the greenhouse gases listed in Annex A in the commitment period, taking into account any adjustments agreed in accordance with the provisions of these guidelines;

PART II: REVIEW OF ANNUAL INVENTORIES

Japan believes that the time-frame of the each stage of the review set out in the bracketed section H needs to be further discussed. We should develop such time-frame taking into account the experience gained through the technical review of annual inventories on a trial basis conducted in 2000-2001.

In addition Japan considers that, in elaborating this section, considerations must be given to an extra time required for translations and other language related arrangements for the Parties whose official language is not one of the official UN languages.

PAPER NO. 3: SAUDI ARABIA

**FURTHER SUBMITTAL* BY SAUDI ARABIA ON THE INFORMAL
CONSULTATION IN BONN, GERMANY, OCTOBER 6-8, 2000**

The attached is a further submittal in addition to our comments during the interventions on all documents presented during the informal inter-sessional consultation held in Bonn during October 6-8, 2000:

- A paragraph explaining the agreement in Lyon on the nature of the informal inter-sessional consultation meetings must be inserted at the beginning of the document(s). The Chairs must ensure that this practise must be also followed at all upcoming informal consultations of the other Working Groups.
- It should be noted that the attached submissions are classified as follow:
 - Additions- appears in Bold and highlighted in yellow
 - Deletions- brackets are highlighted in orange.**
- Additional submissions will be forwarded later on:
 - Working Paper 13.a (2000)
 - Working Paper 13.b (2000)
 - Further elements and comments on working Paper No. 14 (2000), annex I, on:
 1. Possible elements related to guidelines for review under Article 7 of the Kyoto Protocol to be incorporated in a draft COP decision
 2. Possible elements related to guidelines for review under Article 7 of the Kyoto Protocol to be incorporated in a draft COP/MOP1 decision
 3. Possible elements related to guidelines for review under Article 8 of the Kyoto Protocol to be incorporated in a draft COP decision
 4. Possible elements related to guidelines for review under Article 8 of the Kyoto Protocol to be incorporated in a draft COP/MOP1 decision
 - Working Paper 15 (2000)
- List of attachment:
- Comments on working Paper No. 14 (2000) of proposal for a text by the chairman on draft guidelines for review under Article 8 of the Kyoto Protocol, noting the exception above.

October 08, 2000

* *Note by the editor:* During the informal consultations on Articles 5, 7 and 8 of the Kyoto Protocol (Bonn, 6-8 October 2000), Saudi Arabia provided comments that were incorporated in document FCCC/SBSTA/2000/13. At the end of the consultations, Saudi Arabia proposed the additional textual changes listed below, which were not included in document FCCC/SBSTA/2000/13.

** *Note by the editor:* For technical reasons, the secretariat has not used the highlighting mentioned.

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

(Note by the editor: The following paragraphs refer to the corresponding paragraphs and sections of annex II to document FCCC/SBSTA/2000/13).

I. REPORTING OF SUPPLEMENTARY INFORMATION UNDER ARTICLE 7.1

B. Structure

2. Each Annex I Party shall include the necessary supplementary information **for the purposes of ensuring compliance with Article 3** [required by these guidelines] in its annual 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 decisions of the COP/MOP,] **report** taking into account any relevant decisions of the COP **and the COP/MOP**. An Annex I Party need not separately submit an inventory under Article 12.1 (a) of the Convention.

D. Greenhouse gas information

4. Each Annex I Party shall include in the greenhouse gas inventory information on **its anthropogenic emissions by sources and removal by sinks of greenhouse gases not controlled by the Montreal Protocol, submitted in accordance with the relevant decisions of the COP**. [the estimation of emissions and removals from land-use, land-use change and forestry relevant to Article 3.3 and 3.4, in accordance with any guidelines, rules and modalities, including the frequency for reporting this information, that may be adopted by the COP/MOP. These estimates shall be clearly distinguished from other parts of the inventory].

II. REPORTING OF SUPPLEMENTARY INFORMATION UNDER ARTICLE 7.2

B. Structure

9. Each Annex I Party shall include the necessary supplementary information **to demonstrate compliance with its commitment under this Protocol** [required under these guidelines] in its national communication submitted under Article 12 of the Convention and in accordance with the relevant decisions of the COP.

