

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE
Eighth session
Bonn, 2-12 June 1998
Agenda item 8

SUBSIDIARY BODY FOR IMPLEMENTATION
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MECHANISMS

Draft conclusions by the Chairmen

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI) recalled decision 1/CP.3, in particular paragraph 5(b), (c) and (e) on guidance to the secretariat on preparatory work needed for consideration by the fourth session of the Conference of the Parties.
2. The SBSTA and the SBI further recalled paragraph 6 of the same decision concerning the allocation of preparatory work for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.
3. The SBSTA and the SBI took note of documents FCCC/SB/1998/2, FCCC/SB/1998/MISC.1 and Add.1, Add.1/Rev.1, Add.3, Add.3/Rev.1, Add.5 and Add.6, and FCCC/SB/1998/MISC.2.
4. The SBSTA and the SBI further took note of the Suggested Elements for a Work Programme on Mechanisms of the Kyoto Protocol attached hereto.
5. The SBSTA and the SBI invited Parties to submit views on the mechanisms referred to in decision 1/CP.3, paragraph 5(b), (c) and (e).

Suggested Elements for a Work Programme on Mechanisms of the Kyoto Protocol

This list is compiled on the basis of the Proposed Work Programme on Mechanisms of the Kyoto Protocol submitted by the G-77 and China, suggestions by other Parties during the contact group meetings and further proposals submitted by Canada et. al.¹⁾ and United Kingdom of Great Britain and Northern Ireland (on behalf of the European Community and its Member States) on Friday 12 June. This list is not negotiated.

Article 12 - clean development mechanism

Methodological /Technical Work

1. Purpose of cdm projects
2. Complementarity to domestic action
3. Part of Annex I commitments
4. Additionality criteria in funding
5. Criteria for real, measurable and long-term benefits related to climate change
6. Compatibility with sustainable development priorities/strategies
7. Criteria for project eligibility
8. Criteria for certification
9. Criteria for project baseline
10. Definition of the concept of certified emission reductions
11. Acquisition and transfer of certified emission reduction
12. Systems for independent auditing and verification of project activities
13. Format for reporting
14. Identification/ determination of share of proceeds
15. Adaptation
16. Implication of Article 12.10 of the Kyoto Protocol
17. Outcome of methodological work on Articles 3.3 and 3.4 of the Protocol

Suggestions forwarded during the contact group

18. Determination of "part of" and its relationship to complementarity
19. Concept of voluntary participation
20. Categorization of projects
21. Approaches to project identification and development
22. Guidelines related to the inclusion of LUCF activities
23. Additionality criteria
24. Guidelines for certification
25. Analysis of implications of Article 12.10 of the Kyoto Protocol
26. Articles 3.3 and 3.4 of the Protocol

Proposals submitted on Friday 12 June 1998

27. complementarity, by means of a concrete ceiling for the three mechanisms;
28. to ensure that projects provide real measurable and long-term benefits;
29. Additionality of emissions reductions (Article 12.5c);

30. determination of "part of" (Article 12.3b);
31. elaboration of modalities and procedures with the objective of ensuring transparency, efficiency and accountability through independent auditing and verification of project activities;
32. clarification of project types and categories;
33. defining "share" of proceeds, including:
 - * share to cover administrative expenses;
 - * modalities and level of share "to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation".
34. interpretation of "to assist in arranging funding for certified project activities as necessary";
35. implications of Article 12.10.
36. Project eligibility
 - * Additionality
 - * Project baselines/benchmarks
 - * Criteria for real, measurable, and long-term benefits
37. Certification
38. Auditing, verification and monitoring
39. Sinks
40. Reporting

Institutional Issues

1. Authority and guidance of the COP
2. Executive Board - Constitution, Composition, and Functions
3. Accountability of the Executive Board to the COP/moP
4. Functions/ provision of guidance
5. Procedure
6. Identification and designation of operational entities
7. Monitoring and auditing of operational entities

Suggestions forwarded during contact group

8. Overall institutional framework
9. Technical and operational support for Executive Board
10. Monitoring and verification of project activities
11. Authority and guidance of the COP/MOP
12. Functions/ provision of guidance / supervision
13. Rules of procedure

Proposals submitted on Friday 12 June 1998

14. institutional issues (Executive Board, operational entities, etc).
15. Same as items 1-13

