

14 September 2000

ENGLISH/SPANISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Thirteenth session

Lyon, 11-15 September 2000

Item 7 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION

Thirteenth session

Lyon, 11-15 September 2000

Item 7 of the provisional agenda

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

**Principles, modalities, rules and guidelines for the
mechanisms under Articles 6, 12 and 17 of the
Kyoto Protocol**

Additional submissions from Parties

Note by the secretariat

Addendum

1. The Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, at their twelfth sessions, urged Parties, if they wished to make additional submissions, to do so in succinct, legal language and directly related to the text in document FCCC/SB/2000/4, by 1 August 2000, for inclusion in a miscellaneous document to be issued before the thirteenth sessions of the subsidiary bodies. Submissions received later would be issued at the thirteenth sessions (FCCC/SBSTA/2000/5, para. 23 (d)).

2. Twelve such submissions* have been received in addition to those contained in document FCCC/SB/2000/MISC.4 and Add.1. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced in the language in which they were received and without formal editing. For the submission by Paraguay, an unofficial translation was received and is attached.

* In order to make these submissions available on electronic systems, including the World Wide Web, they have been electronically scanned and/or retyped. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

(This document is being reissued for technical reasons.)

FCCC/SB/2000/MISC.4/Add.2/Rev.1

LYS.00-00200

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PAPER NO. 1: AOSIS

SUBMISSION BY AOSIS

Submission on CDM

Executive board's functions and tasks to include at para 8 add:

8 (j) "Define and adopt an independent review procedure to address concerns raised by Parties or accredited observers to the UNFCCC relating to observance of modalities and procedures of the CDM in the context of decisions made by the EB or OEs."

COP/MOP

No elaboration of "an appeal procedure" for COP/MOP.

Executive Board

Para 19 add:

"The executive board may establish such committees, panels or working groups as may be required for the execution of its functions."

PAPER NO. 2:

AUSTRALIA, CANADA, ICELAND, JAPAN, NEW ZEALAND, NORWAY, THE
RUSSIAN FEDERATION, AND THE UNITED STATES OF AMERICA

**Consolidated text on principles, modalities, rules and guidelines on mechanisms
pursuant to Article 6, 12, and 17 of the Kyoto Protocol**

Note by the Chairmen
(FCCC/SB/2000/4, 1 August 2000)

**Comments by Australia, Canada, Iceland, Japan, New Zealand, Norway, the
Russian Federation and the United States of America
on Provisions relating to Prompt Start of the CDM**

*The following two paragraphs are offered as a replacement for the second and third
preambular paragraphs on page 51 of the Chairmen's text:*

Recalling its decision 1/CP.3, in particular paragraph 5 (e),

Recalling its decision 7/CP.4 on a work programme on mechanisms to be undertaken with a
priority given to the Clean Development Mechanism, and with a view to taking decisions on
all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at its sixth session,
including, where appropriate, recommendations to the Conference of the Parties serving as the
meeting of the Parties to the Kyoto Protocol at its first session,

*The following paragraphs are offered as a replacement for operative paragraph two on page
51 of the Chairmen's text (and are numbered accordingly):*

2. Decides to establish an executive board in order to facilitate a prompt start of the Clean
Development Mechanism (CDM);
3. Decides that the executive board referred to in paragraph two, and any operational entities
accredited by that executive board, shall operate in the same manner as the Executive
Board and operational entities of the CDM as set out in the Annex attached to this
decision and that the executive board shall convene its first meeting by [...];
4. Decides that for purposes of this decision, the Conference of the Parties shall assume the
responsibilities of the Conference of the Parties serving as the meeting of the Parties to the
Kyoto Protocol as set out in the Annex attached to this decision;
5. Decides that this decision shall be effective immediately upon adoption and remain in
effect until the decision referred to in paragraph six of this decision is adopted by the
Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol; and
6. Recommends that the Conference of the Parties serving as the meeting of the Parties to
the Kyoto Protocol, at its first session after the entry into force of the Protocol, adopt the
following decision:

Note that paragraph six, above, is identical to paragraph six on page 52 of the Chairmen's text.