Appendix

II. REPORTING OF SUPPLEMENTARY INFORMATION UNDER ARTICLE 7.2

F. Supplementary information relevant to Article 3

[2. Minimization of adverse impacts under Article 3.14]

Information on actions taken to minimize adverse, social, environmental and economic impacts on developing country parties related to establishment of funding, insurance and transfer of technology.

GUIDELINES FOR REVIEW UNDER ARTICLE 8 OF THE KYOTO PROTOCOL

(Note by the editor: The following paragraphs refer to the corresponding paragraphs and sections of annex III to the document FCCC/SBSTA/2000/13).

PART I: GENERAL APPROACH TO REVIEW

A. Applicability

1. Each Annex I Party to the Convention which also became [a] **an Annex-B** Party to the Protocol will be subject to review of information submitted under Article 7 in accordance with the provisions of these guidelines. For these Parties, the review process established under these guidelines shall [encompass and take the place of] **be supplemental to** any existing review under the Convention [and shall satisfy any requirements with respect to review under the Convention.]

B. Objectives

2. The objectives for review under Article 8 of the Kyoto Protocol are:
To establish a process for a thorough, [objective] and comprehensive technical assessment of all aspects of the implementation of the Kyoto Protocol by Annex I Parties ¹;

PART II: REVIEW OF ANNUAL INVENTORIES

A. Purpose

42. The purpose of the review of Annex I Parties' annual [GHG] inventories is:

(a) To ensure that [the COP/MOP and the compliance committee] have reliable information on each Annex I Party's [greenhouse gas emissions by sources and removals by sinks] **compliance with Article 3 as provided for in the guidelines for reporting of supplementary information under Article 7.1.**

(b) To provide [an objective,] consistent, transparent, thorough and comprehensive technical assessment of GHG inventories for conformity with IPCC guidelines, as elaborated by IPCC good practice guidance, and with the guidelines for the preparation of the information required under Article [7] **7.1;**

¹ Annex I Parties in this document refers to Annex I Parties to the Convention which also became **an Annex-B Party** [Parties] to the Protocol, unless otherwise stated.

(Note by the editor: The following paragraph refers to the corresponding paragraph of annex I to the document FCCC/SBSTA/2000/13).

Possible elements related to guidelines for review under Article 8 of the Kyoto Protocol to be incorporated in a draft COP decision

...

[3. *Decides* that the elaboration of parts **[II]** [III] [IV] [V] [VI] and [VII] of the guidelines for review under Article 8 of the Kyoto Protocol are to be completed in time for adoption at its [seventh] [eighth] session, taking into account **matters related to Article 3.2 and decisions of __CP.6 on polices and measures, Article 3.14, 6,12, 17, and** [mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol and decision __CP.6 on] guidelines for the preparation of information under Article 7 of the Kyoto Protocol];

PAPER NO. 4: UNITED STATES OF AMERICA

UNITED STATES PROPOSED TEXT ON REVIEW OF NATIONAL SYSTEMS

Purpose

1. The purpose of the review of national systems is:
 - (a) to provide the COP/MOP and the Compliance Committee with reliable information on national systems established under Article 5.1;
 - (b) to provide a technical assessment of the capacity of a national system to produce an inventory in conformity with good practice.
 - (c) to assess the 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.

Procedures

2. The review of national systems shall occur in two parts:
 - (a) a thorough review of the national system conducted in-country in conjunction with the review of a Party's national communication and national registry; and
 - (b) a desk review of any reported changes in the national system conducted in conjunction with the annual inventory review.
3. The expert review team (ERT) shall review national systems through interviews with personnel involved in inventory planning, preparation and management, and through examination of relevant records and documentation, including the inventory CRF and the national inventory report. The review shall provide
 - (a) an evaluation of the organization of the national system, especially the institutional, procedural, and legal arrangements; and
 - (b) an assessment of the strengths and weaknesses of the national system in performance of the functions defined in the guidelines for national systems.
4. Each Party included in Annex I should, in good faith, respond to reasonable requests by the expert review team for additional or clarifying information, and should provide the team with access to any information necessary to assess the functioning of the national system.
5. The review team shall protect and prevent disclosure of confidential business information in accordance with procedures adopted by the COP/moP.

