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Agenda item 5 (a)(ii)-(iv)

MATTERS RELATED TO THE KYOTO PROTOCOL

MATTERS RELATED TO DECISION 1/CP.3, PARAGRAPH 5

Decision -/CP.4

Article 6 of the Kyoto Protocol
Article 12 of the Kyoto Protocol
Article 17 of the Kyoto Protocol

Work programme on mechanisms

The Conference of the Parties,

Being guided by Article 3 of the Convention,

Recalling Articles 6, 12 and 17 on mechanisms of the Kyoto Protocol,

Recalling Article 3 of the Kyoto Protocol,

Recalling decision 1/CP.3, paragraphs 5 and 6,

Having considered views submitted by Parties related to matters contained in decision 1/CP.3, paragraph 5 (b), (c) and (e) and paragraph 6,¹

¹ FCCC/CP/1998/MISC.7 and Add. 1, 2, 3 and 4, FCCC/SB/1998/MISC.1 and Add.1/Rev.1 and Add.2 and Add.3/Rev.1 and Add. 4-6.

1. *Decides* on the following work programme on mechanisms, including the attached list of topics, undertaken with priority given to the clean development mechanism, and to take a final decision on the mechanisms under Articles 6, 12 and 17 at its sixth session, including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Protocol at its first session, on the following matters:

(a) Guidelines concerning provisions under Article 6 of the Protocol;

(b) Modalities and procedures for a clean development mechanism as defined in Article 12 of the Protocol, with the objective of ensuring transparency, efficiency and accountability through independent auditing and verification of project activities, and including implications of Article 12, paragraph 10, of the Protocol; and,

(c) Relevant principles, modalities, rules and guidelines, in particular for verification, reporting and accountability of emissions trading, pursuant to Article 17 of the Protocol.

2. *Invites* Parties to submit further proposals on principles, modalities, rules and guidelines for the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol by the end of February 1999 as an input to technical workshops, and additional proposals, by 31 March 1999, for compilation by the secretariat as a miscellaneous document for the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation at their tenth sessions;

3. *Requests* the secretariat, under the guidance of the Chairmen of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, to convene two technical workshops before 15 April 1999, based on inputs by Parties and drawing upon relevant contributions from United Nations agencies, and intergovernmental and non-governmental organizations, in a manner that promotes coordination and cooperation and the effective use of scarce resources;

4. *Requests* the secretariat to prepare, for consideration by the subsidiary bodies at their tenth sessions, a plan for facilitating capacity building for developing country Parties, especially the small island States and the least developed amongst them, in the clean development mechanism project activities, and for facilitating the participation of Parties with economies in transition in the other mechanisms;

5. *Requests* the Chairmen of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, supported by the secretariat, to produce, based on submissions by Parties, and bearing in mind linkages among the provisions relating to the mechanisms and other issues related to the Protocol, a synthesis of proposals by Parties on matters addressed in paragraph 1 above for initial consideration by the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation at their tenth sessions.

Work programme on mechanisms of the Kyoto Protocol: list of topics²

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies
	General	SBSTA /SBI
	<p>(1) Application of relevant principles</p> <p>(2) Nature and scope of the mechanisms</p> <p>(3) Equity and transparency</p> <p>(4) Supplementarity</p> <p>(5) Climate change effectiveness</p> <p>(6) Institutional framework</p> <p>(7) Capacity building</p> <p>(8) Adaptation</p> <p>(9) Compliance</p> <p>(10) Linkages</p> <p>(11) Inapplicability of Article 4.8 and 4.9 of the Convention and/or Article 2.3 and 3.14 of the Kyoto Protocol to the mechanisms.</p> <p>(12) Dependence of the ambitious environmental targets of the Kyoto Protocol upon availability of mechanisms</p> <p>(13) Importance of prompt decisions on workable mechanisms for ratification/entry into force</p> <p>(14) Principle of cost-effectiveness</p> <p>(15) Role of mechanisms in promoting compliance</p> <p>(16) Comparable treatment among Annex B Parties, whether using Articles 6, 12, 17 or other means to achieve their Article 3 commitments</p> <p>(17) Maximizing the environmental benefits of mechanisms by assuring the lowest possible cost structures</p> <p>(18) Application of any quantification of "supplemental to domestic actions" to each individual State within a regional economic integration organization</p>	

² The existence of elements in this list is without prejudice to inclusion of these items in the rules, modalities and guidelines developed for these mechanisms. Additional items can be added to this list.