The following two paragraphs are offered as an addition to be inserted before operative paragraph one of Decision /CMP.1 on page 54 of the Chairmen's text:

1. Decides to confirm and give full effect to any actions taken pursuant to paragraphs three and four of decision xx/CP.6;
2. Decides to adopt the modalities and procedures for the CDM contained in the annex to this decision.

Note that paragraph two above is identical to paragraph one of Decision /CMP.1 found on page 54 of the Chairmen's text.

Submission by Australia, Canada, Iceland, Japan, New Zealand, Norway, Russian Federation and the United States on guidelines for the implementation of Article 6 of the Kyoto Protocol (FCCC/SB/2000/4)

Guidelines for the implementation of Article 6

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Taking into account provisions contained in Articles 3 and 6 of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 6, acquisitions of emission reduction units shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under Article 3,

Also bearing in mind that, in accordance with paragraphs 10 and 11 of Article 3, any emission reduction units which a Party acquires from another Party in accordance with the provisions of Article 6 shall be added to the assigned amount for the acquiring Party and subtracted from the assigned amount for the transferring Party,

Having considered decision xx/CP.6,

1. *Decides* to adopt the guidelines for the implementation of Article 6 contained in the attached Annex to this decision;
2. *Urges* the Parties concerned to facilitate the participation under Article 6 of Parties in Annex I undergoing the process of transition to a market economy;
3. *Confirms* that the division of the emission reduction units resulting from an Article 6 project will be determined by the participating Parties;
4. *Decides further* that a review of the Annex shall be undertaken no later than one year after the completion of the true-up period¹, taking into account, inter alia, the relevant experience of the Parties;
5. *Decides* that any future revision of this Annex shall be by consensus;
6. *Requests* the Secretariat to perform functions assigned to it as contained in the Annex to this decision;

¹ Pending the outcome on the true-up period in the context of compliance.

Annex

Insert new part on definitions:

Definitions

For the purposes of this Annex:

1. “Party” means, unless the context otherwise indicates, a Party to the Kyoto Protocol.
2. “Protocol” means the Kyoto Protocol to the United Nations Framework Convention on Climate Change.
3. “Article” means, unless the context otherwise indicates, an Article of the Protocol.
4. “ERU” means an emission reduction unit, equal to one metric tonne of carbon dioxide equivalent, calculated using the global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.
5. “Stakeholder” means, the public affected by or likely to be affected by, or having an interest in the project.
6. “Secretariat” means the Secretariat of the UN Framework Convention on Climate Change.

We do not see the need for sections from A to D

E. Participation

Current text under E to be replaced by:

7. In order to acquire emission reduction units, a Party must:
 - a. have in place, by the time a report is submitted pursuant to paragraph 8(a) and thereafter, a national system for the estimation of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5.1 and the requirements in the guidelines decided thereunder;
 - b. have in place, by the time a report is submitted pursuant to paragraph 8(a) and thereafter, a computerized national registry to account for and track all changes in its assigned amount, in accordance with Article 7.4 and the requirements in the guidelines decided thereunder²;

² This paragraph assumes that the guidelines for national registries will be decided under Article 7.4. It would need to be amended if the guidelines were agreed under another Article of the Kyoto Protocol.

- c. have established, by the time a report is submitted pursuant to paragraph 8(a), its initial assigned amount, in accordance with Article 7.4 and the requirements in the guidelines decided thereunder;
 - d. have submitted, in the report described in paragraph 8(a), one annual inventory for the relevant recent year, [of anthropogenic emissions by sources and anthropogenic removals by sinks of greenhouse gases not controlled by the Montreal Protocol]³ in accordance with the provisions of Articles 5.2 and 7.1 and the requirements in the guidelines decided thereunder, other than those relating to the deadline for the first submission; and
 - e. have subsequently submitted, for each year following the submission of a report described in paragraph 8(a), annual information on its assigned amount in accordance with Article 7.1 and the requirements in the guidelines decided thereunder, and annual inventories, in accordance with Articles 5.2 and 7.1 and the requirements in the guidelines decided thereunder³.
8. a. A Party may acquire ERUs under Article 6 after [XX] months (*a specified time period sufficient to allow the Article 8 expert review teams and the enforcement branch of the Compliance [Committee] a reasonable opportunity to identify and rule upon any problems*) have elapsed since the submission of a report to the Secretariat documenting that it meets the requirements in subparagraphs (a) through (d) above, unless the Compliance [Committee] has found that it has not met one or more of such requirements.
- b. A Party may acquire ERUs under Article 6 at an earlier date if the enforcement branch of the Compliance [Committee] has notified the Secretariat that it is not proceeding with any question of implementation relating to the requirements in subparagraphs (a) through (d) above.
- 8bis. A Party operating under Article 4 may not acquire any ERUs under Article 6 if another Party operating under the same Article 4 agreement, or if a regional economic integration organization to which the Party belongs and which is itself a Party to the Protocol, is found not to meet the requirements in subparagraphs 7(a) through 7(d).
8. Subsequently, pursuant to Article 6.4, if a question of implementation identified by an Article 8 expert review team about a Party's implementation of the requirements in subparagraphs 7(a) to (e) is pursued by the Compliance [Committee], during the time between the Compliance [Committee]'s identification of the compliance question and the resolution of the issue of compliance, the Party may continue to acquire ERUs, provided that any such units may not be used by the Party to meet its commitments under Article 3.1 until the issue of compliance is resolved.

