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Item 8 (b) of the provisional agenda

METHODOLOGICAL ISSUES

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

Views from Parties on national systems, adjustments and guidelines under Articles 5, 7 and 8 of the Kyoto Protocol

Submissions from Parties

Note by the secretariat

1. At its tenth session, the Subsidiary Body for Scientific and Technological Advice (SBSTA) requested the secretariat to organize a workshop on national systems and issues relating to adjustments, referred to in Article 5 of the Kyoto Protocol, before its twelfth session (FCCC/SBSTA/1999/6, para. 34 (d)).
2. At its eleventh session, the SBSTA requested the secretariat to include in the agenda of this workshop the consideration of the methodological and technical aspects of guidelines related to Articles 7 and 8 (FCCC/SBSTA/1999/14, para. 51 (a)). It also requested the secretariat to provide a report on the workshop, a second draft of the guidelines under Article 5.1, an initial draft on modalities for adjustments under Article 5.2 and possible elements for inclusion in the guidelines under Articles 7 and 8, taking into consideration information from the workshop,* for consideration by the SBSTA at its twelfth session. The SBSTA invited Parties to submit additional views on the issues referred to above, in the light of the outcome of the workshop, by 15 April 2000 (FCCC/SBSTA/1999/14, para. 51 (d)-(e)).

* See documents FCCC/SBSTA/2000/INF.5 and Add.1-2

FCCC/SBSTA/2000/MISC.1/Add.1

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3. Submissions have been received from four Parties.** 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.

4. The secretariat has also received two submissions from non-governmental organizations. It is the practice of the secretariat not to reproduce documents from NGOs. However, Parties may wish to request copies of these submissions directly from the respective organizations.***

** 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.

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PAPER NO. 1: AUSTRALIA

**ADDITIONAL VIEWS ON ARTICLES 5, 7 AND 8
IN THE LIGHT OF THE SBSTA APRIL 2000 WORKSHOP**

Document FCCC/SBSTA/1999/L.14, para 6, invited Parties to submit additional views on issues related to Articles 5, 7 and 8 of the Kyoto Protocol in the light of a workshop on these issues held in Bonn, April 2000. This submission by Australia should be read in conjunction with our previous submissions on Articles, 5, 7 and 8 of the Protocol.

In our view, priorities for COP6 in relation to these issues are:

- Adoption of a framework for adjustments under Article 5.2
- Adoption of a framework for the Article 8 review process

While these outcomes will be important to provide countries with confidence as to the nature of requirements under the Protocol, we recognise that ongoing technical work will entail specific revisions to these decisions.

Given the work that has been completed to date, we are happy to see adopted guidelines for national systems under Article 5.1. Issues that do not in our view need to be determined by COP6 include:

- Guidelines for the reporting of information under Articles 7.1 and 7.2
- Detailed methodologies for the calculation of adjustments
- Detailed arrangements for the Article 8 review process.

The questions in this document follow the questions raised in documents FCCC/SBSTA/2000/INF.5, and Adds 1 & 2.

Article 5.1

Document FCCC/SBSTA/2000/INF.5/Add.1 includes a second draft of guidelines for national systems under Article 5.1 of the Protocol. Australia is generally pleased with these guidelines, and in particular their recognition of the importance of differing national circumstances, and the manner in which they distinguish mandatory from desirable functions for national systems. We note that these guidelines may in the future need to be revised in the light of:

- possible revisions to the requirements for the reporting of inventory information
- the completion of IPCC work on good practice guidance
- the trial period for the technical review of inventory information.

To facilitate the creation of consolidated reporting guidelines, information on reporting related to national systems should be included in guidelines under Article 7.2, and not in guidelines on national systems. This would entail deleting section VII of document FCCC/SBSTA/2000/INF.5/Add.1 which includes the draft guidelines and including these provisions under guidelines for Article 7.2. Further, we do not consider that the appendix to these guidelines should be retained:

- the contents are illustrative only
- their status has not been fully specified (ie mandatory v desirable)
- key source categories may differ between countries (table 1 does not recognise this and is prescriptive)

In Australia's view, there is no need for countries to quantify the effectiveness of particular domestic actions (as implied in FCCC/SBSTA/2000/INF.5/Add.1, para 7), except as called for under guidelines for the reporting of policies and measures under Article 7.2. We do not consider it necessary to specify in guidelines for national systems any link to the effectiveness of domestic actions.

Australia supports the completion of guidelines for national systems, to enable Parties to make arrangements to establish relevant domestic procedures, and for the testing of these, in advance of the year 2007. In Australia's view, the requirement for Annex I Parties to have national systems in place no later than one year prior to the start of the commitment period leaves room for national systems to be implemented and reported upon by start 2007, and then reviewed during 2007. However it may be desirable for national systems to be reviewed in advance of this date, to enable possible refinement to guidelines, as well as improvements by Parties.

The review of national systems would preferably be timed to coincide with reviews of national communications (ref: para 16, Annex I of FCCC/SBSTA/2000/INF.5/Add.2). Aspects of national systems may, however, be reviewed on an annual basis should the need be identified by Article 8 review teams. The situation in which this is most likely to occur are where Article 8 review teams identify repeated or significant problems that suggest inadequacy in national systems. (ref: para 16, Annex I of FCCC/SBSTA/2000/INF.5/Add.2).

Registries

Australia considers that registries should be nationally based, not centralised, and that they should be established under rules for the Kyoto mechanisms. Information on them should be reported under Article 7.1, and they should be reviewed under Article 8. Review should occur on a periodic basis, unless judged otherwise by an Article 8 review team, when they may be reviewed as needed. We do not consider that registries form part of a national system "for the estimation of anthropogenic emissions by sources and removals by sinks". They are separate from inventories, and are a tool for tracking transfers and acquisitions under the mechanisms.

Article 5.2

Should adjustments be conservative?

Australia supports the idea that adjustments should be conservative, as defined in document FCCC/SBSTA/2000/INF.5/Add.2. The intention behind using conservative estimates is to avoid any incentive for Parties to rely upon the adjustment procedure to generate emissions estimates.

What guidance can be given on the process for making conservative estimates?

Two approaches have been discussed:

- the use of specific deflators or inflators to apply to estimates for adjustments
 - this approach offers broad consistency
 - it is however a blunt instrument that has no particular relevance to any particular estimate
- the use of expert assessment to ensure that while estimates remain plausible (ie are not deliberately punitive) they are on the conservative side of likely outcomes
 - this approach enables a more careful and accurate selection of conservative estimates at all stages of the calculation of adjustments
 - it would also enable 'conservative' to have a stronger meaning in situations where data is poorer or where lower tier adjustment methods are required to be followed

While we recognise benefits in either approach, our preference is in general for the second approach to guide the making of conservative estimates. In cases where there may be no opportunity to apply conservative estimates to the calculation of adjustments the use of inflators/deflators could be considered.

How should consistency of trends be ensured when making adjustments?

The application of an adjustment may interrupt the consistency of time series data in limited circumstances, notably where an adjustment is not calculated from interpolation or extrapolation and where figures for previous years exist that have been calculated in accordance with 1996 IPCC revised inventory guidelines. As adjusted figures should later be revised where possible to be replaced with data generated in accordance with the 1996 IPCC revised inventory guidelines, the interruption to time series consistency should in many cases be temporary. It would not be preferable to replace data calculated in accordance with the 1996 IPCC revised inventory guidelines with adjusted data merely in pursuit of time series consistency.

When should work take place on guidelines for the application of adjustments?

Australia considers that work on creating guidelines for adjustments could commence within the IPCC following a request from SBSTA-12. The IPCC could be requested to report back to SBSTA-15 in mid 2001, with a view to COP7 agreeing methodologies for adoption during a 2 year trial period. The IPCC should aim to produce good practice guidance for the application of adjustments, which could be used either by Parties or by experts providing facilitation.

Methodologies for adjustments should be elaborated under Article 5.2, for use by Parties or by experts called upon by the facilitative body. They should not be elaborated under the Article 8 review processes, as they pertain to the generation of inventory estimates, not to their review.

When and by whom should adjustments be applied?

Adjustments offer a means to generate inventory estimates in situations where the 1996 IPCC revised inventory guidelines cannot be followed. They may follow alternative methodological approaches, but they do not differ in their basic aim from inventory estimates generated according to the 1996 IPCC revised inventory guidelines. Therefore in our view

adjustments may be applied:

- by Parties before inventories are submitted
 - in most (if not all) cases Parties will be aware when an adjustment will be required, and the capacity for Parties to make an adjustment before the Article 8 review commences may speed the review process
- by Parties after inventories are submitted, and upon a recommendation by Article 8 review teams
 - given that most problems that will require adjustment will involve problems with activity data, individual Parties will be in the best position to assess what is the best available data
- by the facilitative body after an Article 8 review team identifies a problem
 - in the event that a Party is unable to satisfactorily calculate an adjustment, the facilitative body may arrange for an adjustment to be calculated
 - we do not consider that Article 8 review teams should calculate adjustments, as this departs from their role of providing a thorough and comprehensive technical review

Australia considers that section G of Annex I to document FCCC/SBSTA/2000/INF.5/Add.2 should be modified to take account of these possibilities.

Where adjustments are proposed and calculated, it is the role of the Article 8 review team to follow guidance and determine whether these adjustments result in estimates that are technically acceptable. In this situation, there is no need for compliance institutions to determine whether or not an adjustment is appropriate, which would merely insert another step in the process with little added value (ref: paras 32 and 33, Annex I of FCCC/SBSTA/2000/INF.5/Add.2).

Adjustments may be superseded by inventory estimates produced in accordance with the 1996 IPCC revised inventory guidelines by a Party in any subsequent annual inventory. There is an incentive for Parties to do this, in that the substitution of an estimate produced through IPCC estimates may replace a conservative estimate of emissions/sequestration. Inventory estimates that replace adjustments should attract the attention of Article 8 review teams, but there should be no limitations placed on this practice - on the contrary, it should be encouraged. (ref: para 33, Annex I of FCCC/SBSTA/2000/INF.5/Add.2)

Page 35 of FCCC/SBSTA/2000/INF.5/Add.2 - we note that the table of ranked options is not consonant with the definition of adjustments in para 2 of Annex III, as it relates to situations covered by the 1996 IPCC revised inventory guidelines (eg use of default emission factors is IPCC tier 1 approach, not an adjustment).

What should be reported in relation to adjustments?

Page 36 of FCCC/SBSTA/2000/INF.5/Add.2 suggests that 'original estimates' should be reported, as well as adjusted figures. While this may be appropriate in some cases, Australia notes that it may not always be the case that 'original estimates' exist.

Similarly, para 2 of Annex III of FCCC/SBSTA/2000/INF.5/Add.2 should be amended to read:

'Adjustments' under Article 5.2 are ~~revised~~ technical estimates or removals for a particular source category in a greenhouse gas inventory ~~which was~~ submitted by an Annex I Party to meet its commitments under the Kyoto Protocol.

Adjustments may not be 'revised' technical estimates - they may merely be first attempts at technical estimates. Also, they may be included when inventories are first submitted - and not only after submission.

Are there inventory problems that should not be adjusted?

Any quantitative inventory problem should in principle be able to be adjusted, although first order inventory problems that are adjusted may nonetheless be brought to the attention of the compliance institution. The only situation where quantitative inventory problems cannot be adjusted is where the methodologies for adjustments cannot be followed due to inadequate data.

Fixing of base years

Australia is concerned that base year estimates be fixed for the duration of a particular commitment period. We would therefore recommend deletion of para 14 of the Annex I to FCCC/SBSTA/2000/INF.5/Add.2, which provides for review of base year inventories during the commitment period. Where improved estimates become available, they may be used for revisions to the base year for any second and subsequent commitment period.

Article 7

Australia considers that the reporting of information under Article 7 should be determined following agreement upon the procedures that are to be reported upon. At this stage, it is not a priority to resolve reporting issues.

Should the creation of guidelines for the review of national communications under article 7.2 be left until after COP 6?

Australia considers that guidelines for national communications should be developed after COP 6. These guidelines should be adopted at COP7, in time for use for the review of 3rd national communications, due November 2001.

Article 8

As with other aspects of the Protocol, the Article 8 review process should presume that Parties are meeting their commitments until proven otherwise.

What should be the composition of expert review teams?

Experts nominated to the roster of experts for participation in the Article 8 review process should be experienced in the development of inventories and in particular in the use of IPCC good practice guidance, although other types of experience may also prove necessary.

Australia notes that in time, and particularly with private sector demand induced by the establishment of the market based mechanisms, the supply of knowledgeable experts should

significantly increase. The process of selection of experts for the Article 8 review process should remain sufficiently flexible to be able to benefit from this expertise.

Classification of inventory problems

Australia considers that the tables provided in document FCCC/SBSTA/2000/INF.5/Add.2, pages 19-22, are a sound first elaboration of inventory problems. While these tables remain to be completed, we do not consider that these issues need to be fully resolved by COP6, as they will need to be refined in the light of experience gained during the trial period for technical inventory reviews.

Timelines for review

Australia considers that timelines for review could be shortened from those proposed on page 27 of document FCCC/SBSTA/2000/INF.5/Add.2:

- We consider that the initial check could perform key review functions very quickly through automated processing:
 - assessing completeness of inventory submissions
 - conducting trend analyses with previously submitted inventories by a Party
 - comparing emission factors with those used by other Parties
 - comparing emissions estimates from a Party with estimates that might be expected using key drivers
 - conducting outlier identification
- the results of the automated initial checks would then provide Article 8 review teams with guidance on issues that may warrant consideration in their reviews
- this process would eliminate the need for 8 months for the production of a synthesis and assessment report
 - a synthesis and assessment document should still be prepared, but in parallel with the review process.

Following the timelines on page 27 of document FCCC/SBSTA/2000/INF.5/Add.2, alternation of the nature of the review process in this manner would reduce the timelines for the review process:

- in the situation where there are adjustments to 8 months after the submission of an inventory
- 2 months in the situation where there are no adjustments.

However we note that further consideration will need to be given to the manner in which individual reviews take place, as it seems unlikely that all countries could undergo individual reviews within a couple of months of each other each year. We look forward to the results of the trial period for inventory reviews in this regard.

Should any aspects of the mechanisms be reviewable under article 8?

Aspects of the mechanisms that should be reviewable include:

- registries
- other participation requirements
- aspects of Article 6 projects may need to be reviewed, possibly involving expedited procedures established under Article 8.

Should review proceed whilst assistance is still being provided?

Parties may request facilitative assistance, or the facilitative body under the compliance procedure may consider the provision of assistance to Parties, at any point. The fact that assistance may be being considered, or may be being provided, should not interrupt the review

process. It will be for the compliance process to determine how to treat problems that may be identified during the review processes in the light of any possible assistance being rendered.