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies
	(19) Supplementarity (concrete ceiling defined in quantitative and qualitative terms based on equitable criteria) (20) Linkages, inter alia interchangeability (21) Prerequisites for the use of the mechanisms (compliance, linkage with Articles 5, 7, 8) (22) Articles 2.3 and 3.14	
Article 12 - clean development mechanism (CDM)		
	<u>Basic</u>	SBSTA /SBI
12.2 3, 12.2 12.2 12.2 12.2 12.8 12.2, 12.7	(1) Purpose of CDM projects (2) The "part of" commitments under Article 3 (3) Compatibility with sustainable development priorities/strategies (4) Special needs of least developed countries (5) Criteria for project eligibility (6) Adaptation (7) Transparency, non-discrimination, prevention of distortion of competition (8) Application of any quantification of "supplemental to domestic actions" to each individual State within a regional economic integration organization (9) Supplementarity to domestic actions for achieving compliance with reduction commitments under Article 3 (concrete ceiling defined in quantitative and qualitative terms based on equitable criteria) (10) Prerequisites for the use of the CDM (compliance, linkage with Articles 5, 7, 8)	

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies
	<u>Methodological and Technical</u>	SBSTA
12.3 (b)	(11) "Part of " Annex I commitments	
12.5 (c)	(12) Additionality criteria in project funding (13) Should there be any distinction between public/private funding?	
12.5 (b)	(14) Criteria for real, measurable and long-term benefits related to climate change	
12.5	(15) Criteria for certification	
12.5 (c)	(16) Criteria for project baseline	
12.3(a), 12.9	(17) Definition of the concept of certified emission reductions	
12.7	(18) Systems for independent auditing and verification of project activities	
12.5, 12.7	(19) Format for reporting	
12.10	(20) Implication of Article 12.10 of the Kyoto Protocol, including implications for a possible interim phase approach to the CDM and of the activities implemented jointly (AIJ) under the pilot phase	
3.3 & 3.4	(21) Outcome of methodological work on Articles 3.3 and 3.4 (22) Environmental additionality and baselines (23) Categorization of projects (24) Criteria for sustainable development (25) Determination of additionality of emissions reductions/removals (26) Tracking of certified emission reductions (27) Fungibility among mechanisms (28) Compliance-related issues (29) Inclusion of sinks projects; all six greenhouse gases specified in the Kyoto Protocol	
	<u>Process</u>	SBI
3, 12, 12.9, 12.10	(30) Acquisition and transfer of certified emission reduction units	
12.8	(31) Determination of share of proceeds for adaptation	
12.8	(32) Determination of share of proceeds for administration	

Provisions in the Kyoto Protocol	Elements	Subsidiary Bodies	
12.6	(33) Criteria and procedures for arranging funding for certified project activities		
12.8	(34) Criteria and procedures for assisting developing country Parties that are particularly vulnerable to meet adaptation costs		
12.2	(35) Approval by involved Parties of sustainable development (36) Approval by involved Parties of project (37) Certification of project activities and reductions (38) Reporting (39) Auditing and verification (40) Eligibility of AIJ projects under the CDM beginning in 2000 (41) Credit (starting from 2000) for qualifying projects begun before CDM rules become effective (42) Implications for benefits from CDM in considering whether to elaborate 'part of' in Article 12, paragraph 3 (b) of the Kyoto Protocol		
<u>Institutional</u>			SBI
12.4	(43) Authority and guidance of the Conference of the Parties		
12.4	(44) Accountability of the executive board to the Conference of the Parties serving as the Meeting of the Parties to the Protocol		
12.4, 12.5, 12.6, 12.7, 12.8, 12.9	(45) Functions of, relationship among and operational procedures of the Conference of the Parties, Conference of the Parties serving as the Meeting of the Parties to the Protocol, the executive board and operational entities		
12.4, 12.7	(46) Executive board - constitution, composition, and functions - membership and rules of procedure, provisions for institutional and administrative support		
12.9	(47) Guidance regarding involvement of public and/or private entities		
12.5, 12.7	(48) Operational entities - identification/designation/accreditation; monitoring/auditing of operational entities		
12.2	(49) Responsibility of Parties (50) Overall institutional framework		