In- Country Review

6. The ERT shall conduct a thorough review of each Party's national system. The review shall focus on the mandatory aspects of national systems, including the plans and documentation related to these aspects.

7. The ERT shall determine if the Party has established and maintained the following inventory planning components, on the basis of a review of the national system report, and additional information gathered during the in-country visit :
 - (a) Designation of single national entity with overall responsibility;
 - (b) Designation and allocation of specific responsibilities related to the inventory development process;
 - (c) Specification of institutional, legal and procedural arrangements;
 - (d) Development of an inventory QA/QC plan; and
 - (e) Process for official consideration and approval of the inventory.
8. The ERT shall determine if the Party has completed the following inventory preparation components, on the basis of a review of the national system report, and any additional information gathered:
 - (a) Identification of key source categories consistent with the IPCC Guidelines and Good Practice Guidance;
 - (b) Estimation of quantitative uncertainty for each source category and for the inventory in total, following IPCC Good Practice Guidance
9. The ERT shall determine if the following inventory preparation components are functioning adequately, on the basis of an assessment of the most recent annual inventory, its consistency with good practice, and additional information gathered:
 - (a) Preparation of estimates in accordance with the methods described in the Revised 1996 IPCC Guidelines, as elaborated by IPCC Good Practice Guidance, and selection of appropriate methods key source categories;
 - (b) Collection of sufficient activity data, process information, and emission factors as are necessary to support the methods selected for estimating anthropogenic GHG emissions by sources and removals by sinks;
 - (c) Recalculations of previously submitted estimates of anthropogenic GHG emissions by sources and removals by sinks in accordance with IPCC Good Practice Guidance and relevant decisions by the COP and/or COP/moP;
 - (d) Compilation of the national inventory in accordance with reporting guidelines under Article 7.1, and relevant decisions of the COP and/or COP/MOP; and
 - (e) Application of general QC procedures in accordance with the inventory QA/QC plan.

10. ERT shall determine if the Party has established an archive system for inventory information as a component of its inventory management, in accordance with relevant decisions of the COP and/or COP/moP.
11. The ERT shall determine if the archive system is functioning adequately as a component of its inventory management, on the basis of an assessment of:
 - (a) The completeness of archived information for a sample of 5 source categories, including at least 3 key source categories, defined in accordance with IPCC good practice guidelines, as chosen by the expert review team; and
 - (b) The ability of the Party to respond in a timely manner to requests for clarifying inventory information resulting from the different stages of the review process of the most recent inventory.
12. The ERT's report on the in-country review of the national system shall be included in the national communication review report. The national system review report should include:
 - (a) an evaluation of the overall organisation of the national system, including discussion of the institutional, procedural and legal arrangements;
 - (b) an assessment of performance of the national system functions defined in the guidelines for national systems;
 - (c) any questions of implementation of the mandatory elements under the guidelines for national systems; and
 - (d) Any recommendations by the review team for further improvement of the Party's national system.

Review of Changes in National System

13. The ERT shall review any changes in the components of the national system reported by a Party, using the relevant guidelines in paragraphs 8-12.
14. If the ERT considers a reported change to be potentially significant in relation to an identified problem in the Party's inventory, it may recommend an in-country review of the relevant components of the national system in conjunction with an in-country inventory review.

UNITED STATES PROPOSED TEXT FOR REVIEW OF NATIONAL COMMUNICATIONS

A. Purpose

1. The purposes of the guidelines for review of the national communications are:
 - (a) To promote consistency in the review of information submitted under Article 7.2;
 - (b) To assist Parties included in Annex I to improve reporting of information under Article 7.2 and the implementation of their commitments under the Protocol; and
 - (c) Provide information for the Conference of Parties and the Compliance Committee on the implementation of commitments by Parties included in Annex I.