Reports of Article 8 review teams

Australia considers that the possible contents of reports by Article 8 review teams may require further consideration:

- we do not consider that Article 8 review teams need necessarily report to the compliance institution on assistance that the compliance institution has itself facilitated
 - although this might in some cases be warranted
- if an adjustment has been calculated by a Party, then the rationale and methodology should be reported by the Party, not the Article 8 review team

This further consideration should take place after the completion of the trial period for the review process. (ref: para 19, Annex I of FCCC/SBSTA/2000/INF.5/Add.2)

Article 8 review teams should make 2 reports on individual countries:

- annual reports - on annual inventories
- periodic reports - on national communications, national systems and national registries

Before the first commitment period, and depending upon the timing of the review of base years, national systems and national registries, there may need to be separate reports to cover these issues.

Reports from the Article 8 review process should incorporate details of adjustments where these have been calculated by the facilitative body. These details should be reported by Parties where the adjustments were calculated by Parties.

Other issues

Should the secretariat maintain a database to record assigned amounts, transfers and acquisitions?

We note that the secretariat currently maintains a database of emission inventories, a function that could continue to be performed. However this record of transfers and acquisitions would be an archival record of transfers and acquisitions for each Party as accepted by the Article 8 review process - it would not be a real time registry.

PAPER NO. 2: NEW ZEALAND

Additional views on Articles 7, 8 and 5.2

New Zealand welcomes the opportunity to provide additional views in relation to: supplementary information pursuant to Article 7; Article 8 review process and relationship to the compliance procedure; and adjustments under Article 5.2.

Our views have been much informed by the discussions with other Parties at the workshop organised by the Secretariat in March. Subsequent to the workshop the Secretariat has produced a paper (SBSTA/2000/INF.5/Add.2) on elements of guidelines for Articles 7 and 8 and approaches for adjustments under Article 5.2 based *inter alia* on the workshop and submissions by Parties.

Where relevant, we have linked our views to some of the issues and questions posed in the Secretariat's paper (references in square brackets are to relevant paragraphs and pages of INF.5/Add.2). Unfortunately, the time between receipt of the Secretariat's paper and the deadline for this submission has meant that we are not able to provide views or specific comments on all aspects of the Secretariat's paper, particularly the Annexes.

General approach to work on Articles 7 and 8

In terms of the general approach to methodological work, our view is that guidelines for some aspects of reporting under Article 7 and review under Article 8 will depend, *inter alia*, on decisions expected to be taken at COP6. This is likely to be particularly the cases for reporting and review processes related to supplementary information on changes in assigned amounts as a result of the mechanisms and Articles 3.3 and, potentially, 3.4. At the end of each section below we provide an indication of possible timing and priorities for work relating to Articles 7, 8 and 5.2 [Para 16, page 5]

Supplementary information pursuant to Article 7

Regarding supplementary information for the purposes of ensuring compliance with Article 3 of the Kyoto Protocol, New Zealand has previously noted the advances made with the adoption at COP5 of the reporting guidelines for greenhouse gas inventories from Annex I Parties under the FCCC.

In New Zealand's view, the information and documentation now required as part of annual inventory reporting under the Convention can be regarded as going a long way towards meeting any requirements for inventory information pursuant to Article 7. At the end of the trial periods for both the common reporting format and the technical review of annual inventories, an assessment will need to be made as to whether or not the new reporting requirements for annual inventories are comprehensive enough to meet the requirements of Article 7.1. Recommendations for improvements are an expected outcome.

The other key component of supplementary information pursuant to Article 7.1 is that relating to the accounting of assigned amounts. We consider that national registries are fundamental in this area. Preliminary details on proposed annual reporting on assigned amount have

previously been provided in the *Proposed Text for Appendix B, Part Four of the Chairman's Note: Reporting*, part of the submission on mechanisms made by New Zealand and a number of other Parties dated 31 January 2000. The means of accounting for changes in assigned amount as a result of using the mechanisms under Articles 6, 12 and 17 is expected to be part of the outcome from COP 6, which will have implications for reporting and review under Articles 7.1 and 8.

A key item requiring further consideration in relation to reporting requirements under Article 7.1 will be accounting for increases or decreases in assigned amount during the first commitment period based on, *inter alia*, changes in carbon stocks as a result of activities under Article 3.3, and potentially 3.4. In our view, such information should be reported annually and could comprise two distinct elements:

- a) Reporting inventory information and documentation¹ in relation to changes in carbon stocks, and emissions and removals of non-CO₂ greenhouse gases,² in relation to activities under Articles 3.3 and 3.4, either as part of the annual inventory or as supplementary information under Article 7.1³
- b) Reporting on changes in assigned amount as a result of activities covered by Articles 3.3 and potentially 3.4 as part of the supplementary information requested under Article 7.1

A related issue will be the timing and process by which emissions and removals from land use change and forestry and net emissions from land use change, under Article 3.7 are reported for the base year, as such information is relevant to the calculation of the initial assigned amount for a Party and will also need to be the subject of review under Article 8.

We note that revised guidelines for national communications from Annex I Parties were also adopted at COP5. These guidelines are relevant to reporting under Articles 7.2 and 7.4. Development of such guidelines tends to be an evolutionary process. Application of these guidelines for third national communications will likely also result in some further improvements before subsequent national communications are due. Each revision of the guidelines should bring them closer to the guidelines that are to be adopted by COP/MOP1.

¹ Including use of any good practice guidance for this sector elaborated by the IPCC

² Further clarification may be required for the manner in which emissions and removals of non-CO₂ gases related to Article 3.3 activities will be accounted.

³ We would note that, in our view, reporting of emissions and removals of all greenhouse gases in the Land Use Change and Forestry sector of the Revised 1996 IPCC inventory guidelines would continue under the Convention, although the inventory information reported for other sectors under the Convention would likely be provided by reporting on sources described in Annex A of the Protocol.

Taking into account views expressed by Parties at the workshop held in March 2000, New Zealand supports the distinction between annual and periodic reporting requirements, although initial attempts at the workshop to list the elements to be reported under each grouping may not be entirely satisfactory. New Zealand would suggest that, at a high level of detail, elements for *reporting annually under Article 7.1* would include:

- annual inventory information (including the national inventory report⁴)
- supplementary information relating to changes in assigned amounts pursuant to the mechanisms in Articles 6, 12 and 17
- annual inventory and supplementary information relating to activities under Articles 3.3 and 3.4 (as described above).

Consideration could also be given to whether Parties should report on actions taken in response to previous recommendations or decisions of the Compliance Body in their annual reporting.

Elements to be *reported periodically under Article 7.2* would include:

- National communications
- National systems (as defined in guidelines under Article 5.1)
- National registry systems (to be defined by the mechanisms group)
- Supplementary information not reported annually under Article 7.1 (including potentially other information relevant to the implementation of Parties commitments under the Protocol).

However, some uncertainty exists as to whether some of the above elements will be reported under Article 7. Further discussion of periodic reporting relating to the broad range of Parties commitments under the Protocol will also be necessary, although these issues may not require clarification prior to COP6 and could instead be considered following the submission of third national communications.

New Zealand notes that many aspects of the supplementary information envisaged under Articles 7.1 and 7.2 are still under discussion by Parties. Further elaboration of the information to be reported under Article 7 will need to be closely connected with work on Articles 6, 12 and 17 and on Articles 3.3 and 3.4.

Article 8 review process and relationship to compliance procedure

New Zealand sees the establishment of transparent and credible reporting systems under Articles 5 and 7 as the starting point for the compliance system. Confidence in inventory information must be assured by way of comprehensive reporting requirements and establishment of national systems under Article 5.1. There should also be similar confidence in reporting of changes in assigned amounts. Article 8 provides for a thorough and comprehensive technical assessment of the information reported under Article 7.

⁴ The national inventory report may include reporting on whether elements of the national system have been modified or updated since the previous submission under Article 7.4.

Aspects of Article 5, 7 and 8 relate closely to compliance. To this end, New Zealand looks forward to the opportunity in June for joint discussions between technical experts on Article 5, 7 and 8 and experts from the Joint Working Group on Compliance.

The adoption of a trial period for the technical review of greenhouse gas inventories under the Convention is, in our view, the first step in the development of the Article 8 review process, acknowledging that improvements to the review process are likely after the trial period.

Another issue is the process by which base-year inventories are scrutinised and potentially adjusted. This process should be complete well in advance of the beginning of the commitment period as it is fundamental to determining Parties' initial assigned amount. In our view base-year inventories would undergo a type of Article 8 review as part of this process.

Technical assessment of information under the Article 8 review process is a fundamental component of the assessment of compliance. The review team process would allow factual information regarding reporting and monitoring issues to be brought forward for international consideration. It would not be appropriate, however, for the review team to make an assessment of compliance or non-compliance.

Ensuring that expert review teams have appropriate expertise to carry out their work in a consistent manner is an important issue that will require further consideration. One possible option, particularly for the review of annual information, might be to consider having a 'standing' expert review team. A standing expert review team (SERT) could provide for comprehensive coverage of all elements of the annual information, by having the depth of expertise across all sectors, as well as the number of experts to ensure that the process was expeditious. A SERT approach could also ensure consistency, both across Parties and from year to year, which may be more difficult to achieve, if the ERT were to be comprised of different experts for each Party. A SERT approach, with a mix of experience, sectoral and regional backgrounds could also allow for the training and development of 'professional' review and audit expertise over time. Some of the skills required may also be in the area of automated data audit, particularly for information submitted from national registry systems.

There is also likely to be a need for the SERT/ERT to implement quality assurance and quality control practices in relation to the review of annual information to ensure that such reviews are comprehensive, focus on an appropriate level of detail and are consistently applied across Parties. In effect, guidance equivalent to 'good practice' may be required for the review of annual information.

The resources required for the annual review process are likely to be a function of both the breadth of information submitted annually, and the depth to which it is reviewed on an annual basis. Several approaches may be possible, including higher level review of information submitted by all Parties combined with rolling or random in-depth checks for individual Parties (either for all information or with a focus on different sectors/data).

We have previously suggested (see *New Zealand's January 2000 Submission on Compliance*) that the Compliance Body would need to assess the findings of the review team. Such an

assessment would result in a decision to accept, or not, the findings of the review team and therefore the information reported by the Party. Any actions taken by the Party in response to the review team's findings should be noted. In our view, the overall compliance process, including review, should be expeditious. For the review and assessment of information

reported annually, the process will need to be expeditious and should preferably aim to be concluded, in most cases, within 12 months from the date of submission to avoid creating backlogs in the system.

There should clearly be opportunities at certain points in the process for Parties to respond to, for example, questions from the review team and the review team's draft findings. A short, fixed period for response or comment should be established, in line with the overall aim of for concluding the process within 12 months (as stated in the previous paragraph) [Para 23, page 7]. Estimates of the possible timeline for review based on existing practices would clearly be less acceptable for the purposes of annual review of information reported under Article 7.1. The period in which Parties have to respond may need to be measured in days, rather than months (eg 14, 21 or 28 days depending on the stage in the process). Such timeframes are similar to the legal and statutory deadlines often included in national legislation.

New Zealand has noted that several Parties have suggested that there may be a role for the review team to assist the work of the Compliance Body by classifying issues or questions, which have arisen in the review of a Party. Suggestions for such classifications range from identifying more significant to less significant issues and could complement the screening process envisaged as the 'front end' of the compliance process (FCCC/SB/2000/1). Such an approach is likely to require clear and unambiguous thresholds and criteria for the review team to apply. It is not clear whether the definition for each category suggested will be clear cut, with the possible exception of some types of inventory problems.

Alternatively, it may be considered that the review team should only distinguish and group different types of problems or issues, while the screening function under the Compliance Body would undertake the more subjective process of classifying the individual issues or questions identified into categories which may be linked to the severity of the problem (i.e. de minimus, etc). If possible consequences are linked to the classification of the severity of the problem or question, then assigning such classifications would appear to lie more in the realm of the Compliance Body. Hence, grouping like types of problems versus classifying them according to their severity could be seen as two distinct functions occurring at the interface between the review and the compliance processes. New Zealand believes this would be a useful issue for discussion in the joint session (referred to above) in June [Para 45 & 47-49, page 11].

The development of guidelines for review under Article 8 should be premised on Parties being in compliance until determined otherwise [Para 41, Page 10].

The possibility of a Party obtaining an independent assessment of elements of its national system, inventory and/or national registry may also need to be considered, in terms of whether the review team should take such assessments into account. Independent third party

assessments also considered as assisting Parties in good practice for inventories. It may be possible to expedite the review process if Parties have undergone an independent audit of elements of their annual reporting.

New Zealand recognises that Article 8 will require the development of new guidance and/or guidelines, but that these may not need to be fully elaborated by COP6. Detailed guidance should also be informed, as noted above, by the trial period for the review of annual inventories under the Convention. It may only be possible to elaborate the essential elements and stages in the review process by COP6, with further work tasked to elaborate the necessary guidance and/or guidelines [Para 19, page 6].

Approaches to adjustments under Article 5.2

The review team could also have a role in carrying out the calculations necessary to 'adjust' the inventory in accordance with agreed methodologies under Article 5.2. However, any decision to impose a mandatory adjustment on a Party's inventory should, in our view, rest with the Compliance Body. New Zealand is however open to the idea that any adjustments could be applied by the review team (or a specialised adjustments team), with the consent of the Party concerned during the review process itself.

There may be a distinction required between adjustments carried out to 'complete' a Party's annual reporting under Article 7 and the imposition of mandatory adjustments by the Compliance Body. While adjustments should be calculated in a conservative manner, there may be scope for mandatory adjustments to be calculated and increased in severity (including possible inflation/deflation of a conservatively calculated adjustment). Adjustments should provide a clear incentive for Parties to submit complete and accurate information in a timely fashion, while avoiding penalising those Parties that have taken all steps necessary to meet their commitments. Mandatory adjustments could also be applied as a "consequence" for particular types of non-compliance [Para 22, page 6; Para 51, page 12].

The necessity for, and application of, an adjustment to a Party's inventory for the purposes of ascertaining compliance with commitments under Article 3 should not, in our view, necessarily be presumed to mean that the Party concerned is not in compliance with their commitments under Article 5 or 7. Application of the adjustment may, in most cases, and where accepted by the Party concerned, avoid the need for a determination of whether the Party is not in compliance to be made. There may however be recommendations associated with the situation or causes that gave rise to the need for an adjustment in the first place, which the Party would be expected to address in the subsequent reporting period(s).

Guidance on methodologies for adjustments would likely need to be elaborated under the auspices of Article 5.2. However, separate guidance for the review team may also be required under Article 8 on the identification of instances where adjustments could be required (once a potential problem has been indicated) and for the review team/adjustment team on the procedure for their application under Article 8 [Para 35, page 9]. Guidance may also be needed in the cases where the Compliance Body may decide to impose a mandatory adjustment on a Party (which may be more severe). [Para 31, page 8; Para 35, page 9]

In our view, the focus for further work on adjustments under Article 5.2 by COP6 should be to reach agreement on the objectives and elements of the process for applying adjustments. Detailed methodological work, in line with the agreed objectives, would then be required to elaborate specific methods.

