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Bonn, 25 October - 5 November 1999

Item 6 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION

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

**Further proposals from Parties on issues raised in decision 7/CP.4,
paragraph 1 (a), (b) and (c)**

Submissions from Parties

Note by the secretariat

Addendum

1. In addition to the submissions included in documents FCCC/SB/1999/MISC.10 and Add.1-2, two further submissions have been received from Chile, on behalf also of Argentina, Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay and Uruguay.
2. In accordance with the procedure for miscellaneous documents, these submissions* are attached and are 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, they have been electronically imported. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

FCCC/SB/1999/MISC.10/Add.3

GE.99-70722

PAPER NO. 1: CHILE, ON BEHALF ALSO OF ARGENTINA, BOLIVIA,
COLOMBIA, COSTA RICA, THE DOMINICAN REPUBLIC, ECUADOR,
EL SALVADOR, GUATEMALA, HONDURAS, MEXICO, NICARAGUA,
PANAMA, PARAGUAY AND URUGUAY

THE CLEAN DEVELOPMENT MECHANISM

At the fourth session of the Conference of the Parties (COP4) adopted the Buenos Aires Plan of Action, which contains a concrete workplan of activities with a view to its adoption by the Sixth Conference of the Parties (COP6), which will occur in the year 2000.

The subscribing Parties, support the concept that the Kyoto Protocol should be ratified and implemented by the parties as soon as possible. These parties also agree on the use of UNFCCC/SB/1999/8 on articles 6, 12 and 17 of the KP as the initial basis for negotiating the implementation of the Buenos Aires Plan of Action. These Parties consider that negotiations should proceed without delay and propose the framework included in this document for implementing it with specific reference to decision 7/CP.4. In this manner the Parties should proceed to start the work leading to the implementation of the three flexibility mechanisms of the KP, giving priority to the Clean Development Mechanism (CDM) as stated in article 12 of the KP. Rules and regulations for the three flexibility mechanisms of the PK should be developed simultaneously and basic agreement on these matters should be reached in COP 6.

Article 12 of the KP is of great importance because it creates a CDM that will permit the achievement of the objectives of the Convention in a fast way, with economic efficiency, environmental effectiveness and equity. In this manner, the Convention process can contribute to the sustainable development of the non-Annex I Parties.

Article 12.10 of the KP establishes that Certified Emissions Reductions obtained during the period beginning from January first 2000 to the beginning of the first commitment period, can be used to assist in achieving compliance in the first commitment period. Public and private entities in non Annex I Parties have the possibility to formulate projects following the objectives of Article 12. Their aspirations in this area include:

- To protect the environment promoting early projects activities that reduce emissions and atmospheric greenhouse gas concentrations;
- To build capacity by learning by doing in the design, financing, implementation, and administration of projects;
- To establish adequate financial relations and structures;
- To create the necessary conditions of transparency, verifiability and legality needed to promote a climate of confidence so that interested sectors and Parties will begin to participate in the CDM.

Each Party interested in progressing in this area, should develop its own legal and institutional framework related to the implementation of Article 12 of the KP in order to promote, evaluate, approve, verify, register at the national level and communicate relevant information to the Secretariat of the UNFCCC about the projects to be included in the CDM.

In addition to traditional Annex I financing of projects, public and private entities from non-Annex I Parties may finance and implement projects under the guidelines of Article 12 of the KP, with specific reference to Decision 1/CP.3, article 5 subparagraph (e). Project financing may be provided by other sources, including international financial entities. The Certified Emissions Reductions generated by these projects, could be then transferred to an Annex I entity or Party for compliance with their commitments under Article 3 of the KP, according to the national policies of the host countries.

The first COP/MOP shall define the modalities of the CDM that will include, inter alia, the rules and regulations for the certification of projects and emissions reduction. Efforts should focus on minimizing transaction costs disadvantages with respect to the other flexibility mechanisms. Those projects initiated before the COP/MOP could qualify for approval as CDM projects if they comply with the modality and regulations adopted by the Parties. COP6 should adopt the corresponding decisions.