³ This is without prejudice to elaboration of inventory and reporting requirements for LULUCF.

We do not see the need for sections F through I.

J. Verification

Current text to be replaced by:

10. A Party involved in one or more projects under Article 6 should submit to the Secretariat, under Article 6, a report identifying the Party's point of contact for the purpose of project approval pursuant to Article 6, paragraph 1(a).
11. A Party hosting a project under Article 6 should submit to the Secretariat under Article 6, a report containing: any national guidelines and procedures for obtaining such project approval, for monitoring and verifying emission reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks, comments by stakeholders, and for transferring ERUs.
12. The Party should submit to the Secretariat such subsequent reports as may be appropriate to identify any significant changes in its point of contact or national guidelines and procedures.
13. A Party included in Annex I may authorize legal entities to participate, under its responsibility, in actions leading to the generation, transfer or acquisition under Article 6 of emission reduction units.
14. A Party may transfer ERUs associated with reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks that have been verified as additional to any that would otherwise occur, in accordance with provisions of Article 6.1(b), through one of the procedures set out in paragraph 15.
15. Reductions in anthropogenic emissions by sources or enhancement of anthropogenic removals by sinks for Article 6 projects shall be verified either:
 - (a) by the Parties involved, at the time of verification, if the host Party is qualified under paragraph 16,
 - or
 - (b) through the verification procedure as provided for under paragraph 17-23[24].
16. a. A Party hosting a project under Article 6 shall be qualified for the purpose of paragraph 15(a) after [XX] months (*a specified time period sufficient to allow the Article 8 expert review teams and the enforcement branch of the Compliance [Committee] a reasonable opportunity to identify and rule upon any problems*) have elapsed since the submission of a report to the Secretariat documenting that it meets the conditions in subparagraphs 7(a) through 7(d), unless the Compliance [Committee] has found that it has not met one or more of such requirements.

b. A Party hosting a project under Article 6 shall be qualified for the purpose of paragraph 15(a) at an earlier date if the enforcement branch of the Compliance [Committee] has notified the Secretariat that it is not proceeding with any question of implementation relating to the conditions in subparagraphs 7(a) through 7(d).

c. Such Party will remain qualified, unless and until the Compliance [Committee] has found that it has not met one or more of the conditions in subparagraphs 7(a) through 7(e). If the Compliance [Committee] has found that a Party does not meet one or more conditions above, the Party becomes qualified only if and when the Compliance [Committee] finds that the Party meets such conditions and therefore reinstates its qualification.