PAPER NO. 3: PORTUGAL
(ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES)

**METHODOLOGICAL ISSUES RELATED TO
ARTICLES 5, 7 and 8 OF THE KYOTO PROTOCOL
(Comments on the guidelines for Articles 5, 7 and 8)**

The EU welcomes the opportunity to send further views on the guidelines for national systems for the estimation of anthropogenic greenhouse gas emissions by sources and removals by sinks under article 5.1 of the Kyoto Protocol, as well as on elements of draft guidelines under Articles 7&8 and on the draft guidance on methodologies for adjustments under Article 5.2, taking into consideration the discussions and the outcomes of the Workshop held in Bonn, in March 14-16 2000.

The EU believes that effective national systems established according to the guidelines will enable Parties to produce reliable and comparable inventories, 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. For this reason, in the EU's view, national systems should be established according to guidelines as soon as possible in order to allow for its review and early resolution of any potential problems. For that purpose a voluntary trial period on the implementation / review of national systems starting in 2002 could be established. As stated in Article 5.1, national systems shall be implemented, reviewed and approved (based on the review process assessment) no later than 1 year before the beginning of the commitment period.

The EU believes that guidelines for reporting under Article 7.1 and 7.2 must be detailed in order to promote the reporting of transparent and accurate information to demonstrate and ensure compliance with the Kyoto Protocol.

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.

The review process will be the main source of information of the compliance procedure. The Expert Review Team shall perform technical assessments of the inventories submitted, inform and interact with the Party concerned about any problems identified and advise the compliance institution with regard to the quality of the reviewed information.

As a result of the review process, adjustments, as mentioned in article 5.2, may need to be applied. The EU urges all Parties to make every effort to produce information in accordance with the IPCC Good Practice Guidance on National Greenhouse Gas Inventories, proper use of which will eliminate the need for adjustments. Adjustments shall be applied only to

problems up to a limit or limits to be defined, depending on both the level and the trend of emissions categories affected. Problems beyond these limits, should be referred to the compliance institution.

Comments to document FCCC/SBSTA/2000/INF.5/Add.1 (Report of a workshop on issues related to articles 5, 7 & 8 of the Kyoto Protocol. Second draft of the guidelines for national systems under Article 5.1 of the Kyoto Protocol).

Paragraph 12, b):

A key criterion to ensure an adequate level of quality in the estimation of GHG emissions by sources and removals by sinks should be that the estimation has been done according to the IPCC Good Practice Guidance.

Paragraph 18, questions 1 and 2:

- 1 - Will national registries be part of the national systems under Article 5.1?
- 2 - If not, what would be the relationship between national registries and national systems?

National systems and national registries perform distinct, though related functions as illustrated in Figure 1 (special provisions of the Kyoto Protocol with regard to Articles 3.3, 3.4 and 3.7 have been neglected for simplicity of the scheme) but national registries are not part of national systems. National systems provide the necessary institutional functions that enable Parties to prepare greenhouse gas inventories that allow estimation of the assigned amounts of Parties as well as the annual emissions during the commitment period. National registries keep track of how assigned amounts change as a function of, e.g., transfers or acquisitions of CERs, ERUs and parts of assigned amounts.

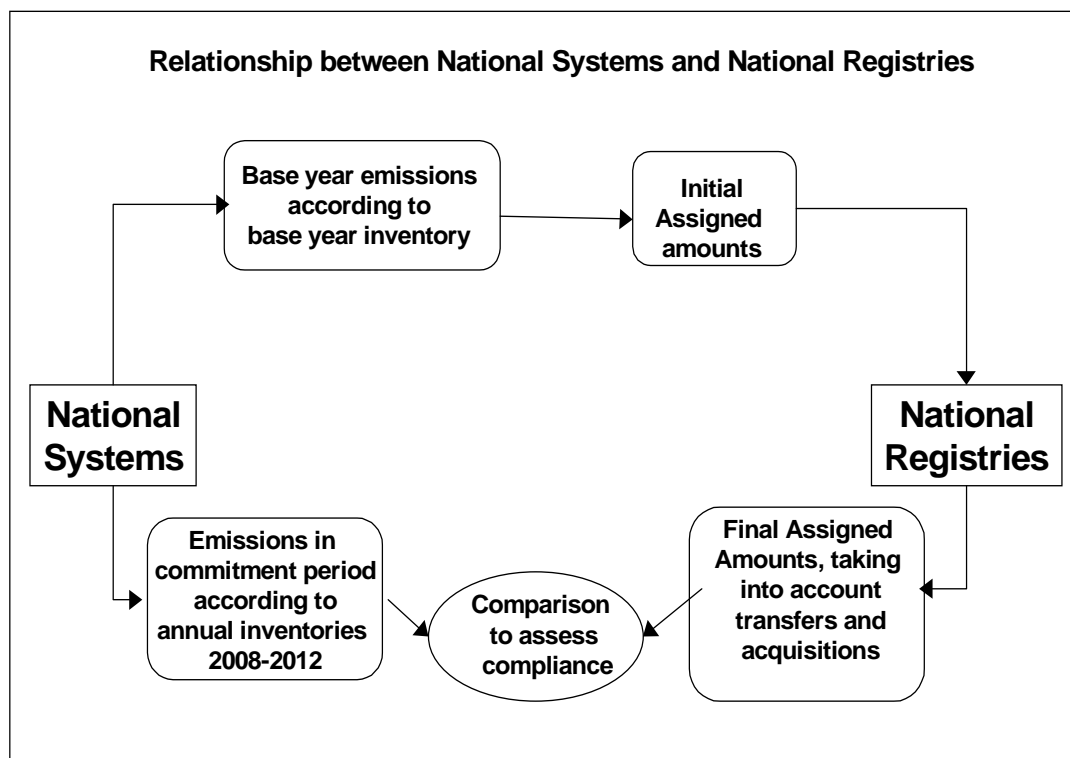
Although inventories and assigned amounts will need comparing to determine compliance with commitments under Article 3.1, the functions of national systems and national registries are separate except for the need to ensure that:

- a) actual emissions associated with projects generating ERUs under the provisions of Article 6 are properly represented in the inventory of the transferring Party. This may require identification of the projects involved in the national registries or reported in supplementary information under Article 6 of the transferring Party.
- b) any additions to, or subtractions from, assigned amounts associated with agreed activities under Articles 3.3 and 3.4 are consistent with the inventory under the national system. This will require the transfer of information on these activities from the inventory system to the national registry of the Party concerned.

Neither a) nor b) requires the registry to be part of the national system, though provisions for both these transfers of information should be made in the guidelines developed for national systems and registries. The EU notes that the Article 3.3 and 3.4 data could be treated solely within the inventory by generating an emissions total that already had these amounts added or subtracted. This would be mathematically equivalent to the manipulating the assigned amount as described under Articles 3.3 and 3.4, and would probably be simpler because fewer data

transfers would be involved. A decision of the COP or the COP/MOP would be needed to make this change.

Figure 1: Relationship between national systems and national registries



Paragraph 19:

The EU believes that national systems implemented according to these guidelines should provide information on the yearly changes in national inventories, namely due to the impacts of domestic actions to either reduce greenhouse gas emissions or increase greenhouse gas removals. Therefore, the linkage between the national systems and the assessment of the impacts of domestic actions should be developed.

Comments to the Annex: Second Draft of the Guidelines for National Systems for the Estimation of Anthropogenic Greenhouse Gas Emissions by Sources and Removals by Sinks under Article 5.1 of the Kyoto Protocol.

III. Characteristics

Paragraphs 3-6:

It is better to avoid *shall/should* language so far as possible in the general paragraphs 3 to 6, because the characteristics and definitions they describe may be difficult to test. Better to keep *shall/should* for the paragraphs on functions, which are more testable. The following edits achieve this.

Paragraph 3:

Replace 'shall not negatively affect' by 'ought not to impair.'

Paragraph 4:

Replace 'should' by 'are to'.

Paragraph 5:

Redraft as follows: 'National systems ensure confidence...'

Paragraph 6:

Redraft as follows: 'National systems need to be robust...'

Add a new paragraph:

National systems shall enable Annex I Parties to monitor emissions of relevant legal entities and/or projects for those Parties which participate in project activities under Article 6 or allow private entities to participate in emission trading under Article 17.

IV. Other Definitions

Paragraph 7 a):

Add as a new paragraph after the last sentence: " By these means a good practice system seeks to achieve a balance between QC requirements, improved accuracy and/or reduced uncertainty and the requirements for timeliness and cost effectiveness at the same time as it enables ongoing improvement of inventory estimates."

Paragraph 7 b) (i):

Replace "*approved* standardised procedures" (3rd sentence) by "good practice procedures".

QC procedures should also check the timeliness of the development process to estimate emissions/removals. Therefore redraft penultimate sentence to read: '...uncertainty estimation, reporting, and timeliness'

Paragraph 7 b) (ii):

First sentence: replace "inventory compilation development process" by "inventory development process."

Second sentence, beginning with "These QA," replace "These QA review procedures should be performed upon a finalised inventory" by "These QA review procedures are performed upon the finalised inventories."

Last sentence, re-arrange to: "These QA review procedures first assess the effectiveness of the QC Programme by verifying that data quality objectives were met and, secondly, ensure that the inventory.....scientific knowledge and data available."

Paragraph 7 f):

Redraft the Recalculation definition as follows: Line 6, change 'should be performed' to 'is needed.' Line 9, change 'should be' to 'is'.

V. General Functions

Paragraph 8

(a) Redraft to read 'The establishment and implementation...'

(d) add, in line 4, after ...including measuring and monitoring, "and research," as to read "...including measuring, monitoring and research..."

(e) replace "response to the questions raised during the review process" with "response to the issues raised during the review process."

VI. Specific functions

Paragraph 10:

Chapeau should read '...to be undertaken by the national entity responsible for the development of the inventory in co-operation with the government...' Paragraph 10 a):

The designation of a single national entity is not a planning function, but a general function. Also, whilst the entity can have responsibility for the development of the inventory, it cannot have blanket responsibility for 'the national inventory', since that must be the responsibility of the Party. Therefore delete this section from paragraph 10, redraft it and move to be part of paragraph 8, between subsections (a) and (b) as follows:

'... of all functions defined in these guidelines;

(a bis) The designation of a single entity responsible for the development process¹⁰ of the inventory;

(b) The preparation and reporting...'

Note that footnote 10 (which defines the development process) then needs moving forward as indicated.

Paragraph 10 b):

Could be merged with paragraph 10 (e) to read as follows (paragraph 10 (e) would then be deleted):

The elaboration of a documented plan for the planning, preparation, reporting and management of the inventory. This plan shall include:

- i) Internal quality objectives, in line with the national programme referred to in paragraph 8(d) above, for activity data, emission factors and methodologies;
- ii) Activities to meet these internal quality objectives and a schedule for its completion;
- iii) Specific QC procedures along the inventory development process, and provisions for facilitating any QA procedures undertaken by the Party.
- iv) Activities intended to ensure sufficient capacity for performing the functions defined in these guidelines, such as data collection for estimating GHG emissions and removals;
- v) Activities to address the issues identified for improvement in the evaluation of the inventory development process (QA/QC activities) and of the inventory quality improvement programme, and in reviews conducted under Article 8 or in reviews commissioned by the national inventory programme.

Paragraph 10 c) line 1:

Change 'establishment' to 'implementation'. (Establishing these arrangements is a general function, not a planning function. *Establishment* has already been covered by section (a) of paragraph 8.)

Paragraph 10 c) (i) line 2:

Delete "aim to" and "close". Add at the end " in order to ensure a timely collection of data."

Paragraph 10 c) ii):

Delete "aim to" and "close".

Paragraph 10 c) iii):

Redraft to read: '...implementation of QC activities, and facilitation of any QA activities undertaken by the Party' (See comment on 10, (b), (i), L2 above)

Paragraph 10 (d):

Delete "the use of new and/or revised emission factors and relevant decisions for recalculating..." and replace with "...procedures for recalculating estimates that were submitted in previous inventories."

Paragraph 10 (e):

Delete if combined with 10b.

Paragraph 11:

Should read '...to be undertaken by the national entity responsible for the development of the inventory in co-operation with the government... '

Paragraph 11 a) (i):

Should read 'Confirmation of the base year...' (Identifying the base year is a matter of national policy, not an inventory function).

Paragraph 11 a) (ii):

Replace in the fourth sentence "The list of source categories..." with "A list of source categories..."

Paragraph 11 a)(iii)

The first two sentences could be deleted and the rest read as follows:

" The use of the most rigorous method(s) included in the decision trees for all source categories that are identified as key. Parties shall follow specific guidance related to the choice of emission factors and activity data and the uncertainty assessment provided by the IPCC good practice guidance for all source categories that are identified as key, consistent with national data availability and circumstances. If the most rigorous method(s) suggested in the decision trees are not used for key sources, reasons should be provided and actions should be taken to fill the identified data gaps that precludes to use such most rigorous methods."

Paragraph 11 a) (iii) line 8: Insert a footnote to the word 'key' as follows: 'This includes ensuring that changes in activity data and/or emission factors related to the implementation of policies and measures are properly represented in national inventories and are consistent with IPCC Good Practice Guidance.'

Paragraph 11 a) (vi)

Change last sentence to read as follows: "Parties are encouraged to plan to conduct at least the general procedures on all parts of the inventory from year to year on a rolling basis".

Paragraph 11 b) (iii)

Change first line to read: "The arrangements for a basic expert review of the whole or part of the inventory..."

Paragraph 12:

Should read '...to be undertaken by the national entity responsible for the development of the inventory in co-operation with the government '

Add a new section:

The legal entity-level and/or project level monitoring function to be undertaken by Parties shall:

- Ensure consistency between national inventory data and the data monitored at legal entity-level for entities participating in emissions trading under Article 17.
- Ensure the consistency between national inventory data and the data monitored at project-level for activities under Article 6.

VII. Reporting and Information Sharing

Paragraph 13 a)

Delete the following: "during the period between successive national communications."

Paragraph 14 :

Delete 14 a) and c) (redundant with reporting guidelines).

Paragraph 14c) should be deleted as paragraph 13 asks to include this information in national communications. Hence, the information will be public available, and there seems to be no further need to make it available. Paragraph 14a) is duplication the request of the inventory guidelines, thus it is not necessary. Paragraph 14b) should be kept as this information is not requested elsewhere.

Comments to document FCCC/SBSTA/2000/INF.5/Add.2 (Elements of Articles 7 and 8 and methodologies for adjustments under Article 5.2).