B. Procedures

2. Each Party included in Annex I shall be subject to an in-country review of its national communication once per commitment period in conjunction with the review of its national system and national registry.
3. The expert review team shall conduct the national communication review in accordance with these guidelines. The review shall cover:
 - 1) National Circumstances;
 - 2) Institutional arrangements for participation in the mechanisms;
 - 3) Policies and measures and their effects, including policies and measures taken pursuant to Article 2 of the Protocol;
 - 4) Projections;
 - 5) Implementation of any arrangements under Article 4;
 - 6) Domestic legislation and enforcement programs;
 - 7) Vulnerability assessment and adaptation;
 - 8) Financial resources and transfer of technology, including pursuant to Article 11 of the Protocol;
 - 9) Education, training and public awareness; and
 - 10) Research and systematic observation.
4. The expert review team shall examine the information submitted by each Party under Article 7.2 for timeliness, completeness and consistency with reporting requirements.
5. Prior to the in-country visit, the expert review team will conduct a desk review of the Party's national communication. The review team shall notify the Party concerned of any questions the team has regarding the national communication and of any focal areas for the in-country visit.
6. Each Party should cooperate in the in-country review of its national communication by preparing information for the review, including in response to questions raised by the review team, and providing appropriate working facilities for the review team.

C. Reporting

7. Upon completion of the in-country visit, the review team will prepare a draft national communications report following the format below. The draft report will be provided to the Party for comment. Any comments or clarification received from the Party within [8] weeks will be considered by the review team prior to completing the final review report.

8. The final review report shall include

- a) a general description of the national communication, including any special circumstances;
- b) an assessment of each chapter of the national communication; and
- c) a description of any questions of implementation identified by the review team and any factors that the review team deems relevant to these questions of implementation.

9. The Secretariat shall forward the final review report of each Party to the Compliance Committee and publish the report on its website.

US COMMENTS ON ARTICLE 7.4

The United States proposes the following additions to Section III of the Article 7 guidelines: Modalities for Accounting for Assigned Amount under Article 7.4.

- Insert the following new paragraph before paragraph 51:

“Each Party included in Annex I, including each Party operating under Article 4, shall establish its initial assigned amount in accordance with Articles 3.7 and 3.8. To this end, each Party shall

- calculate its initial assigned amount using its baseyear(s) inventory estimates prepared in accordance with Article 5.2; and
- issue serial numbers for its entire initial assigned amount in accordance with registry requirements in [].”

- Insert the following text at the beginning of paragraph 53: “After Article 8 review, and resolution of any questions of implementation relating to adjustments or assigned amount by the enforcement branch of the Compliance Committee,”
- The US proposes the following language in place of paragraphs 55 – 57 in the current text under Section C: Issuance and Cancellation of assigned amounts related to Article 3.3 and 3.4:

“A Party shall calculate net emissions/removals under Article 3.3 (and Article 3.4, if it chooses to apply Article 3.4 activities for the first commitment period) in accordance with decisions thereunder and Article 5.2. If a Party chooses to apply Article 3.4 activities for the first commitment period, it shall calculate estimates and removals under Article 3.3 and 3.4 together, and over the same period(s).

A Party may issue assigned amount equivalent to net removals under Article 3.3 (and Article 3.4, if applicable) estimated in accordance with Article 5.2 at any time prior to expiration of the ‘true-up’ period upon notification to the Secretariat that, following Article 8 inventory review, the Compliance Committee's enforcement branch is not proceeding with any question of implementation related to Article 3.3 estimates (or Article 3.4 estimates, if applicable).

In the case where the enforcement branch proceeds with a question of implementation, the Party may issue assigned amount following resolution of the question, unless the enforcement branch finds that the Party has not met the requirements under Articles 5.2 and 7.1 pertaining to Article 3.3 estimates; in the case where the enforcement branch finds that a Party has not met the requirements pertaining to Article 3.4, the Party may nevertheless issue assigned amount under Article 3.3. Removals from the Article 3.4 activity(ies) for which the Party has not met requirements shall not be included in the calculation of net removals.¹

¹ In this case, an issue arises as to whether estimates of removals from other Article 3.4 activities should be included, provided that the Party has met requirements for those activities.

Assigned amount equivalent to net emissions under paragraph 1 shall be cancelled by the Party, prior to expiration of the true-up period. Any assigned amount cancelled shall not be subsequently transferred or retired.”