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies
Article 6 projects		
	<u>Basic</u>	SBSTA /SBI
6.1	(1) Criteria for Article 6 projects	
6.1(d)	(2) "Supplemental to domestic actions"	
6.1	(3) Transparency	
	(4) Implications of the AIJ pilot phase	
	(5) Application of any quantification of "supplemental to domestic actions" to each individual State within a regional economic integration organization	
	(6) Supplementarity to domestic actions (concrete ceiling defined in quantitative and qualitative terms based on equitable criteria)	
	(7) Prerequisites for the use of Article 6 (compliance, linkage with Articles 5, 7 and 8)	
	(8) Lack of authority to elaborate "supplemental to domestic actions"; inadvisability of doing so	
	(9) Lack of authority to impose a charge for adaptation	
	<u>Methodological and technical</u>	SBSTA
6.1	(10) Criteria for project baselines	
6.1(b)	(11) Assessment of additionality	
6.2	(12) Verification and reporting	
8.4	(13) Guidelines for review of implementation of Article 6 by expert review teams	
6.2	(14) Guidelines for monitoring, reporting, verification	
3.3, 3.4	(15) Outcome of methodological work on Articles 3.3 and 3.4	
	(16) Categorization of projects	
	(17) Real, measurable and long-term environmental benefits	
	(18) Independent certification and verification	
	(19) Is further elaboration of guidelines necessary?	
	(20) Fungibility among mechanisms	
	(21) Other compliance-related issues	
	(22) How to assess project additionality/baselines	

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies	
	(23) Tracking of emission reduction units		
	<u>Process</u>	SBI	
6.1(a)	(24) Process for approval by Parties involved in projects		
6.1(c), 3.10, 3.11, 6.3, 6.4	(25) Acquisition and transfer of emission reduction units		
6.3	(26) Authorization of legal entities		
8.4	(27) Process for reviewing Article 6 according to Article 8.4		
6.4, 16, 18	(28) Consequences of non-compliance		
6.1	(29) Process for assessing compliance with Articles 5 and 7		
	(30) Independent certification and verification		
	(31) Certification of emission reductions		
	(32) Monitoring		
	(33) Reporting		
	(34) Eligibility of AIJ projects under Article 6		
	(35) Starting date for Article 6 projects		
	<u>Institutional</u>		SBI
6.2	(36) Role of the Conference of the Parties serving as the meeting of the Parties to the Protocol, the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation		
6.2	(37) Elaboration of guidelines as per Article 6.2		
6.3.	(38) Involvement of legal entities		

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies
	Article 17 - emissions trading between Parties included in Annex B	SBSTA /SBI
17	(1) Basis of rights and entitlements for emissions trading of Parties included in Annex B	
3, 17	(2) "Supplemental to domestic actions"	
17, Convention	(3) Conformity with the principle of equity in the Convention	
3, 17	(4) Real and verifiable reduction of greenhouse gas emissions	
17	(5) Elaboration of principles, modalities, rules and guidelines	
17	(6) Matters relating to verification, reporting and accountability	
17	(7) Application of any quantification of "supplemental to domestic actions" to each individual State within a regional economic integration organization	
17	(8) Complementarity to domestic actions for the purpose of meeting commitments under Article 3 (concrete ceiling defined in quantitative and qualitative terms based on equitable criteria)	
17	(9) Prerequisites for the use of Article 17 (compliance, linkage with Articles 5, 7 and 8)	
17	(10) Participation by legal entities	
17	(11) "Hot air "	
17	(12) Transparency	
17	(13) Accessibility	
17	(14) Non-discrimination	
17	(15) Non-distortion of competition	
17	(16) Liability	
17	(17) Reporting and tracking of trades	
17	(18) Interchangeability	
17	(19) Definition of tradeable unit	
17	(20) Determination and creation of rights and entitlements for emissions trading of Parties included in Annex B	
17	(21) Elements of principles, modalities, rules and guidelines for emissions trading	
17	(22) Assigned amounts as basis for emissions trading	
17	(23) Tracking transfers and acquisitions in assigned amounts	

Provisions in the Kyoto Protocol	Elements	Sub- sidiary Bodies
	<ul style="list-style-type: none"> (24) Reporting on transfers and acquisitions in assigned amounts (25) National registries (26) Compliance-related issues (27) Eligibility (e.g. links to Articles 5 and 7) (28) Legal entities (29) Lack of authority to elaborate "supplemental to domestic actions"; inadvisability of doing so (30) Fungibility among mechanisms (31) Competitiveness issues (32) Lack of authority to impose a charge for adaptation 	