Paragraph 16: *The Secretariat assumes that a COP and/or COP/MOP decision will be taken in relation to the use of these guidelines prior to the first commitment period. This approach would facilitate the refinement of these guidelines as well as those on national systems. Parties may wish to consider this issue further and provide guidance on the continuation of this methodological work in the period between COP6 and COP/MOP1.*

It is the EU's view that guidelines under articles 5,7&8 should be developed and adopted as soon as practicable. Parties should start using these guidelines as soon as the Protocol enters into force or earlier for those wishing to gain experience as soon as possible (e.g. Parties may wish to start implementing guidelines for national systems under article 5.1 and guidelines for reporting supplementary information under article 7.1 and 7.2 as soon as they are adopted).

The implementation of guidelines on articles 5,7&8 before the beginning of the 1st commitment period will facilitate the prompt start of the mechanisms.

A decision on guidelines for national systems under Article 5.1 is expected at COP-6. With regard to guidelines under Article 7, the EU believes that most of the work on developing guidelines can be completed at COP-6, except for the sections referring to mechanisms, compliance, adjustments and LULUCF, as decisions to be made at COP-6 on these issues are necessary to identify reporting requirements.

A general framework for guidelines for the adjustment procedure under Article 5.2 and for the review process under Article 8 should be adopted at COP-6, but it will only be possible to finalise these guidelines after the end of the trial period of the review guidelines, although it may be possible to conduct methodological work relevant to adjustments in the mean time.

Paragraph 19: *Parties have noted that guidelines for review of national communications under Art 8 depend on the outcome of discussions on Art 7, Art 3.3 and 3.4, and mechanisms. Submissions from Parties, in general, contain little information about national communication review and there was limited discussion at the workshop Parties may wish to consider to what extent these guidelines may be elaborated at COP6.*

Although it does not seem practicable for COP-6 to aim to complete the guidelines for the review of national communications, COP6 should aim to decide on guidelines for the preparation of the information required under Article 7.2. In addition, COP6 should establish elements of guidelines for review of national communications. Guidelines should describe purposes, tasks, approaches and procedures of the review and include the assessment of supplementary information.

Paragraph 21: *Parties have stressed that the composition of the expert review teams and steps to ensure that they have appropriate expertise is very important to the design of the review process. Parties may wish to consider this further (see Annex I, Part I, Sections H and I)*

The roster of experts will be updated for the trial period of review guidelines. Intense inventory review has never been performed and experiences of the trial period should be taken into account in the future. There may not be an urgent need to discuss other changes or further elements to enhance expertise before this experience has been gained.

Paragraph 22: *Parties envisage...adjustments should be considered as a last resort. Parties may wish to consider this further.*

In the EU's view, adjustments should be kept as simple and be avoided wherever possible. The information gathering, reporting and reviewing system should be built in such a way that the application of adjustments systems will rarely be needed:

- A proper establishment of national systems as required under Article 5 should ensure that Parties will be able to calculate inventory estimates according to IPCC guidelines.
- Parties should be able to correct problems or mistakes if found by expert review teams and should have the possibility to ask for additional help if they are not able to provide accurate and reliable inventory estimates

Compliance with the Protocol's requirements should not, for any Party, become largely dependent on adjusted estimates and, therefore, adjustments should not be applied if the adjusted proportion would be more than [5%] of any inventory. Larger problems would be an issue for the compliance committee and could not be resolved via the review process.

Paragraph 23: *How much time should Parties have to respond to questions or comments on draft reports? Could annual inventories be submitted in November instead of April?*

The issue of time needed to respond to questions or to comment on draft reports should be considered when the trial period of technical review is evaluated. However, the EU believes that four weeks to respond to a technical question and six weeks to respond to a draft report would be reasonable time frames.

In the EU's view it may be difficult to submit inventories in November instead of April due to national data availability (particularly for the non-CO₂ gases) and time needed for compilation of data. In addition, guidelines on national systems establish additional requirements with regard to quality control and quality assessment procedures. These requirements will increase the time needed for internal checks. As the additional tasks will have to be performed before inventory submission, it is not realistic to advance the submission dates.

Nonetheless, the EU believes that further thought should be given and experiences should be exchanged on how to shorten the time period needed to elaborate annual inventories.

Timeliness of submission, however, should be stricter than proposed in these guidelines. Parties should submit their inventories on due date. If Parties foresee difficulties, they should warn the secretariat before due date, explaining the reasons for the delay and the date the Party expects to submit the inventory.

Paragraph 25: *Workshop participants agreed that the UNFCCC Guidelines...adopted at COP5 should serve as a basis for the development of guidelines under Art 7. They also indicated that the supplementary information for Arts 3.1 and 3.13 could be reported under Art 7.1 and /or Art 7.2. The elements in Annex II to this document follow these suggestions, however Parties may wish to provide additional views on this issue*

Any supplementary information called for under Art 7 concerns all paragraphs of Art 3, including Articles 3.1 and 3.13. The EU, therefore, agrees that this supplementary information associated with these Articles should be reported under Arts 7.1 and/or 7.2. The COP or COP/MOP might decide that the requests referred to under Art 3.13, if made, should be via a route that is separate from national inventories or national communications.

Paragraph 31: *Parties may wish to consider whether this approach to developing guidance is appropriate with regard to the structure of the guidance in Annex III covering both choice of methods and detailed description of methods?*

The EU sees Annex III as a useful contribution to developing guidance on adjustments. But probably it will not be possible to finalise the guidance until more technical work has been done to establish what is achievable with adjustments. COP6 could usefully initiate this work, but it should not be finalised without taking into account the experiences of the trial period for inventory review guidelines. There may be the need for involvement of IPCC in investigating methodologies for adjustments. The EU notes that UNFCCC guidance on adjustments should cover the procedures of the adjustment process, such as the selection of

experts or provisions to establish a transparent procedure. It should also specify conditions under which an inventory is no longer considered adjustable; for example if the adjustment exceeded an agreed percentage of the adjusted inventory total in any year.

Paragraph 33: *Parties may wish to give consideration to the structure, scope and level of detail of the draft guidance on adjustments, consider which parts should be developed by whom, and when.*

The broad structure of Annex III is acceptable, though a section may be needed defining the conditions under which an inventory is adjustable (see previous comment). The Guidance should not attempt detailed methodological descriptions, although it might refer to guidance on this developed elsewhere.

Paragraph 35: *Workshop participants suggested that methodologies for adjustments could either be included in guidelines under Article 8 or elaborated independently under Article 5.2. Parties may wish to consider this issue further.*

Methodologies for adjustments should be elaborated under Article 5.2, and referred to as necessary in guidelines under Article 8, cross referencing to methodological guidance if necessary.

Paragraph 38: *How will the timing of inventory review relate to the timing of those parts of national communications review relevant to inventories? Will interim arrangements be necessary?*

National systems are unlikely to require annual review, and it will be more efficient to review them periodically, in association with national communications. However, a review of national systems must be completed at least one year prior to the beginning of the commitment period. This could be achieved by including review of national systems in inventory reviews conducted prior to the first commitment period.

Paragraph 39: *Parties should give further consideration to the timing of reporting on, and any related review of, demonstrable progress.*

The critical decision for COP6 is on agreed criteria for demonstrating progress. In addition to the possibilities mentioned in paragraph 40, such criteria could involve demonstrable mobilisation of human, financial or other resources (along the lines of the criteria for implementation of policies as defined in the new Annex I reporting guidelines), demonstration of causal linkage between policy implementation and emissions reduction, and/or the demonstration of trend breaks in emissions time series. Guidelines for the first national communication under the protocol, which should be submitted before the end of 2005, must address the issue of demonstrable progress.

Paragraph 40: *Parties may wish to give further consideration to what should be reviewed prior to the first commitment period.*

In the EU's view, review prior to the beginning of the first commitment period would be precisely to facilitate prompt start with the mechanisms. This indicates that, the following should be reviewed prior to the beginning of the commitment period: national system, national registry, base year inventory, last available inventory, demonstrable progress in 2005.

Paragraph 41: *Parties may wish to consider if the guidelines for review should be based on a premise that Parties are in compliance or not in compliance. Parties may also wish to consider the timing of reporting, review, the establishment of compliance procedures and the commencement of emission trading under these options.*

Compliance with Articles 5 and 7 should be demonstrated via the means of the review procedure before Parties are allowed to participate in mechanisms. Review prior to the first commitment period will, therefore, be necessary for those Parties wishing to make a prompt start with the mechanisms. Guidelines for review are not based on either of the two premises mentioned.

Paragraph 43: *Parties may wish to consider the issue of expedited procedures further. Parties may wish to consider if the guidelines for review under Article 8 should encompass any aspects related to Article 6 projects.*

Provisions should be made in order to allow the ERT to expeditiously refer to the compliance institution those problems that may impair the Party's eligibility to participate in the mechanisms.

Guidance for review of any aspects related to article 6 projects should be developed under the relevant article. The expert review team shall be granted access to any information related to article 6 projects, in order to check and verify e.g. emissions associated with such projects and their representation in the national inventory.

Paragraph 44: *Parties may wish to consider if reporting and review in relation to Article 12 should also encompass non-Annex I Parties.*

Guidance for review of any aspects related to article 12 projects should be developed under the relevant article. In this context, any role the Expert Review Team under article 8 may have on reviewing information on article 12 projects depends on decisions on modalities and procedures for the CDM.

Paragraph 45: *Parties may wish to consider if linkages between Articles 5.2 and 8 and compliance should be discussed by a particular group or jointly.*

Joint consideration is preferable.

Paragraph 47: Parties may wish to consider the issue of identification of problems further.

Compliance and methodological experts need jointly to identify a classification of inventory and national communication problems which is acceptable for compliance purposes and methodologically feasible.

The EU is grateful for the provision of the tables on classification of problems provided in Annex I. Considering the tables, the EU acknowledges that the approach chosen in the workshop with the use of first order, second order and de minimis problems results in a complicated matrix. Many new issues for discussion arise from the boxes provided in the tables, and it may take a lot of time to resolve these. In addition, the tables are not yet complete with regard to the type of problems that could arise (e.g. not taking into account all inventory principles). Thus, in addition to our specific comments on the tables below, we want to suggest a different approach for classification of problems in the expert review team. The basic idea is that the classification should be more closely linked to the provisions of the UNFCCC guidelines for annual inventory preparation. The expert review team basically need to check if these guidelines together with IPCC inventory guidelines and good practices are applied. Suggested categories are as following:

1. Issues/ problems with implication on the total aggregated inventory estimate
2. Issues/ problems with regard to transparency
3. Issues/ problems with regard to consistency
4. Issues/ problems with regard to comparability
5. Issues/ problems with regard to completeness
6. Issues/ problems with regard to accuracy
7. Issues/ problems with timeliness

The main task of the review is the assessment of underlying individual inventory estimates to guarantee high quality of the aggregated total estimate of a Party's greenhouse gas emissions and removals by sinks . Inventory problems can arise at each level of aggregation of the total estimate of emissions and removals. This is covered with the first indent which could be further subdivided in issues/ problems with high and low implications if Parties wish that expert review teams provide more detailed information to the compliance process.

Guidelines for annual inventories establish five general principles (transparency, consistency, comparability, completeness, accuracy) for inventory construction and the review should assess the implementation of these principles. Thus, inventory problems can also arise with each of these principles. This is covered by indent 2 to 7.

This scheme seems to be more appropriate to a technical review process as currently implemented, because categories are comparable to headings summarising the findings of expert review teams.

The tables presented in the document also discuss adjustments. This issue should be part of the guidelines for adjustments. These guidelines should discuss which problems are adjustable and which not (see previous and later comments).

Paragraph 49: *How should the proposed classification system be linked to 'questions of implementation' ?*

Taking into consideration the discussion during the workshop, the EU believes that a problem becomes a question of implementation when it needs to be referred to the compliance committee, i.e., after all the opportunities were given to the Party to correct the problem, but the Party was not able to. Resolved first or second order problems which then recur in consecutive years should immediately be considered questions of implementation, i.e., should be referred to the Compliance Committee.

Paragraph 50: *Parties may wish to give further consideration to the issue of "question of implementation, including the nomenclature.*

According to Article 8.3, "questions of implementation" are to be identified at the review process level. After those questions are forwarded to the compliance institution, it shall decide, through its screening procedure, whether or not to pursue the question of implementation identified. Guidelines for review under Article 8 should contain advice to the review teams on the types of problem that should be forwarded via the secretariat as questions of implementation. This advice would be interpreted by the review team and the secretariat, as the conduit for forwarding.

Paragraph 51: *Do the compliance institutions need to approve the calculation of an adjustment?*

Only if a dispute arises; if the Party and the review team agree the adjusted estimate, there would not seem to be a need for approval by the compliance committee. The compliance committee may need to check a sample of adjustments to help ensure consistency.

Paragraph 52: *Parties may wish to consider whether comparison of assigned amounts with aggregated emissions after the first commitment period should be part of the review process.*

The annual inventory reviews should start making comparisons as soon as the relevant data begin to accumulate, and advise the Party being reviewed accordingly. The formal comparison should be made centrally, either by the secretariat, or by a central organisation existing for the purposes of conducting reviews, if one is established.

Paragraph 53: *Parties may wish to consider the practicality of providing assistance prior to a review, allowing a review to proceed whilst assistance is being provided, and the implications for compliance.*

Parties should be able to seek assistance at any stage.

The ERT should be notified of the assistance the Party is receiving and should make a recommendation whether or not the assistance sought is an appropriate answer to the potential problems in the Party's inventory. Assistance from non-review bodies should be notified to the compliance committee via the secretariat.

Comments to Annex I: Elements of Draft Guidelines Under Article 8 of the Kyoto Protocol

Part I - Elements related to the review of inventories, national systems and national registries

General comment

Part I contains useful material, but it would be helpful if the final guidelines contain separate sections dealing with national inventories, national systems and national registries, since the scope and approach of the review of the three elements differs considerably.

With regard to the review of inventories, large amounts of annual information (CRF and national inventory reports, maybe additional information) is submitted and need to be reviewed annually. Guidelines for the review of national inventory submissions should be based on the guidelines for the technical review of GHG inventories and any changes resulting from experiences during the trial period. Any new elements suggested at this stage should take the existing work into account.

For national systems, the amount of information will be smaller and the main task of the review process will be to assess if "shall" functions of national systems are performed as required by guidelines. This will involve a country-visit. In addition there may be a small amount on annual written information on national systems that may be considered during the review of annual inventories. After a first thorough assessment of national systems, changes and improvements of the system may require further review, but this review process might be less intensive.

National registries will track assigned amounts, transfers and acquisitions. Parties proposed that national registries will have the form of a computer database/ a computerised accounting system. The main task for the review under Article 8 will be to ensure the safety and integrity of national registry systems. This will include, for example international compatibility of software and a proper functioning of the software, or the establishment of all necessary separate accounts. For this purpose some technical tests of the systems may be important and those should be elaborated together with the software design.