Based on decision 1/CP.3, article 5, subparagraph (e) and decision 7/CP4, COP5 should request that the Subsidiary Bodies define a clear work program, including seminars and workshops required to implement projects that may qualify for CDM, beginning immediately after COP6, on the basis of Article 12.10 of the KP.

PAPER NO. 2: CHILE, ON BEHALF ALSO OF ARGENTINA, BOLIVIA,
COLOMBIA, COSTA RICA, THE DOMINICAN REPUBLIC, ECUADOR,
EL SALVADOR, GUATEMALA, HONDURAS, MEXICO, NICARAGUA,
PANAMA, PARAGUAY AND URUGUAY

**ISSUES RELATED TO LAND USE, LAND USE CHANGE AND FORESTRY WITH
RELATION TO THE CLEAN DEVELOPMENT MECHANISM**

At the 5th Session of the Conference of the Parties, a group of countries concerned with the prompt implementation of the Kyoto Protocol (KP) convened and agreed on some basic principles regarding Land Use, Land Use Change and Forestry activities in relation with the Clean Development Mechanism. Their considerations on these issues are on the basis of the Convention articles 3.3, 3.4 and 4.1.(d), and the Kioto Protocol articles 2.1.(a).(ii), (iii), and 3.3, 3.4 and 3.7.

GHG emission mitigation and sequestration can be achieved through the implementation of projects related with land use, land use change and forestry in terms of effectively certified reduction or sequestration units, following the guidelines for additionality, transparency, verification, and compliance that should be decided at COP6 after the approval of the recommendation contained in the special report of IPCC.

These projects should assist Parties not included in Annex I in achieving sustainable development, and to assist Parties included in Annex I in achieving compliance with their quantified emissions reduction, in order to attain the ultimate objective of the Convention that is the stabilization of greenhouse gas concentrations in the atmosphere. Among other, the following activities could be eligible for CDM projects:

- Conservation of natural forests and regeneration, including Reduced Impact Logging (RIL), and non-timber products.
- Reforestation
- Afforestation
- Sustainable forest management
- Protection of endangered protected areas
- Utilization of biomass as an energy source

The conservation of natural forests, natural regeneration and reforestation projects aims mainly to avoid deforestation and other land use changes, that have resulted in big accumulated emissions into the atmosphere. Therefore, deforestation and other land use changes must be addressed as an important factor in climate change,

Afforestation projects aims to recover bare and degraded lands, that in most of the cases are under severe erosion processes, creating new sinks and contributing to alleviate poverty in the rural areas, provided that they have net positive environmental effects.

Sustainable forest management project aims to ensure stability and perduration of forests through best intervention practices. Certification of sustainable forest management is already an almost common activity in many countries.

Projects of protection of endangered protected areas aim to reduce deforestation, desertification, migration pressure on parks and protected areas, deterioration of supply of water resources and forest fires, because in many developing countries, due to diverse socioeconomic and environmental variables, management of national parks and other protected areas is endangered by many of these causes.

Utilization of biomass as an energy source projects replace the use of fossil fuel or the use of building or other products that are highly energy intensive demanding

All these types of projects should be included in the Clean Development Mechanism, provided the proper UNFCCC methodology for the determination of a *project-by-project* baseline is defined, based on the recommendation of the Special Report on Land Use, Land Use Change and Forestry and other relevant documents the UNFCCC may wish to consider.

There are a series of political, legal and economic grounds to support this position. Among the political grounds, we have the following:

Inclusion of projects of forest conservation and regeneration, as well as those of endangered protected areas, may meet the CDM objective of promoting sustainable development of the countries involved in such specific projects. In addition, they are consistent with UN Agreements and Conventions which favor the inclusion of forest conservation and regeneration activities within the CDM, taking into account the compatibility of objectives, mainly between Agenda 21, the UNFCCC, and the Conventions on Biodiversity, Desertification, and Wetlands (also known as Ramsar).

Forestry activities, such as afforestation, reforestation and sustainable forest management, are fundamental activities to recover bare degraded lands and improve life quality in rural lands, ensure the restoration of harvested or burned forests and, obtain the forest products that people needs on a sustainable basis. Such projects should collaborate to the protection of the atmosphere, along with reducing biodiversity depletion, desertification, droughts and providing freshwater.

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