- We propose addition of a new section: “D: Retirement and Carry-over of Assigned Amount”, and the following text:

“Each Party included in Annex I may, at any time during a commitment period, set aside (‘retire’) assigned amount to be used for meeting its Article 3.1 commitment. Any assigned amount retired by a Party shall not be subsequently transferred.

Prior to the expiration of the ‘true-up’ period, each Party included in Annex I shall retire assigned amount, from the current or previous commitment period(s), equivalent to its total aggregate emissions from sources in Annex A during the period, estimated in accordance with Article 5.2.”

Additionally, the United States proposes that Part III bis of the guidelines under Article 8 entitled “Annual Compilation and Accounting of Emission Inventories and Assigned Amounts” be moved to the guidelines under Article 7.4. In the US view, the compilation and accounting of emissions inventories and assigned amount is a ‘modality for accounting for assigned amount’. The following comments pertain to the text currently placed under Part II bis of the Article 8 guidelines.

- In paragraph 1, replace the phrase “ including any [compliance-related procedures] in the event of questions of implementation” with “and after resolution by the Enforcement Branch of the Compliance Committee of any questions of implementation that it has taken up relating to adjustments or assigned amount.”
- Add the following paragraphs between paragraphs 1 and 2:

“ The Secretariat shall establish a database to compile and account for the emissions and assigned amount of Parties. The Secretariat shall maintain a separate account for each Party included in Annex I for each commitment period.

The information maintained in each Party’s commitment period account shall be used for determining compliance with Article 3.1 commitments upon expiration of the true-up period. Determination of compliance shall be based on comparison of the Party’s cumulative emissions over the commitment period from paragraph [2(c)] below with the Party’s total assigned amount retired for the commitment period from paragraph [2 (I)] below. ”

- In para 2, change “in a database for each Annex I Party, in terms of CO₂ equivalent” to “ in each Party’s account, the following emissions information in units of CO₂ equivalent.”
- In para 2(a), add “from sources in Annex A of the Protocol” after emissions. Delete “inventory information” and “that has been subject to an annual review.”

- In para 2(b) replace both bracketed options with: “Any adjustments under Article 5.2 applied for each year, recorded as the difference between the adjusted estimate and the submitted inventory estimate.”
- In 2(c), replace “ taking into account any adjustments agreed in accordance with the provisions of these guidelines” with “calculated as the sum total of sub-paragraphs a and b for the years to date.”
- Delete 2(d) and replace with new paragraph 2 bis:

“Additionally, when a Party has issued or cancelled assigned amount pursuant to Articles 3.3 or 3.4, the Secretariat shall record in the Party’s account the following inventory information in units of CO2 equivalent:

 - (a) GHG emissions or removals under Article 3.3 and 3.4;
 - (b) Any adjustments to Article 3.3 or 3.4 estimates, recorded as the difference between the adjusted estimate and the submitted estimate.”
- Delete paragraphs 2(d – h) and replace with new paragraph 2 tres:

“The secretariat shall record in each Party’s account the following assigned amount information:

 - (a) Initial assigned amount established pursuant to Article 3.7 and 3.8;
 - (b) Any assigned amount carried over from the previous commitment period pursuant to Article 3.13;
 - (c) Any assigned amount issued pursuant to Article 3.3 or 3.4;
 - (d) Any assigned amount cancelled pursuant to Article 3.3 or 3.4
 - (e) Any assigned amount acquired pursuant to Articles 4, 6,12 or 17;
 - (f) Any assigned amount transferred pursuant to Articles 4, 6 or 17;
 - (g) Total assigned amount, calculated as the sum total of sub-paragraphs (a-f)
 - (h) Any assigned amount retired each year;
 - (i) Total assigned amount retired during the commitment period.”
- Delete paragraph 3, if the ‘true-up’ period is being defined in the compliance text, and replace it with the following:

“Where a Party has submitted recalculated estimates of emissions or removals for a previous year(s) of the same commitment period the Secretariat shall, subject to any revisions by the Enforcement Branch of the Compliance Committee, amend a Party’s annual aggregate greenhouse gas emissions from the previous year(s) and, where relevant, remove an adjustment that was previously applied.”
- Add new paragraph 4:

“Upon expiration of the ‘true-up’ period, the Secretariat shall, at the request of a Party, remove any assigned amount in excess of the Party’s aggregate emissions from sources in Annex A during the commitment period from the Party’s current account, and record the assigned amount in the Party’s account for the subsequent commitment period pursuant to Article 3.13.”