For these reasons, objectives, approaches, timing, procedures etc. in guidelines will differ with regard to the three elements. Guidelines under Article 8 should provide specific guidance taking into account the specific purposes, functions and modalities of each element.

Paragraph 1(a)

Change "Article 7" to "Article 7.1" Replace "transfers and acquisitions and Non-Annex I Parties" by "the treatment of transfers and acquisitions...and Non-Annex I Parties".

Paragraph 1(c):

Add "and assigned amounts" at the end of the paragraph (since national registries are included).

Paragraph 1(d)

Change "Article 7" to "Article 7.1"

Square brackets should be lifted. The EU notes that work on developing guidelines for registries should be undertaken mainly by mechanisms experts, in consultation with methodological experts where necessary, for example on issues such as baseline integrity for project based activities, representation of emissions from projects in the inventory of the host country, and adjustments to assigned amounts made under the provisions of Arts 3.3 and 3.4 (unless Parties decide to treat the last wholly as an inventory issue).

Paragraph 1(e)

Delete text in square brackets.

Paragraph 1(f)

Quality may not be an appropriate term for national systems and national registries. Replace by "quality, robustness and effective functioning."

Paragraph 1(g)

Lift square brackets.

Paragraph 2:

Replace this paragraph by 'These guidelines cover the review of information under Article 7.1, and related information reported under the Convention.'

Paragraph 3:

Parties may need further discussion on the specific objectives, approaches and procedures for review of national systems and national registries before deciding the best frequency and combination of the various elements of review.

Paragraph 4:

Preference to option B to limit number of reports.

Paragraph 6:

Delete: redundant with paragraph 13.

Paragraph 8:

The process may be different for national systems: if the review found problems with the performance of some mandatory functions, the Party probably will need some time to resolve the problem, and it will be difficult to establish standardised time limits.

Paragraph 10:

Merge items a) and d), which are both relevant for inventories.

Paragraph 12

Delete the word "supplementary."

Add a new sentence: "A report containing the findings of the initial checks shall be forwarded to the compliance committee."

Paragraph 13 (b):

Prefer 'first order' which is neutral language. Insert a footnote saying that problems are classified, in decreasing order of significance, into 'first order', 'second order' and 'de minimis'

Paragraph 14:

Change to "The base year inventory shall only be reviewed once prior to the commitment period, if no recalculation occurs."

Paragraph 15:

Delete first sentence (redundant with paragraph 19 (c)).

Paragraph 16:

Redraft last sentence to read 'Key aspects of national systems under Art 5.1 and national registries (as indicated by *shall* in the relevant guidelines) shall be covered by the annual review if the functions have been modified during the year.'

Paragraph 17:

Change "six" to "four". This should only apply to review of inventories (see comment on paragraph 8).

Paragraph 18

Problem categories may need revision taking into account the categories suggested in the answer to paragraph 47 (page 11 of this submission).

Paragraph 19:

(d) This is a reporting issue and not the result of the review. The review report should only cover inconsistencies with transfers and/or acquisitions. Therefore redraft to read: "Consistency of aggregate information on transfers and acquisitions..."

Add the following new indents:

(e) Information on the questions raised that have not been answered satisfactorily and information on problems that have not been resolved. Problems should be reported identifying de minimis, second order, first order (or other relevant categories) according to paragraph 18 (or other relevant problem categories that need further discussion, see answers to paragraph 47).

(f) Information on issues that should be assessed thoroughly in the review to be conducted in the subsequent year.

Paragraph 22:

Extend text to read '...including emission factors and the representation of project based activity data in the activity data used to produce the national inventory, under Article 6, where...'

Paragraph 23:

Replace "Aggregate" by "review the aggregation of..." Aggregation of all transfers and acquisitions is a technical task and should not be performed by expert review teams. Registries in form of computer databases as proposed in submissions should be able not only to track transfers and acquisitions, but also to aggregate those over whatever period needed. The EU is unclear, what is meant with "eligible transfers". This is not a common term in the discussion on mechanism. Document FCCC/SB/2000/3, the Chairman's negotiating text on mechanisms, includes "eligible projects", Parties eligible to participate in mechanisms, "eligible countries", but no eligible transfers. Paragraph 24:

Lift square brackets.

Paragraph 25:

Extend the text as follows: '...mandatory elements, which are covered by the auxiliary verb 'shall' in section VI (specific functions) of the guidelines on national systems. The archiving functions may be assessed using a representative sample of about [15] source categories, including at least 10 key source categories, but otherwise chosen by the review team.'

Additional elements to be included in the review of national systems:

- review of progress of national programme to improve the quality of national emission factors, activity data and methodologies
- review of plan for planning, preparation, reporting and management of the inventory
- review of activities to improve inventory quality
- review of QC and QA activities and plans
- review if institutional, legal and procedural arrangements are sufficient to perform the functions.
- review how inputs from review process are reflected
- review of identification of key source categories

Paragraph 26:

Paragraph 26 cannot be fully elaborated until the guidelines for registries have been developed, but mandatory elements must include tracking functions of assigned amounts both internationally and as devolved to legal entities, and any cross linkages to inventories as identified in the comment on 1(d) above.

Paragraph 28 (a) (i):

Delete "and may be expressed quantitatively." Relationship to activity data, emission factors and methodologies should be mentioned.

Paragraph 29 (a)

First row: "first order" and "de minimis" columns - Insert footnote after 'in the view of the expert review team' saying 'In forming this view the expert review team should take into account national circumstances such as the economic characteristics of the respective Party, inventory data from previous years and from comparable Parties.'

First row: "de minimis" column - Parties may wish to consider defining problems for non key sources.

Second row: There are at least three different types of false or mistaken estimates, arising from:

- Calculation errors,
- Inconsistency with IPCC methodologies (e.g. a term in an equation was omitted and not taken into account),
- Non-application of good practice (including fraud).

Fourth row: Column 1 should say 'Time series inconsistency'. Criteria in column 2 should be 'Unexplained inconsistency or recalculation affecting a key source category or categories, or affecting source categories accounting for [5%] or more of the inventory total in any year.'

Then column 3 should say 'Unexplained inconsistency or recalculation affecting a key source category or categories, or affecting source categories accounting for [1%] or less of the inventory total in any year'

Paragraph 29 (b):

Table: "Non-adherence to the requirements of reporting guidelines on annual inventories under the Convention and the Kyoto Protocol."

Second row: Missing data is already covered under (a) as noted in footnote 12, therefore it should be deleted from this part of the table.

Table "Non-adherence to the requirements of the guidelines for national systems"

First order problems: The functions should be evaluated individually with regard to first order problems. Non implementation of any functions is one extreme of a first order problem, non implementation of an individual key function may also qualify as a first order problem, as well as incomplete implementation of any of the functions mentioned in the guidelines.

Third row, de minimis: Identification of key source categories is one of the key elements of good practices. Many other issues such as the choice of tier depend on this identification. This should not be put under de minimis problems.

Table: "Non-adherence to requirements of the COP and/or COP/MOP decisions on submission"

First row:

First order:

Inventory not submitted on due date - no letter explaining the reasons for the delay was sent to the secretariat.

A delay in the submission of more than one month, despite letter explaining the reasons for the delay has been sent to the secretariat.

de minimis:

A delay in the submission of less than 15 days, if letter explaining the reasons for the delay has been sent to the secretariat.

Second row:

(Second Column): Redraft to read: "If defines by Parties' discussions on the mechanisms."

Paragraph 30 (b):

Should say 'Quantifiable problems should not be subject to adjustment if singly or together they amount to more than [5%] of the inventory total including adjustments in any year.'

Paragraph 30 (c): Change to read 'Neither second order nor de minimis quantifiable problems may be subject to adjustment if cumulatively their effect exceeds the limit given in b). It should also be put in brackets. The content of (b) and (c) will depend on the definitions chosen for first order and de minimis problems.

Paragraph 32 (a):

Redraft as follows:

The Expert Review Team should recommend if an adjustment is appropriate and technically feasible after the Party has been given the opportunity and has not been able to correct the problem.

Response to relationship between compliance institution and adjustments: First order problems could be subject to adjustment, up to the limit just identified. All first order problems should be scrutinised by the compliance institutions, which could recommend adjustment of problems beyond this limit, or reject adjustments applied to those falling within it.

Paragraph 32 (e)-(g)

Option B is preferred. Option A would not be consistent with paragraph 31.

(e): The question whether the expert review team or an adjustment team should calculate an adjustment will depend on the future role and status of review experts. According to existing decisions national experts are selected from the roster of experts and selection should take into account specific expertise in different sectors or for specific gases. To comply with their tasks, review experts need a clear indication of the amount of work and time that will be needed before the review starts. Whether adjustments are necessary, will be identified in the course of the review process. Thus, adjustments may increase work burden considerably, and so if adjustments were made by ERTs, they might be unable to adhere to the fixed time lines.

Therefore, a separate adjustment team would be preferable, as qualification and time needed could be specified by the expert review team, then the appropriate experts can be selected.

If the expert review teams will evolve in the direction of a new permanent institution with permanently employed experts, it would be possible that these experts calculate adjustments. Experiences from the trial period for review will provide a better basis for further discussion.

Paragraph 33:

The EU believes that the agreement of the expert review team and the compliance institution is sufficient safeguard to apply to the practice of removing adjustments after and during the first commitment period.

The EU believes that first order problems, or other problems which add up to more than [5%] of the inventory total in any year, should be scrutinised by the compliance institutions.

Paragraph 37:

Replace text by "Expert review teams should include expertise in all major inventory sectors and/or for all gases included under the Protocol."

Paragraph 38:

The Secretariat could advertise for non-government experts, whose appointment would be subject to approval by a panel of representatives of Parties and the Secretariat. Clearly the review process will require new resources which will have to come from Parties.

Paragraph 40:

Lift square brackets.

Part II: Elements Related to the Review of National Communications Including Information Reported Under Article 7.2

Paragraph 43 (e):

Either delete the text in square brackets, or replace the word 'supplementary' by 'taking into account'.

Paragraph 44:

Delete 'supplementary.'

Paragraph 47:

Change to: "Parties should have the opportunity to clarify issues raised during the review process and to provide additional information."

Paragraph 50:

Delete 'but excluding information on the national system and national registry.'

Paragraph 51:

Change to: 'Each National Communication submitted by a Party shall be submitted to a review.'

Paragraph 55:

The Guidelines for review of national communications should be as soon as practicable, following completion of guidelines for reporting of information under article 7.

Comments to Annex II: Elements of Draft Guidelines under Article 7 of the Kyoto Protocol

Paragraph 1 (b):

Add the following indent after (b): "To monitor the progress of Annex I Parties with the implementation of the Kyoto Protocol"

Paragraph 1(c)

Change to "To assist the COP/MOP with its responsibility to review the implementation of the Kyoto Protocol."

Paragraph 5 (c):

This indent does not fit to the heading and should be moved to a separate paragraph. The paragraph should be changed to "Where relevant, Annex I Parties shall provide other annual information on project activities under Article 6 according to the reporting requirements to be developed in future decisions and information if these emission reduction units are subject to an Article 6.4 restriction."

Paragraph 6:

Change text to: "Where relevant, Annex I Parties shall provide other annual information on project activities under Article 12 according to the reporting requirements to be developed in future decisions, in particular baseline and emissions reduction calculations."

Section (D):

Supplementary information relevant to adjustments would include the basis for the adjustment, the method for ensuring it was conservative, and the numerical value of the adjustment in all years for which it has been applied.

Section (E)

This section should be elaborated in consultation with compliance experts. For present purposes it may be enough to ask Parties to report any compliance issues which have arisen, and the outcome

Paragraph 8

Bracket this paragraph (a decision on information for Article 3.1 and 3.13 can only be made after discussion in the mechanisms group is completed). Nonetheless, any supplementary information relevant to Arts 3.1 and 3.13 should be reported under Article 7.1 (because this is likely to give more rapid reporting) and summarised under Art 7.2. Such information would, of course, require review.

Section (A)

Reporting on national registries cannot be elaborated in detail until the guidelines for registries have been developed, but mandatory elements must include tracking functions of

assigned amounts both internationally and as devolved to legal entities, and any cross linkages to inventories as identified in the comment on 1(d) above.

Paragraph 11:

The content and level of detail in Section B should be reviewed once the modalities, principles, rules and guidelines referred to in Art 6.2 and 12.7 and 17 are available, therefore it might be useful to bracket this paragraph.

A new indent should, however, be added: (e) Relevant information demonstrating that the use of the mechanisms is supplemental to domestic action.

Paragraph 12:

This paragraph should be deleted as it is not in accordance with the Kyoto Protocol. Article 24 says that REIO's that become Parties to the Protocol should specify the respective responsibilities and the extent of their competence with respect to matters governed by this Protocol in their instruments of ratification, acceptance, approval or accession.

In addition, Article 4 says that Parties to an agreement under 4.1 shall notify the secretariat of the terms of the agreement on the date of deposit of the instruments of ratification, acceptance, approval or accession and that the secretariat in turn informs the Parties.

For these reasons, the information specified under paragraph 12 should not be reported in the national communications as other dates and forms of communication have already been established in the Protocol.

Paragraph 13:

This is already contained in the guidelines on national systems. Guidelines should not be redundant. Delete the text and only refer to the paragraph in the guidelines on national systems.

Paragraph 14:

Add a new paragraph before paragraph 14:

14. In accordance with Article 2.1 of the Protocol, each Annex I Party shall communicate relevant information in order to demonstrate that it implements and/or further elaborates adequate policies and measures in view of achieving its quantified emission limitation and reduction commitments under Article 3 of the Protocol. This information would be supplementary to the information already called for by the Guidelines for the Preparation of National Communications by Annex I Parties agreed at COP5, (or any revision to these Guidelines subsequently agreed by the COP). The supplementary information required should contain quantification of policies and measures to 2020 and include details of the provisions in place to monitor effectiveness.

Comments to Annex III: Draft guidance on methodologies for adjustments under Article 5.2.

General Comments:

Structure and scope

Guidance on methodologies for adjustments should provide clear, general characteristics and principles of adjustments, such as conservativeness, transparency or comprehensiveness as well as description of cases when adjustments should or could be applied. Principles and characteristics should be specified with regard to the procedures that need to be adopted by the adjustment experts.

Guidance should also address the selection of adjustment experts, their expertise and experiences as well as the experts' duties to achieve a transparent and comprehensive procedures and the co-operation with the Party for which the adjustment is calculated.