Participation in projects

1. Private and/ or public entities
2. Responsibility of Parties
3. Guidance to be provided by the executive board

Proposals submitted on Friday 12 June 1998

4. criteria for voluntary participation of Parties, public and/or private entities, etc.
5. Same as items 1-3

Process

1. Approval by both Parties
2. Procedure to attain certification of project activities
3. Certification of emission reductions
4. Acquisition and transfer of certified emission reduction .
5. Assistance in arranging funding for projects assistance
6. Rules to guarantee transparency, non-discrimination and to prevent distortion of competition

Suggestions forwarded during contact group

7. Cdm shall assist in arranging funding of certified project activities as necessary (12.6)
8. Certification
9. Reporting, auditing and verification
10. Accessibility
11. Adaptation (project process)
12. Transparency, non-discrimination and prevention of distortion of competition
13. Approval by each Party involved
14. Assistance in arranging funding for adaptation projects

Proposals submitted on Friday 12 June 1998

15. adoption of a framework for operation of the cdm.
16. Voluntary participation
17. Acquisition and transfer of certified emission reductions
18. Assistance in arranging funding for projects
19. Adaptation

Linkage

1. with contribution to compliance with part of commitments under Art. 3 of Annex I Parties
2. with contribution to meet the costs of adaptation
3. with Article 6 projects

4. CERs and ERUs accruing from projects
5. Work related to Article 18 of the Kyoto Protocol

Suggestions forwarded during contact group

6. With Article 17

Proposals submitted on Friday 12 June 1998

7. complementarity, by means of a concrete ceiling for the three mechanisms;
8. compliance (need to adopt and ratify Article 18);
9. Articles 3, 5, 6, 7, 8 and 17.

10. Fungibility with AAUs and ERUs
11. AIJ

Article 6 projects

Methodological/Technical Work

1. Complementarity to domestic action
2. Criteria for Article 6 projects
3. Criteria for project baselines
4. Acquisition and transfer of emission reduction units
5. Compliance with Article 5 and 7 of the Kyoto Protocol
6. Verification
7. Reporting
8. Non-compliance
9. Outcome of methodological work on Article 3.3 and 3.4

Suggestions forwarded during contact group

10. Methodological work associated with Art. 6.1 (b)
11. Guidelines on review of implementation by expert review team (Art. 8.4)
12. Guidelines on eligibility of projects initiated under AIJ for generation of ERU under Art. 6.
13. Additionality criteria
14. Certification and monitoring
15. Guidelines for projects and project baselines
16. Verification and monitoring particularly Article 6.4
17. Non-compliance (Article 18)

Proposals submitted on Friday 12 June 1998

18. complementarity, by means of a concrete ceiling for the three mechanisms;
19. to ensure that projects provide real measurable and long-term benefits;
20. additionality of emissions reductions (determination of project baselines and actual emissions or removals, Article 6.1 b);

21. common methodologies for certification, project monitoring and verification of actual reductions from sources and enhancement of removals by sinks
22. Project eligibility
 - * Additionality
 - * Project baselines
23. Verification and monitoring
24. Sinks
25. Reporting

Proposals submitted on Friday 12 June 1998
(Submissions proposing a new heading under Article 6)

Participation in projects

1. approval of projects;
2. to determine that Parties, and their authorised legal entities can account for, certify, document and verify emissions reductions and removals by sinks from JI projects.
3. Responsibility of Parties
4. Private and/or public entities

Process

1. Approval by Parties of projects
2. Assessment of additionality
3. Compliance with Article 5 and 7
4. Acquisition and transfer of emission reduction units

Suggestions forwarded during contact group

5. Private and/ or public entities
6. Responsibility of Parties
7. Accessibility
8. Transparency, non-discrimination and prevention of distortion of competition

Proposals submitted on Friday 12 June 1998

9. Voluntary participation
10. Acquisition and transfer of ERUs
11. Compliance

Institutional

1. Role of COP/moP, SBSTA and SBI
2. Work on non-compliance
3. Elaboration of guidelines as per Article 6.2

4. Involvement of legal entities operating under the responsibility of a Party
5. Definition of institutional authority

Suggestions forwarded during contact group

6. Involvement of legal entities operating under the responsibility of a Party as referred to in 6.3
7. Reporting
8. Non-compliance

