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**PRINCIPLES, MODALITIES, RULES AND GUIDELINES FOR THE  
MECHANISMS UNDER ARTICLES 6, 12 AND 17 OF THE  
KYOTO PROTOCOL**

**Submissions from Parties**

**Note by the secretariat**

**Addendum**

1. This addendum to document FCCC/SB/1999/MISC.3 contains two additional proposals on principles, modalities, rules and guidelines for the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol submitted by a Party, on behalf of the Group of 77 and China, in accordance with decision 7/CP.4 (see FCCC/CP/1998/16/Add.1).
2. In accordance with the procedure for miscellaneous documents, these submissions\* are attached and reproduced in the language in which they were received and without formal editing.

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FCCC/SB/1999/MISC.3/Add.6

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## Group of 77 and China

### INITIAL SUBMISSION ON ARTICLE 6 OF THE KYOTO PROTOCOL ARTICLE 6 PROJECTS

Further elaboration will be made on the paragraphs below

1. Article 6 of the Kyoto Protocol to the Convention has provided that “For the purpose of meeting its commitments under Article 3, any Party included in Annex I may transfer or acquire from any other such Party emission reduction units resulting from projects aimed at reducing anthropogenic emissions..... , provided that:
  - (a) Any such projects has the approval of the Parties involved;
  - (b) Any such projects provides a reduction in emissions by sources , or an enhancement of removals by sinks, that is additional to any that would otherwise occur;
  - (c) It does not acquire any emission reduction units if it is not in compliance with its obligations under Article 5 and 7; and

The acquisition of emission reduction units shall be supplemental to domestic actions for the purpose of meeting commitments under Article 3.” Accordingly, during COP-4, the G-77 and China submitted relevant Elements, inter alia, on “Article 6 projects”, as contained in FCCC/CP/1998/MISC.7/Add.3.

2. Due to time constraints, the G-77 and China has not yet been able to elaborate its views on “Article 6 projects”. However, the G-77 and China is of the view that the following Elements are basic and need to be addressed first, so as to enable the COP/moP to “further elaborate guidelines for the implementation of this Article.....”(Article 6.2 of the Kyoto Protocol) :

- (1) Participation of Parties in Article 6 projects
- (2) Supplementarity to domestic actions by the participating Annex I Parties
- (3) Criteria for Article 6 projects
- (4) Climate change effectiveness
- (5) Transparency
- (6) Criteria for project base lines
- (7) Acquisition and transfer of emission reduction units (ERUs), as provided for under Article 3.10 and 3.11
- (8) Parties’ authorization and involvement of legal entities
- (9) Guidelines for monitoring, verification and reporting
- (10) Consequences of non-compliance
- (11) Guidelines for review of implementation of Article 6 of the Kyoto Protocol.

## **Group of 77 & China**

### **INITIAL SUBMISSION ON ARTICLE 17 OF THE KYOTO PROTOCOL**

Further elaboration will be made on the paragraphs below

#### **Introduction**

1. The purpose of "emissions trading" under Article 17 of the Kyoto Protocol is to assist Parties included in Annex B in fulfilling part of their commitments under Article 3. Article 17 states: "Any such trading shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments" under that Article.

#### **Principles**

2. The principles for Article 17 and the other basic elements pertaining to this article must be decided first and formulated accordingly. These principles and basic elements must be in conformity with Article 3 of the Convention. The methodological and operational issues must be guided accordingly. Of fundamental importance is the environmental integrity of the system to be brought in place under Article 17 and its credibility. It must be ensured that the system does not have dormant any possibility or potential of freezing or perpetuating existing inequities between Annex B Parties and developing country Parties. The right to development of developing countries must not be affected adversely in any way. It is recognized that the Protocol has not created or bestowed any right, title or entitlement.

#### **Nature and Scope of Article 17**

3. Annex B Parties have quantified greenhouse gas (GHG) emission limitation and reduction commitments stipulated in Annex B of the Protocol. Annex B Parties, individually or jointly, have to ensure that their aggregate anthropogenic carbon dioxide equivalent emissions of the GHGs listed in Annex A of the Protocol do not exceed their assigned amounts, calculated pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B, with a view to reducing their overall emissions of such gases by at least 5 per cent below 1990 levels in the quantified emission limitation and reduction commitment period, from 2008 to 2012. The assigned amount for each such Party, in the commitment period from 2008 to 2012, shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases (GHGs) listed in Annex A of the Protocol in 1990, or the base year or period determined in accordance with paragraph 5 of Article 3 of the Protocol, multiplied by five. If an Annex B Party is able to limit or reduce its GHG emissions over and above its commitment, such excess limitation or reduction can be transferred to any other Annex B Party under the provisions of Article 17. Such excess limitation and reduction of emissions shall be subtracted from the assigned amount for the transferring Party, and be added to the assigned amount for the acquiring Party.

### **Eligibility**

4. Parties included in Annex B shall be eligible to "transfer" or "acquire" part of the assigned amount, if they:
- (a) are in compliance with Articles 3, 5 and 7 of the Protocol and are responsible for meeting their commitments under the Protocol;
  - (b) are not in violation of the compliance procedures as referred to in Article 18 of the Protocol;
  - (c) have a transparent national system for registration and verification of such "transfers" and "acquisitions".

### **Supplementarity**

5. The design and implementation of any system under Article 17 must not in any way compromise the modification of longer-term trends in GHG anthropogenic emissions and concentrations. Commensurate non-compliance processes must be put in place. Annex B Parties access to Article 17 should be contingent on satisfaction of prescribed domestic effort in fulfilment of commitments under Article 3.

### **Climate Change Effectiveness**

6. Any system established under Article 17 of the Protocol shall contribute to and bring about real, measurable and long-term benefits related to mitigation of climate change. It should not lead to overall increase in the GHG emissions of the developed country Parties.

### **Rules**

7. The rules to be formulated must conform to the principles. Rules have to determine that part of the assigned amount which would be transferable by an Annex B Party to another acquiring Annex B Party under Article 17. The rules will lay down the conditions which must be fulfilled before any such transfers and acquisitions can occur. The rules will ensure that no right, title or entitlement in any manner gets attached to the assigned amount or any part of the assigned amount which is transferred or acquired.

### **Modalities**

8. Any Annex B Party participating in the system to be established under Article 17 shall establish and maintain a transparent national registration of "transfers" and "acquisitions". Such information shall be communicated regularly to the Convention Secretariat. Annex B Parties participating in the transfers and acquisitions of parts of assigned amounts under Article 17 of the Protocol, shall include in their national inventory, to be communicated to the Secretariat under Article 7.1 of the Protocol, information on any part of an assigned amount added to or removed from its national registration during the relevant year. If an Annex B Party is in non-compliance with its commitments, that part of the assigned amount that has been "transferred" shall be invalidated.