Level of detail and approach

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. The working papers presented by the secretariat at the Bonn workshop suggest that a case-by-case approach for adjustments could be preferable to very detailed guidance on the choice of adjustment methods. A hierarchy of methods would result in a multi-dimensional matrix: for each of the six gases in each source category there are at least three major types of problems - lack of emission factors, lack of activity data or both. For each problem there are different methods available such as extrapolation, interpolation, use of drivers etc. Therefore, establishing a generic approach for the choice of methodologies could be very resource demanding. However, working paper 3 concludes that generic approaches that can be applied regardless of the type of problem, may have limited applicability. Thus, in the practical cases that need to be dealt with by adjustment experts, the generic approach may not be applicable and so a case by case approach may be the only practicable option..

Working paper 3 also concludes that in many cases transparent, replicable and simple methods to apply adjustments that can be performed without using assumptions do not exist and that developing accurate adjustments relating to problems in some sectors, gases and countries may require experienced experts using a case-by-case approach. If some sectors definitively require a case-by-case approach, this approach can also be adopted for all sectors. In addition, establishment of national systems should guarantee the basic inventory functions. If Parties comply with the requirements outlined in guidelines for national systems, there should be no need at all for adjustments. In this case the generic approach would not be required.

This would imply that it is not necessary to put large efforts on the development of generic methodologies and hierarchies of methods, but to set priorities with regard to the transparency of the work of adjustment experts, the reporting of that work, the co-operation with experts from the Party for which the adjustment is calculated, the qualifications of experts, etc. Many

of the working papers stress the importance of experiences of experts. There is also a need to focus on how, in practical terms, to make adjustments conservative. This should be addressed more precisely in further discussions.

Technical and methodological work should focus on elements and tools that are useful for the performance of the review process as well as for the calculation of adjustments, good examples for this are the emission factor database or the sectoral breakdown of international energy data as provided in one of the working papers. This would ensure efficient use of available resources.

Who should develop guidance?

If choice of methods is a case-by-case decision, the existing work seems to be a good basis for inclusion in guidance. But there are other issues relevant for a case-by-case approach that need further work as outlined above. This may be developed by Parties in co-operation with the secretariat, e.g. based on reports on the trial period of review where experts can try to calculate adjustments if such problems occur. There may be a need for the involvement of the IPCC in this work.

When should guidance be developed?

The workshop participants agreed that methods for adjustments are not a priority before COP6 and that they should be elaborated afterwards. The working group also noted that the experience gained in the trial period on review should be taken into account in the work on further technical guidance and, therefore, that this guidance should only be finalised after completion of the trial period. There should be a general agreement on the approach and scope of the guidance on methodologies for adjustments at COP6.

This is important because at present, only theoretical and potential problems can be discussed, but these theoretical problems may not be relevant in the future. It is not possible at the moment to clearly identify the problems that may need to be adjusted. For example in-depth-review has not analysed in detail if estimates have been calculated in accordance with IPCC guidelines. The first experiences on the practical problems will be gained during the trial period. If detailed work on methodologies for adjustments start before the experiences of the trial period have been considered, this work may address problems which turn out not to be relevant, risking effort developing on complicated methodologies that may never be applied in practice.

Specific Comments:

The structure into objectives, definition, characteristics, approach, methods, other considerations and reporting is very helpful and should be conserved. Further headings may be added with regard to transparency and other issues mentioned above. The section "choice of methods" should be replaced by more general requirements that experts need to fulfil in order to provide transparent and comprehensive results. The text should be refined with regard to more specific language (e.g. under characteristics the sentence starts with "adjustments are not intended..." - guidance should be clear and should not specify intentions...).

PAPER NO. 4: UNITED STATES OF AMERICA

Additional U.S. Views on Articles 5, 7 and 8

National Systems Guidelines under Article 5.1

The United States considers the 2nd draft guidelines for national systems to be a good basis for further negotiations. We are optimistic that, due to the substantial progress on this issue made at the March workshop, that Parties will be able to finalize the guidelines at our June sessions, and recommend a decision for adoption by the COP.

We have a few general comments on the revised draft. First, we note that Article 5.1 refers to national systems for estimating greenhouse gas emissions. Thus, guidelines for national systems should cover inventory preparation only - not registries for accounting for assigned amount. In our view, guidelines for national registries, once agreed, would be elaborated under Article 7.4 of the Protocol. For this reason, we recommend deletion of functions that are not specific to national inventories.

Since the content of these guidelines will need to be binding on Parties, the language needs to be clearer regarding the tasks that Parties shall do, rather than the functions that national systems would perform. Many of our comments clarify these tasks.

The United States also recommends deletion of specific tasks related to reporting and review of national inventories. While we agree that national systems should support reporting and review, the rules for reporting and review will be elaborated under Articles 7 and 8 respectively. Inclusion of specific elements of reporting and review under the national systems guidelines might potentially conflict with rules we adopt elsewhere. Therefore, we recommend general references to Articles 7 and 8, rather than specific requirements.

Implementation of Parties' national systems would be reported in national communications, and reviewed as part of the review of national communications. Specifically, Parties would be required to include in their national communication:

- A description of the national system, including organizations involved and their respective roles and responsibilities and the overall process for planning, preparation and maintenance of the inventory;
 - Summary of the QA/QC plan and its implementation, including procedures for internal review; and
 - Process for archiving national inventory information.
- These requirements should be included in the reporting guidelines under Article 7.2.

We provide our line-by-line comments in an attachment.

Methodologies for Adjustments under Article 5.2

As the SBSTA concluded at its 11th session, adjustments under Article 5.2 should be applied when inventories are estimated in a way that is inconsistent with IPCC methodologies as elaborated by good practice. In our view, this requirement would result in adjustments for omissions, errors or inconsistencies in methodological choice, or insufficient documentation. (Further discussion of methodologies for adjustments can be found in the technical attachment to our February submission.)

The conclusions of the March workshop with respect to methodologies for adjustment provide a good basis for further work. However, we do not believe that the guidelines for methodologies for adjustments can be completed by COP6, due to the amount of technical work required to elaborate the approach, available methods and choice among them. Instead, the COP6 decision on Article 5.2 should define the general situations and level of disaggregation in which adjustments would be applied, and clearly elaborate the process for their calculation and application. The COP6 decision should also guide the development of future technical work. In this regard, we recommend that the SBSTA request the IPCC Inventory Taskforce to develop options for methodologies for adjustments that result in conservative estimates. These methodologies should ideally be by source and type of problem and should delineate a clear hierarchy/decision tree for decisions regarding methodologies for adjustments. We endorse the first three sections of Annex III of INF5./Add.2 as a basis for the COP6 decision.

We expect that, once developed, the methodologies for the calculation of adjustments would be placed under Article 5.2. The process for adjustments, however, would be elaborated as part of the guidelines for the annual review under Article 8.

Article 7

Information requirements

By COP6, Parties should agree on the specific elements to be reported under Article 7. However, detailed guidelines on the scope and format for each of these elements can be resolved at a later date. Mandatory elements to be submitted annually under Article 7.1 are

- a) annual ghg inventories prepared in accordance with Article 5.2, including national inventory reports, and
- b) information on Parties' issuance, holdings, transfers and acquisitions of assigned amount, including any assigned amount retired to date.

Additionally, at the end of the commitment period, each Annex I Party must report the serial numbers of all units of assigned amount that have been placed in the Party's retirement account and the serial numbers of any units banked for the subsequent commitment period. Information on holdings, transfers and acquisitions of assigned amount is the only supplementary information necessary for Article 7.1. Specific details are included in our February submission.

Supplementary information required by Article 7.2 refers only to information on implementation of those elements that are unique to the Protocol, specifically:

- National systems for greenhouse gas estimation under Article 5.1;
- National registries for tracking assigned amount under Article 7.4; and
- Mechanisms under Articles 4, 6, 12 and 17, and any rules therein.

Information on implementation of broader commitments that are already reported in national communications under the Convention would still be provided in national communications, but would not be considered 'necessary supplementary information' for purposes of the Protocol.

Because national enforcement will be crucial to a Party's compliance with the Article 3 targets, Annex I Parties should also provide information in their national communications on the national compliance and enforcement programs they have in place to meet Article 3.1 commitments.

COP6 should adopt a decision defining the information requirements under 7.1 and 7.2, and specifying the timing of submission of information under 7.2. In the U.S. view, national communications under 7.2 should be submitted once per commitment period. Since consideration of reporting on mechanisms can not occur until further progress has been made in the mechanisms consultations, we recommend that further discussion of Article 7 be post-poned until after the June sessions.

Modalities for accounting for assigned amounts

Article 7.4 requires the COP/MoP to decide upon modalities for the accounting of assigned amounts. The United States considers the development of guidelines for national registries as necessary for the accounting of Parties' assigned amounts. Under these guidelines, each Annex I Party would be required to establish and maintain a computerized national registry to account for its assigned amount (including quantifying the initial assigned amount as serialized assigned amount units (AAUs)) and to track any changes in its assigned amount. COP6 should adopt agreement on the basic requirements of a national registry as an elaboration of Article 7.4. Technical details on national registries can be resolved after COP6. Our previous submission provides more details on national registries.

As we indicated in our previous submission, the inventory, national registry and reporting (of emissions and assigned amount) obligations must be binding on all Annex I Parties in order to enable verification of compliance with Article 3.1. Thus, Article 5 and 7 requirements would be binding on both a regional economic integration organization (REIO) acting under Article 4 and individual Parties acting under Article 4.

Article 8

With respect to Article 8, the emphasis between now and COP6 should be on the elaboration of the process for annual review of information submitted in accordance with Article 7.1. While we address some elements of the national communication review process in this submission, we recommend that elaboration of guidelines for review of national communications be deferred until after COP6. The following elements should be reflected in the COP6 decision, in varying levels of detail:

- Coverage/elements to be reviewed annually;
- Coverage/elements to be reviewed periodically under national communication review;
- Composition/capacity of review teams;
- Process for pre-commitment period review;
- Timeline and tasks of the annual review process, including the final review for the commitment period;
- Procedures for adjustments; and
- Classification of inventory problems.

Coverage

The annual review and the periodic national communication review will differ in the information covered. The annual review is to be a review of the information submitted in accordance with Article 7.1. In this regard it would comprise three tasks: 1) review of annual inventories, and substantiating information, b) review of information on Parties' issuance, holdings, transfers and acquisitions of assigned amount, and c) compilation and accounting of Parties' emissions and assigned amount. The process for adjustments under Article 5.2 is part of the annual inventory review task. The general tasks should be agreed at COP6. However, details for each of these tasks can be resolved post COP6, after completion of detailed guidelines for reporting under Article 7.1. In particular, consideration will need to be given to elaboration of the specific elements of the technical review of annual inventories. It would be desirable to solicit input on these elements from the IPCC Inventory Taskforce in conjunction with work on methodologies for adjustment under 5.2. Baseyear review would not be part of the ongoing annual review process; nor would national systems and national registries be reviewed annually.

Conversely, the review of national communications would cover the information reported under Article 7.2. Specifically, it would review national systems for GHG estimation, national registries for accounting for assigned amount, implementation of the mechanisms, and domestic enforcement. After completion of the initial review, each Annex I Party would be subject to one in-country national communication review per commitment period.

Pre-Commitment Period Review

Baseyear Review

Prior to the commitment period, each Party's baseyear inventory must be reviewed as part of an annual review to officially establish that Party's assigned amount. This review must occur by 2007, but a Party could choose to undergo the review earlier to have more time to prepare for the commitment period and correct any inventory problems that may be identified. Once the baseyear is reviewed (and adjusted, as appropriate) to establish the assigned amount, changes to the initial assigned amount would not be permitted. Parties would, however, be able to adjust their inventory methodologies through the commitment period in accordance with the IPCC good practice guidance. Such changes may be necessary a) to reflect improvements in emission factors or activity data, b) to improve estimates of specific sources that have increased in significance through the commitment period or c) to capture the effect of mitigation activities. Any methodological changes would be subject to review for technical validity.

Mechanisms Eligibility Review

An issue that has been raised is connection with basing mechanisms eligibility on Articles 5 and 7 is that the substantive requirements under these Articles do not start-up until just before, or even into, the commitment period. (Article 5.1 requires each Annex I Party to have its national system in place by 2007; Article 7 inventory reporting relates to emissions during the commitment period, i.e. beginning in 2008.) If the substantive requirements do not fully begin until just before, and into, the commitment period, there may not be a reasonable opportunity for a review team to conduct its review and for the Compliance Institute, if there is a problem, to suspend a Party from mechanisms eligibility before the commitment period has begun and the Party has already begun transferring assigned amount.

The timing issue can be addressed by:

- Moving the eligibility requirements up in time, i.e., by linking them to the substance of the inventory/registry requirements of Articles 5 and 7, rather than the timing of Article 5 and 7 requirements; and
- Allowing a reasonable amount of time (to be determined in advance) before a Party begins participating in the mechanisms for review teams and the Compliance Institution to find that a Party does not meet the eligibility requirements.

Specifically, a Party could initiate the review of its mechanism eligibility at any time. To initiate the review, the Party would submit a report:

- demonstrating that it has in place a national system, consistent with Article 5.1 guidelines;
- including an annual inventory, consistent with Articles 5.2 and 7.1 and guidelines thereunder; and
- demonstrating that it has in place a national registry, consistent with Article 7.4 and guidelines thereunder.

For instance, a Party that establishes its national system and national registry by 2006, could submit a report on its implementation of these requirements in conjunction with its 2004 inventory and request its eligibility review. Given that each Annex I Party must also undergo review of its baseyear inventory to establish its initial assigned amount, we would expect that Parties that wish to begin participating in the mechanisms would choose to have their eligibility reviewed at the same time that their baseyear is reviewed.

The inventory, registry and national system components would be reviewed for conformity with the mechanisms eligibility requirements in accordance with the guidelines for the review process under Article 8. Unless a Party is found not to meet these eligibility requirements (by the Compliance Institution), the Party can participate in the mechanisms. Once a Party undergoes initial eligibility review, it would be subject to the normal annual review process under Article 8. If a Party does not elect eligibility review prior to the commitment period, the annual review process would occur according to the schedule established for the commitment period.

Composition of Review Teams

The stages of the annual review process will require significant time and resources. The use of ad hoc expert review teams, as under the Convention, may not ensure the requisite technical expertise, nor the consistency and time commitment required for timely completion of the annual review under the Protocol. For this reason, consideration is needed of a more permanent structure, which would be supplemented by the Secretariat core. To ensure Parties' confidence in the review process, review teams must be technically competent and accountable to Parties. In this regard, the COP6 decision should specify that review teams will continue to be composed of experts nominated by Parties. However, we recommend the establishment of procedures, such as testing or training, to ensure the technical expertise of teams. Details on the size and number of review teams, as well as the potential use of outside experts to supplement the review process, can be resolved after COP6.