Proposals submitted on Friday 12 June 1998

9. determination of guidelines for accounting, certification, documentation and verification of JI projects;
10. procedures for recording and reporting transfers and acquisitions of emission reduction units.
11. Role of COP/MoP

Linkage

1. With Article 5
2. With Article 7
3. With Article 8
4. With Article 18
5. With Article 12, in particular Article 12.8
6. With Article 17

Proposals submitted on Friday 12 June 1998

7. supplementarity, by means of a concrete ceiling for the three mechanisms;
8. compliance (need to adopt and ratify Article 18);
9. Articles 3.3, 3.4, 5, 7, 8, 12, 17 and 18
10. Fungibility with AAUs and CERs
11. AIJ

Activities Implemented Jointly

Activities Implemented Jointly (AIJ) cannot be part of this work programme. AIJ will be governed by COP decisions, namely, 5/CP.1, 8/CP.2 and 10/CP.3. According to decision 5/CP.1, the COP shall take into consideration the need for a comprehensive review of the pilot phase in order to take a conclusive decision on the pilot phase and the progression beyond that, no later than the end of the present decade. The secretariat should prepare an update on information about the pilot phase of AIJ.

Article 17 - emissions trading between Annex I Parties

Issues for Work Programme

1. Basis of rights and entitlements of Annex I Parties for trading emissions
2. Determination and creation of such rights and entitlements
3. Supplementarity to domestic action for the purpose of meeting quantified emission limitation and reduction commitments under Article 3
4. Conformity with the principle of equity in the Convention
5. Real and verifiable reduction of GHG emissions
6. Elements of principles, modalities, rules and guidelines for any trading in emissions
7. Elaboration of principles, modalities, rules and guidelines, including the funding of adaptation
8. Matters relating to verification, reporting and accountability
9. Whether any commonality with other mechanisms

Suggestions forwarded during contact group

12. Scope of participation of legal entities
13. Accessibility
14. Rights, entitlements and equity
15. Verification
16. Reporting
17. Accountability
18. Adaptation
19. Scope of participation in market mechanisms
20. Definition of relevant principles, modalities, rules and guidelines for verification, reporting and accountability

Proposals submitted on Friday 12 June 1998

21. Risk of transferees on transfers the transferor was not entitled to make under the Protocol.
22. Refusals of Annex I Parties to participate in emissions trading under Article 17.

Proposals submitted on Friday 12 June 1998

(Submissions proposing headings under Article 17)

Methodological/technical Work

1. determination of principles, rules, modalities and guidelines:
 - * in particular for verification, reporting and accountability;
 - * to ensure that emissions trading provides real, cost-effective and verifiable environmental benefits, and that trading of 'hot air' does not lead to emissions reductions being lower than would otherwise be the case;
 - * to define supplementarity, by means of a concrete ceiling for the three mechanisms;

* to ensure that the emissions trading system is transparent, accessible and verifiable, functions in a non-discriminatory manner, and does not lead to distortions of competition;

* to establish responsibility in the event of non-compliance.

2. Principles, modalities, rules, and guidelines, for verification, reporting, and accountability
3. Environmental effectiveness and economic efficiency
4. Tradeable assigned amount unit
5. Participation, including Parties and legal entities
6. Eligibility
7. Institutional requirements
8. Recording and reporting
9. Verification and accountability
10. Liability
11. Competitive markets
12. Transparency
13. Compliance

Participation in trading

1. eligibility of Parties;
2. eligibility of other entities under the responsibility and within the jurisdiction of a Party.

Institutional issues

1. determination of principles, rules, modalities and guidelines:
 - * for procedures for recording and reporting transfers and acquisitions of parts of assigned amounts;
 - * for a national system for tracking and recording information on all trades by authorised legal entities.

Linkage

1. supplementarity, by means of a concrete ceiling for the three mechanisms;
2. compliance (need to adopt and ratify Article 18);
3. Articles 3, 5, 6, 7, 8, 12 and 18.

4. Fungibility with CERs and ERUs

Additional proposals are contained in documents FCCC/SB/1998/2, FCCC/SB/1998/MISC.1 and Add.1, Add.1 Rev.1, Add.3, Add.3/Rev.1, Add.5 and Add.6, and FCCC/SB/1998/MISC.2.

1) Canada et. al. includes Australia, Canada, Iceland, Japan, New Zealand, Norway, Russian Federation, Ukraine, and United States of America