PAPER NO. 5: JOINT SUBMISSION:
FRANCE ON BEHALF OF THE EUROPEAN COMMUNITY, AUSTRALIA, CANADA,
JAPAN, NEW ZEALAND, NORWAY, SWITZERLAND AND
THE UNITED STATES OF AMERICA

**TERMS OF REFERENCE FOR SBSTA WORKSHOPS ON TECHNICAL
GUIDANCE ON METHODOLOGIES FOR ADJUSTMENTS
UNDER ARTICLE 5.2**

OBJECTIVES

Workshops should develop guidance on methodologies for adjustments that result in estimates that are conservative for the Party concerned so as to ensure that the emissions are not underestimated and removals by sinks and base year emissions are not overestimated.

The workshops should aim to develop guidance on following topics:

- Appropriate approaches and methodologies to calculate adjustments for different sectors and source categories.
- Appropriate drivers¹ for different sectors and source categories
- Approach and methodologies for ensuring that adjustments are calculated in an appropriate and conservative manner
- If possible, develop hierarchical order/decision trees to guide the adjustment calculations through the different approaches.
- Assessment of the relevance of national circumstances for the preparation of adjustments.
- Assessment of the implications of adjustments on the consistency of time series.

In the development of methodologies the workshops should aim to produce methods that:

- Facilitate consistent, objective and transparent calculation of adjustments
- Are practical and efficient in the use of resources
- Avoids the collection of country-specific data by a review team.

GENERAL APPROACH TO BE CONSIDERED BY THE WORKSHOPS

The technical guidance on methodologies should facilitate consistent, objective and transparent calculation of adjustments. Conservative estimates could be achieved by multiplying a central point estimate (or parameter) by a conservative factor, and/or through appropriate selection of data. As national circumstances differ, national data should be considered in the choice of methods and estimates on emission factors and activity data in calculating the adjustment. In general, adjustment methods should be approached/selected based on the type of problem.

¹ A driver is a set of data that is highly correlated with emissions or activity data.

Types of problems and approaches to be considered:

1. If the problem concerns only one inventory year and one component (e.g. inconsistent, incorrect or misapplied emission factors, activity data or model parameters) only this component should be adjusted using the following approaches.

- (a) Problem with an emission factor or model parameter could be addressed using
 - IPCC default value (newest values available)
 - If IPCC default values are given as a range, the emissions could be calculated using values at the lower range for the base year and values at the upper range for commitment period years and vice versa for removals by sinks
 - Ranges derived from Annex I Parties' parameters, again values at the lower range should be used for the base year and values at the upper range for commitment period years for emissions, and vice versa for removals by sinks
 - Figures given in other sources, such as international databases, or from countries with similar conditions or other Annex I Parties.
- (b) Problem with activity data could be addressed using:
 - The methods on interpolation and extrapolation, described in the IPCC Good Practice Guidance, section 7.3.2.2. In many cases interpolation or extrapolation using an appropriate driver may be preferable.
 - Data from other sources, such as international databases.
- (c) Problem with a missing emission estimate
 - If historical estimates are available, the adjusted estimates could be calculated using extrapolation (see (b) above)
 - If an IPCC Tier 1 method and default emission factor and other necessary data is available, apply the Tier 1 method
 - Data from international databases, countries with similar conditions or other Annex I Parties could also be used
 - Interpolation or extrapolation using an appropriate driver may be applied.

2. Recurring problems with emission factors, model parameters or activity data
If the same problem occurs in more than one year of a time series, all of the adjusted estimates should be conservative.

3. Problem with methods could be addressed using the following hierarchy:
- IPCC Tier 1 method, if national data and/or IPCC default values are available
 - International data bases or Annex I Parties' data to derive the estimate by correlating the values to appropriate drivers (population, GDP, agricultural production, ...) for the Party in question.
5. Problem with transparency, documentation etc. could be addressed by use of the approaches given above and/or or a conservative factor (e.g. greater than one for emissions and less than one for removals), as appropriate.