Timeline for the Annual Review

By far the most resource and time intensive task of the annual review will be the inventory review and adjustment procedure. We envisage that the review of assigned amount information and the compilation and accounting of emissions and assigned amount will be fairly simple exercises that will be greatly facilitated by real time tracking of assigned amounts by national registries and standardized electronic reporting of emissions. A clear timeline with deadlines for each stage of the review process is necessary to ensure completion of the process in under a year.

The timeline below lays out US views on the appropriate timeframes for each stage of the process. It is based on an assumption that it is not currently possible to shorten the timeframe for submission of annual inventories, although it presumes electronic reporting and computer software to facilitate the review. As Parties' capacity to prepare inventories evolves, it would be desirable to shorten the timeframe for inventory submission. This would allow for earlier completion of the annual review.

We wish to emphasize that, while some of our proposed stages for the review are similar to those in the inventory review trial period under the FCCC (e.g. initial check), the annual review under the Protocol should not be modeled exactly after the current process under the FCCC. For example, the compilation and synthesis report prepared under the FCCC inventory trial phase is in two parts- a section which aggregates information across countries, and a section which assesses the inventory information of individual countries. While both these functions should continue under the Protocol review, they need not be linked to a single stage and a single report. Further, the Protocol requires that the annual review entail an 'accounting of emissions and assigned amount' - this task can only occur after completion of the review of inventories and any adjustments.

The deadlines that we propose for the various stages are intended to be firm. The need for review teams and Parties to adhere to these deadlines will require early and frequent informal communication between the review teams and Parties concerned to enable early identification of potential problems. In addition, the deadlines are intended to represent the last possible date for completion of a task or phase; they are not intended to preclude Parties and review teams from providing information and completing tasks earlier when possible. Our timeline also presumes that some stages of the review process might be informally begun prior to

completion of the previous stage. For instance, if a review team anticipates through its informal consultation with a Party that the Party will not be submitting an inventory correction, the review team could begin calculation of an adjustment. However, the review team would not propose an adjustment for a Party's approval until the expiration of the Party's opportunity to correct the deficiency. We would be interested in hearing the views of other Parties regarding how the annual review process might be further expedited.

For the most part, the annual review process would not involve an in-country visit. However, with Party consent, an in-country visit might be warranted if the review team determines that additional information is needed. In addition, at any stage of the process, Parties would be expected to provide review teams access to information necessary to substantiate the inventory and/or assigned amount data, including archived information. Consideration must be given to ways to prevent disclosure by the review teams of confidential business information, while maintaining public access to information necessary to substantiate emissions data.

In keeping with the view that the review process should be technical and objective, the review teams would not make any determinations of Party's compliance. Rather, reports from the review teams would be forwarded to the Compliance Institution at two stages in the review process. The first would be a status report prepared after completion of the initial check, and upon expiration of Parties' opportunity to correct/respond to any gaps identified in the initial check. (June 21 in the U.S. timeline) This would enable the compliance screening body to determine whether any potential problems identified during the initial check - such as 'first order' omissions - merit consideration, and would expedite a finding about a Party's failure to meet eligibility requirements. Final reports of the review teams would be forwarded to the compliance body upon completion of the annual review process (March 15). The final reports would indicate whether

- any methodological problems were identified,
- any adjustment(s) had been proposed to the Party,
- any adjustment(s) were accepted, and
- the cumulative effect of any adjustment(s).

Our proposed timeline presents the possibility that the Compliance Institution might take up a Party's case while the Party is still undergoing annual review. For instance, if the initial check revealed an omission that met the "first-order" threshold, the case would pass the Compliance Institution's screening criteria and be taken up by it. However, other parts of the inventory might still require review for conformity with good practice. We do not see this as a problem, since the review process would provide further technical input to the Compliance Institution. Thus, the annual review process would continue normally; its final report and any recommendations for adjustment would be provided to the Compliance Institution when available.

End of Commitment Period

The final annual review for the commitment period will enable the compliance body to verify Parties' compliance with Article 3.1. The final review would entail the same tasks as for any other year of the commitment period, but an additional time period would be provided to allow for final 'true-up' between total emissions and final assigned amount. Upon receipt of the final report under 7.1 for the commitment period the inventory would be reviewed and, if appropriate, adjusted. Parties would then be provided an additional period of time in which to complete final transfers and acquisitions of assigned amount, including transfer of a sufficient quantity of assigned amount into a retirement account to demonstrate compliance with Article 3.1. This 'true-up period' should be short, since Parties will be aware of their emission levels and their total holding of assigned amount in advance. Upon expiration of the true-up period, the review team would prepare a final compilation and accounting of emissions and assigned amount information.

Timeline for the Annual Review Process

<u>Stage/Task</u>	<u>No later than:</u>
Submission of Inventory for 2008	April 15, 2010
Completion of Initial Check	May 1, 2010
Deadline for Parties to respond to problems identified by initial check	June 15, 2010
Review Team Status Report forwarded to Compliance Institution	June 21, 2010
Completion of Individual Review of Inventory and Assigned Amount Information	October 15, 2010
Deadline for Parties to respond to any questions identified by Individual Review	November 15, 2010
Adjustment Calculated/Recommended by Review Team	January 15, 2011
Deadline for Party to accept or refuse adjustment	March 1, 2011
Referral of final reports to Compliance Institution	March 15, 2011

Procedures for adjustment

With respect to the process for adjustment, the US reiterates its view that adjustments would be recommended and calculated by the review team - not the Party concerned. However, the adjustments would only be applied with the consent of the Party concerned. If the Party does not accept the adjustment, the issue would need to be resolved by the Compliance Institution, which would, if warranted, apply the appropriate adjustment. See chart submitted by the United States in our February submission.

Classification of Inventory Problems

The US has previously proposed a distinction between 'egregious' and 'non-egregious' consequences. Our rationale is to distinguish between types of problems that are 'correctable' through the adjustment process and those that, while adjusted, still constitute non-compliance with reporting requirements. For consistency with the workshop discussions, we will now refer to our 'egregious problems' as 'first-order' problems.

All problems identified in inventories submitted under Article 7.1 would be adjusted, including those characterized in document INF.5/Add.2 as procedural, such as lack of documentation or failure to adhere to reporting guidelines. However, for first-order inventory problems, the adjustments would not be considered the end of the problem. These cases would be taken up by the Compliance Institution, in accordance with its screening criteria. A Party would be subject to whatever pre-agreed outcome results from such a case, such as loss of access to one or more Kyoto mechanisms because of failure to meet eligibility requirements.

Deficiencies in national systems under Article 5.1 would not be adjusted, unless such deficiencies result in a problem in the annual inventory submitted under Article 7.1. Thus, the document's classification of inventory problems as procedural or quantitative is inappropriate because it suggests that some problems under 7.1 are not adjustable, and because it combines problems related to 7.1 with problems related to 5.1.

The Secretariat document also mentions possible problems with national registry reporting. Depending on decisions regarding the structure/function of national registries, we may need to give consideration to the classification of registry problems in the future. However, this possibility should not be considered until further progress has been made by the mechanisms group in defining registry requirements, and it should not be considered in the context of inventory problems or adjustments.

With respect to the proposed categorization as first-order, second-order or de minimis, we can agree with a distinction between first and second order, since other consequences, such as loss of access to the mechanisms, may flow from a first order problem. However, there is no need to define de minimus, since we do not see a distinction between the outcome of a second order and a de minimus problem. In either case, the Party would be provided the opportunity to correct the problem. If the problem is not corrected, then adjustments would be applied. Given the amount of other work that needs to be completed on Articles 5,7 and 8 prior to COP6, Parties should not devote additional time and energy to defining de minimus.

We propose the following four definitions for a 'first-order' problem in an inventory submitted in accordance with Article 7.1.

Lateness: Failure to submit the annual inventory and national inventory report within 2 months of the due date would be considered first-order.

Incompleteness: Failure to submit estimates for a source category (as defined in chapter 7 of the IPCC good practice) that individually accounts for 10% or more of the Party's emissions would be considered first-order.

Recurring problems: If at any point during a commitment period, the sum of the difference for each year between the Party's adjusted inventory (submitted inventory plus adjustments) and its submitted inventory, as a proportion of its annual submitted inventory, equals or exceeds .30, that Party would be considered to have a first-order inventory problem. The formula below illustrates this concept:

$$\sum ((\text{adjustment inventory} - \text{submitted inventory}) / \text{annual submitted inventory}) \geq .30$$

Fraud: Intentional submission of falsified or misrepresentative data would be considered first-order.

For methodological problems, we do not propose a distinction between first-order and second-order problems on annual basis. However, recurring methodological problems that result in large adjustments could become first-order under our third definition.

US Line-by-line Comments on the 2nd Draft of Guidelines for National Systems under Article 5.1

I. SCOPE

1. These guidelines are intended to be mandatory for all Annex I Parties. Parties' implementation of national system requirements may differ according to national circumstances, but shall include the elements described in these guidelines. Any differences in implementation shall not negatively affect the performance of the functions described in these guidelines.

II. OBJECTIVES

~~1~~2. The objectives of national systems under Article 5.1 for the estimation of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, referred to below as “national systems”, are:

(a) To enable Parties included in Annex I to the Convention (Annex I Parties) to estimate greenhouse gas (GHG) emissions by sources and removals by sinks, as required by Article 5. ~~1~~2, and to report these emissions in accordance with Article 7.1 and relevant decisions of the COP and/or COP/MoP;

(b) To assist Annex I Parties in meeting their commitments under Articles 3 and 7;

(c) To facilitate the review of the information submitted under Article 7 by Annex I Parties, as required by Article 8; and

(d) To assist Annex I Parties to ensure and improve the quality of their inventories.⁽⁷⁾ as requested by Article 10 (a).

II. DEFINITION OF NATIONAL SYSTEM

~~2~~3. A national system includes all institutional, legal and procedural arrangements within an Annex I Party for estimating GHG emissions by sources and removals by sinks, and for reporting and archiving inventory information. ~~and for facilitating its review as required by these guidelines for national systems⁽⁶⁾, to meet the Party's obligations under the Kyoto Protocol.~~

III. CHARACTERISTICS

3. National systems may differ among Annex I Parties depending on their national circumstances. National circumstances shall not negatively affect the performance of the functions described in these guidelines.

4. National systems should be designed and operated to ensure the transparency, consistency, comparability, completeness and accuracy of inventories as defined in the guidelines for the preparation of national communications inventories by Annex I Parties in accordance with relevant decisions of the COP and/or COP/MoP included in Annex I to the Convention, Part I: UNFCCC reporting guidelines on annual inventories, adopted by the Conference of the Parties (COP) at its fifth session, referred to below as the reporting guidelines on annual inventories, or any subsequent revisions of these guidelines adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), taking into account relevant decisions of the Conference of the Parties.

5. National systems should ensure promote confidence in the quality of the inventory through planning and management of inventory activities. Inventory activities include by collecting activity data and selecting emission factors appropriately, estimating emissions by sources and removals by sinks, and by implementing uncertainty assessment and quality assurance/quality and control activities, including and carrying out procedures for the verification of the inventory data at the national level, as described in these guidelines for national systems.

6. National systems should be sufficiently robust enough to support compliance with the implementation of Annex I Parties' Kyoto Protocol commitments related to the estimation of GHG emissions and removals under the Kyoto Protocol. by ensuring that the mandatory functions set out in these guidelines for national systems are performed and that every effort is made to perform the desirable functions. .

IV. OTHER DEFINITIONS

7. Use of the following terms in the Guidelines for National Systems is the same as those in the IPCC Good Practice Guidance (GPG), adopted by COP decision _____ . In the context of these guidelines for national systems the following definitions from the GPG Glossary are accepted:

(a) Good practices, as defined in the Intergovernmental Panel on Climate Change (IPCC) good practice guidance,^(a) are a set of procedures that aim intended to ensure to produce that GHG inventories which are accurate in the sense of being that they are systematically neither

over- nor underestimated as far as can be judged, and in which that uncertainties are reduced as far as practicable possible. Good practices aim also to produce inventories that are transparent, documented, consistent over time, complete, comparable, assessed for uncertainties, subject to

quality assurance and control and efficient in the use of resources. The good practice guidance covers choice of estimation methods appropriate to national circumstances, quality assurance and quality control at the national level, quantification of uncertainties, and data archiving and reporting to promote transparency. Good practice guidance provides a reference that complements and is consistent with the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories;⁽¹⁰⁾

(b) Quality assurance and quality control (QA/QC) encompass activities aimed at improving the quality of the inventories. These activities may be common to all the inventory source-categories or may be specific to some of them. Quality control and quality assurance activities have different characteristics as defined below:

(i) Quality control (QC) is a system of routine technical activities implemented by inventory development personnel to measure and control the quality of the inventory as it is being developed. It The QC system is designed to

- (i) provide routine and consistent checks to ensure data integrity, correctness and completeness,
- (ii) to identify and address errors and omissions, and
- (iii) to document and archive inventory material and record all activities.

QC activities include general methods such as accuracy checks on data acquisition and calculations and the use of approved standardized procedures for emission calculations, measurements, estimating uncertainties estimations, archiving information and reporting. Higher tier QC activities also include technical reviews of source categories, activity data and emission factors data, and methods;

(c) Quality assurance (QA) activities include a planned system of review procedures conducted by personnel not directly involved in the inventory compilation development process. These QA review procedures should be performed upon a finalized inventory, preferably by independent third parties, following the implementation of the QC procedures. These QA review procedures shall to verify that data quality objectives were met and shall aim to ensure that the inventory represents the best possible estimate of emissions and sinks given the current state of scientific knowledge and data available, and assess support the effectiveness of the QC programme.

(e) Source category refers to the emissions by sources and removals by sinks of GHGs as used in the IPCC Guidelines in describing methods to estimate a national GHG inventory. In each IPCC source category emissions and removals of different GHGs may exist;

(d) Key source category is one that is prioritized within the national inventory because its estimate has a significant influence on a country's total inventory of direct GHGs in terms of the absolute level of emissions, the trend in emissions, or both. (See Chapter 7, Methodological Choice and Recalculation.) The identification of key source-categories allows the resources available for inventory preparation to be prioritized and the best possible estimates prepared for the most significant sources;^(t1)

(e) Decision tree is a flow-chart describing the specific ordered steps which need to be followed to develop an inventory or an inventory component in accordance with the principles of good practice procedure set out in the IPCC good practice guidance for choosing the method of estimating the emissions and removals of a given source category in each sector of the IPCC Guidelines, which is illustrated in the figure 1 shown in the appendix to these guidelines. The decision trees formalize the choice of estimation method most suited to national circumstances. The sectoral advice linked to the decision trees also provides information on the choice of emission factors and activity data;

(f) Recalculation is a procedure for re-estimating GHG emissions and removals of previously submitted inventories as a consequence of changes in methodologies, changes in the manner in which emission factors and activity data are obtained and used, or the inclusion of new source categories. Generally, recalculations are a consequence of improved inventory capacity and data availability and are desirable when they result in more accurate and complete estimates. The recalculation of historic emissions and removals should be performed when methods have been changed or refined^(t2), when new source categories or gases are included in the national inventory, or when errors in the estimates are identified and corrected. The entire time-series of emissions and removals, including the base year, should be calculated using the changed or refined methods in order to consistently assess emission trends.

VI. GENERAL FUNCTIONS

8. In the implementation of its national system, Each Annex I Party shall undertake through its national system, taking into account its national circumstances, the following general functions:

- (a) The implementation of Establish and maintain the institutional, legal and procedural arrangements necessary to perform the functions/tasks defined in these guidelines, as appropriate, between the government agencies and other entities responsible for the performance of all functions defined in these guidelines;
- (b) Ensure sufficient capacity for timely performance of the functions defined in these guidelines, including data collection for estimating GHG emissions and removals;

~~(cb) The preparation and reporting of Prepare national annual inventories in a timely manner in accordance with Articles 5.2 and 7.1 and according to the relevant decisions of the COP and/or COP/MOP; decisions, including the collection of inventory activity data and selection of emission factors, in accordance with the methodologies of the IPCC Guidelines, as elaborated by any good practices agreed upon by the COP/MOP; and in accordance with the reporting guidelines on annual inventories, or any subsequent revisions of these guidelines adopted by the~~

~~COP/MOP, taking into account relevant decisions of the Conference of the Parties;⁽¹³⁾~~

~~(c) The reporting in a timely manner of the supplementary information to be incorporated in the annual inventory⁽¹⁴⁾ for the purposes of ensuring compliance with Article 3, to be determined by the COP/MOP in accordance with Article 7;~~

~~(d) The formulation and implementation, where relevant and to the extent possible, of cost-effective national programmes, as well as cooperation in regional programmes where appropriate, to improve the quality of national emission factors, activity data and methodologies, including measuring and monitoring, for the preparation and periodic updating of national inventories using methodologies agreed upon by the COP and consistent with the IPCC Guidelines, as elaborated by any good practices agreed upon by the COP, and in line with the provisions of Article 10 (a);~~

~~(e) The provision of timely and competent responses to the questions raised during the review process under Article 8; and~~

~~(df) The implementation of arrangements for ensuring and updating Seek to ensure the technical competence of the staff involved in the inventory development process.~~

VI. SPECIFIC FUNCTIONS

9. In order to perform the objectives and general tasks described above, ~~mentioned general functions in accordance with the characteristics of national systems set out in these guidelines,~~ each Annex I Party shall undertake specific tasks related to functions in its inventory development process,⁽¹⁵⁾ ~~namely during inventory planning, preparation, reporting and management.~~

INVENTORY PLANNING

10. As part of its inventory planning, each Annex I Party shall: ~~The inventory planning functions to be undertaken by Parties shall include:~~

- (a) ~~The Ddesignateion of a single national entity with overall responsible for the national inventory and its whole development process,~~
- (b) ~~and the Define and allocateion of specific responsibilities in the inventory development process, including those related to data collection, processing and archiving, and quality control (QC) and quality assurance (QA). This definition shall specify the roles of the government agencies and other entities involved in the preparation of the inventory, as well as the institutional, legal and procedural arrangements made to prepare the inventory~~

~~(cb) The eElaborateion of a documented an inventory QA/QC plan which describes plan for the planning, preparation, reporting and management of the inventory. This plan shall include:~~

~~(i) the Sspecific QC procedures to be implemented along with during the inventory development process, and the overall QA procedures to be conducted on the entire inventory; where appropriate;~~

~~(ii) Activities aimed to ensure sufficient capacity for performing the functions defined in these guidelines, such as data collection for estimating GHG emissions and removals;~~

~~(iii) Activities to address the issues identified for improvement of the inventory development process and of the inventory quality improvement programme, and in external reviews conducted under Article 8 or commissioned by the national entity responsible for the inventory;~~

~~(c) The establishment of the institutional, legal and procedural arrangements for collecting, processing, communicating and archiving inventory data necessary for the preparation, reporting and management of the inventory as described in paragraphs 8, 10, 11, 12, 13 and 14 of these guidelines. These arrangements shall provide for the necessary authority for the timely collection of data;~~

~~(i) The arrangements referred to in sub-paragraph (c) above related to activity data shall aim to ensure close cooperation between the national entity responsible for the national inventory and the entity responsible for collection of activity data, in particular national statistical services and other organizations, such as enterprises, that may collect and/or maintain activity data;~~

~~(ii) The arrangements referred to in sub-paragraph (c) above related to emission factors shall aim to ensure close cooperation between the national entity responsible for the national inventory and other entities responsible for developing, compiling and recommending emission factors to be used in the inventories. These arrangements may include cooperation with relevant regional and/or international entities;~~

~~(iii) The arrangements referred to in subparagraph (c) above shall include the development and implementation of QC and QA activities, where appropriate;~~

~~(d) Establish The implementation of processes for the official consideration and approval of the inventory prior to its submission and to respond to any issues raised by the inventory review process under Article 8, for consideration and approval of the use of new and/or revised emission factors and relevant decisions for recalculating estimates that were submitted in previous inventories;~~

~~(e) The establishment of internal quality objectives, in line with the national programmes referred to in paragraph 8(d) above, for activity data, emission factors and methodologies and the implementation of the necessary activities to meet this internal quality objective within a fixed deadline. Inputs from the review process under Article 8, other review commissioned under national systems and results of the QA/QC activities should be taken into account for the establishment of such quality objectives.~~

11. As part of its inventory planning, each Annex I Party should consider ways to improve the quality of activity data, emissions factors, methodologies and other relevant technical elements of inventories. Information obtained from the implementation of the QA/QC program, the review process under Article 8 and other reviews should be considered in the development and/or revision of the QA/QC plan and any quality objectives.

INVENTORY PREPARATION

12. As part of its inventory preparation, each Annex I Party shall: The inventory preparation and reporting functions to be undertaken by Parties:

~~(a) Shall include: Identify key source categories following the methods described in the IPCC good practice guidance (Chapter 7, Section 7.2);~~

~~(b) Prepare estimates in accordance with the methods described in the IPCC guidelines, as elaborated by good practice, and ensure that appropriate methods are used to estimate emissions from key source categories;~~

~~(c) Collect sufficient activity data, process information, and emission factors as necessary to support the methodologies selected for estimating emissions by sources and removals by sinks;~~

~~(d) Make a quantitative estimate of inventory uncertainty for each source category and for the inventory in total, following the IPCC good practice guidance;~~

~~(i) The identification of the base year, taking into account the provisions of Article 3.5 for those Annex I Parties undergoing the process of transition to a market economy and the provision of Article 3.8 for estimates of hydrofluorocarbon (HFC), perfluorocarbon (PFC) and sulphur hexafluoride (SF₆) emissions. This base year is to be used for the purpose of calculating the assigned amounts under Article 3.7, and to be used in these guidelines for national systems, where appropriate;~~

~~(ii) The identification of key source categories by performing a quantitative analysis, at least the tier 1 approach for identifying key source categories⁽¹⁶⁾ of the IPCC good practice guidance. Parties are encouraged to identify the key sources using the tier 2 approach provided that relevant data is available. The identification of key source categories should include the consideration of other qualitative criteria,⁽¹⁷⁾ such as high expected emission growth, high uncertainty or unexpectedly low or high emissions, as described in the IPCC good practice guidance. The list of source categories to be used for the identification of key source categories is included in table 1⁽¹⁸⁾ in the appendix to these guidelines. Each GHG emitted from a single source category is to be considered separately, unless there are specific methodological reasons for treating these GHGs collectively;~~

~~(iii) The use of the good practice guidance in all source categories in accordance with the corresponding decision trees and with the national availability of data. This includes the pursuit of the good practice guidance related to the choice of emission factors, activity data and uncertainty assessment for the relevant method (tier)⁽¹⁹⁾ in each source category. Parties should make every effort to use the most rigorous method(s) (tier(s)) included in the decision trees of the good practice guidance in the source categories that are identified as key, unless such methods would not be the most appropriate for a given source category;~~

(e) Ensure that any recalculations of previously submitted estimates of emissions and removals are prepared in accordance with the IPCC good practice and relevant decisions of the COP and/or COP/MoP.

~~(iv) The preparation and reporting of the inventory following the good practice guidance for estimating inventory uncertainty and recalculating previously submitted estimates of emissions and removals and the specific guidance provided in paragraphs 10, 11, 12, 20 and 24 of the reporting guidelines on annual inventories. In keeping with the aim of the good practice guidance, total inventory uncertainty is to be reported in quantitative terms to help in identifying areas for further improvement and to track the accuracy of the inventory;~~

~~(fv) The compilation of Compile the national inventory in accordance with Articles 7.1 and relevant decisions of the COP and/or COP/MoP; and the reporting guidelines on annual inventories, including the common reporting format, and taking into account the provisions of paragraph 11 (a) (ii) and (iii) above, as well as the supplementary information referred to in paragraph 8 (c) above;~~

~~(gvi) The application of the general-inventory-level QC procedures (tier 1 QC)⁽²⁰⁾ as included in table 2 in the appendix to these guidelines, bearing in mind that it will not be possible to check all aspects of inventory input data, parameters and calculations every year. Checks of data and calculations related to identified key sources are to be conducted annually.~~
Implement general inventory QC procedures (Tier 1) in accordance with its QA/QC plan. Parties are encouraged to apply these checks and calculations source category specific QC procedures (Tier 2) for individual source categories that are identified as key and for those

individual source categories in which significant methodological and/or data revisions have occurred, to the non-key source categories, to the extent possible;

(vii) ~~An annual or periodical internal evaluation of:~~

~~-The inventory development process;~~

~~-The inventory quality improvement programme; and~~

~~-The actions taken by the Party in response to the problems identified in the reports of the external reviews conducted under Article 8 or commissioned by the national entity responsible for the inventory;~~

(viii) ~~The preparation of texts that should be included in the national inventory report, as requested in paragraph 33 of the reporting guidelines on annual inventories, and information on:~~

~~- Actions taken under the programmes for improving the quality of inventories referred to in paragraph 8 (d) above; and~~

~~-Key source categories for which the most rigorous method(s) (tier(s)) referred to in paragraph 11 (a) (iii) above were not used, including actions taken or planned to improve the estimate of these key source categories;~~

13(b) As part of its inventory preparation, each Annex I Party sShould include:

(i) ~~The application of source category-specific QC procedures (tier 2 QC)⁽²¹⁾ for the individual source categories that are identified as key;~~

(ii) ~~The application of source category-specific QC procedures (Tier 2 QC) for those individual source categories in which significant methodological and data revisions have taken place;~~

(a) ~~Provide for The conduct of a basic expert review of the inventory⁽²²⁾ by personnel that have not been involved in the inventory development, preferably an independent third party, before the submission of the inventory in accordance with the planned QA procedures referred to in paragraph 10 (cb) above, and: Key source categories should be given priority as well as source categories where significant changes in methods or data have been made. All expert reviews should be well documented, preferably in a report or checklist format that shows the findings and recommendations for improvement.~~

(b) Provide for a more extensive expert review of the inventory for key source categories, as well as source categories where significant changes in methods or data have been made.

INVENTORY MANAGEMENT

142. As part of its inventory management, each Annex I Party shall ~~The inventory management functions to be undertaken by Parties:~~

(a) ~~Shall include:~~ Archive inventory information for each year in accordance with relevant decisions of the COP and/or COP/MoP. This information shall include all disaggregated emission factors, activity data, and documentation about how these factors and data have been generated and aggregated for the preparation of the inventory. Parties are encouraged to collect and gather the information in a single national inventory facility (i) ~~The archiving of the inventory information of each year, including the base year, in accordance with paragraph 35 of the reporting guidelines on annual inventories, or any subsequent revisions to these guidelines adopted by the COP/MOP, taking into account relevant decisions of the Conference of the Parties. This information should facilitate the review activities by the expert review team under Article 8 by enabling estimates of emissions and removals to be traced back to the original disaggregated emission factors and activity data;~~

(bii) ~~Provide review teams under Article 8~~ The access to all the archived inventory information used by the Party to prepare the inventory, by the expert review teams under Article 8, except for that part of the information which contains confidential data. This part of confidential information would be accessible under the provisions of confidentiality for managing inventory information to be developed by each Annex I Party in accordance with the appropriate guidelines to be adopted by the COP/MOP;⁽²³⁾

(iii) ~~The archiving of internal documentation of QA/QC activities and the reports of external reviews under Article 8 and those commissioned under the national systems, including corrections and modifications to the inventory resulting from these activities;~~

(civ) ~~The response~~ Respond to requests for clarifying inventory information resulting from the different stages of the review process of the inventory information and information on the national system in a timely manner in accordance with Article 8, as described in the revised guidelines for the technical review of the inventories of Annex I Parties to be adopted by the COP at its eighth session or any subsequent revision adopted by the COP/MOP and in the guidelines for the review of implementation by expert review teams, as appropriate;

(v) ~~The archiving of the list of used annual key-source categories and the documentation of the key source category identification approaches; and~~

(vi) ~~The archiving of improvement programmes and inventory plans as described in paragraphs 8 (d) and 10 (b) above, as well as reports described in paragraph 13 below.~~

~~(b) Should include:~~

~~The conduct of more extensive expert peer review and/or audits as additional QA procedures⁽²⁴⁾ within the available resources as described in the good practice guidance.~~

~~VII. REPORTING AND INFORMATION SHARING⁽²⁵⁾~~

~~13. Each Annex I Party shall include in its national communication:~~

~~(a) A description of how it has undertaken the functions defined in paragraphs 8, 10, 11 (a) and 12 (a) above during the period between successive national communications. This includes an explanation of what functions were not performed or only partially performed and information on actions planned or taken to perform them in the future;~~

~~(b) A description of the inventory development plan as defined in paragraph 10 (b) (ii) above; and~~

~~(c) A description of the institutional arrangements as defined in paragraphs 8 (a) and 10 (a), (c), and (d) above, including the key legal and procedural arrangements.~~

~~14. Each Annex I Party:~~

~~(a) Shall make available its national GHG inventory report, including the common reporting format, according to the reporting guidelines on annual inventories or any subsequent revisions of these guidelines adopted by the COP/MOP for its base year and years constituting the commitment period. The information shall be made available on a national website;~~

~~(b) Shall make available the postal and electronic addresses of the national entity responsible for the inventory; and~~

~~(c) Should make available to any interested Party, organization or person, the information described in paragraph 13 above in either printed or electronic format, upon request.~~

~~VIII. ADOPTION AND UPDATING OF THE GUIDELINES~~

~~15. These guidelines for national systems shall be adopted, reviewed and revised, as appropriate, according to the decisions of the COP/MOP, taking into account any relevant decision of the COP.~~