17. At a request of a Party involved in a project, a verification team shall be constituted in accordance with Appendix A (to be drafted).
18. Project participants shall submit to the verification team a project design document, which contains all information needed for the determination whether the project has been approved by the Parties involved, and has an appropriate baseline, monitoring plan and crediting lifetime in accordance with the criteria set out in Appendix B (to be drafted).
19. The verification team shall make the project design document publicly available through the Secretariat, subject to confidentiality provisions set out in paragraph 27.
20. [The verification team shall receive comments from Parties and [UNFCCC-accredited non-governmental organizations/stakeholders] on the project design document and any supporting information for [60] days from the date the project design documents made publicly available.]
21. The verification team shall make its determination on whether the project has an appropriate baseline, monitoring plan and crediting lifetime, in accordance with the criteria set out in Appendix B. It shall make its determination publicly available through the Secretariat, together with an explanation of its reasons addressing any significant issues raised. A determination of the appropriate baseline under this paragraph shall remain valid for the crediting lifetime of the project.
22. For the purpose of verifying reductions in emissions or enhancements of removals that have been achieved in accordance with paragraph 15 (b) a Party involved in a project shall submit information, according to the reporting format set forth in Appendix B, to demonstrate that such emission reductions or enhanced removals were monitored and calculated in accordance with the appropriate baseline, monitoring plan, and crediting lifetime.
23. The verification team shall review the project and make a determination as to whether any reported reductions in emissions or enhancements of removals were monitored and calculated in accordance with the appropriate baseline and monitoring plan, and if so, the amount of emission reductions or enhanced removals that have been achieved, stated in terms of metric tonnes of carbon dioxide equivalent. The verification team shall make its

determination publicly available through the Secretariat, together with an explanation of its reasons.

24. [A verification determination shall be deemed final [30] days after the date on which it is made public, unless the Party [hosting/involved in] the project or [x] other Parties request a review by [an appropriate body]. If such a review is requested the [appropriate body] shall review the determinations as soon as possible, but no later than [...]. The [appropriate body] shall make its decision publicly available. Its decision shall be final.]
25. A Party hosting a project activity that is subject to the procedure specified in paragraphs 17-[23][24] may transfer ERUs only when a determination is made in accordance with paragraph [23][24], and may not transfer a number of ERUs exceeding the number of metric tonnes of carbon dioxide equivalent identified in paragraph 23.
26. Information on the project associated with each ERU shall be made public through an electronic link with the project identifier, described in paragraph 29.
27. Except as required by national law, verification teams [or the appropriate body] shall not disclose information regarding projects that has been marked as proprietary or confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emission data or other data relating to whether reductions or removals are additional shall not be considered confidential.
28. Parties involved in a project may elect to use the procedure set out in paragraphs 17-[23][24] at any time.

We do not see the need for section K

L. Issuance of Emission Reduction Units

Current text under L to be replaced by:

29. Transfers and acquisitions of ERUs shall be made by adding a project identifier to the serial number of the unit of assigned amount in the registry of the host Party, then removing the unit from the national registry of the host Party and adding it to the national registry of the acquiring Party.

We do not see the need for Appendix X.

Appendix A: Current title to be replaced by
Standards and procedures for the constitution of verification teams

Current text to be replaced by [...] (to be drafted).

Appendix B: Current title to be replaced by

Baseline, monitoring and crediting lifetime

Current text to be replaced by [...] (to be drafted).

Appendix C: Reporting by Parties

Current text to be replaced by [...] (to be drafted).

PAPER NO. 1:

BULGARIA, THE CZECH REPUBLIC, ESTONIA, HUNGARY, LATVIA, POLAND,
ROMANIA, SLOVAKIA, SLOVANIA

Guidelines for the implementation of Article 6

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,
[If a preamble is needed:]

Taking into account provisions contained in Articles 3 and 6 of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 6, acquisitions of emission reduction units shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under Article 3,

Also bearing in mind that, in accordance with paragraphs 10 and 11 of Article 3, any emission reduction units which a Party acquires from another Party in accordance with the provisions of Article 6 shall be added to the assigned amount for the acquiring Party and subtracted from the assigned amount for the transferring Party,

Having considered decision xx/CP.6,

1. *Decides* to adopt the guidelines for the implementation of Article 6 contained in the attached Annex to this decision;
2. *Urges* the Parties concerned to facilitate the participation under Article 6 of Parties in Annex I undergoing the process of transition to a market economy;
4. *Confirms* that the division of the emission reduction units resulting from an Article 6 project will be determined by the participating Parties;
4. *Decides further* that a review of the Annex shall be undertaken no later than one year after the completion of the true-up period¹, taking into account, inter alia, the relevant experience of the Parties;
5. *Decides* that any future revision of this Annex shall be adopted by consensus;
6. *Requests* the Secretariat to perform functions assigned to it as contained in the Annex to this decision;

Annex

Insert new part on definitions

Definitions

For the purposes of this Annex:

1. "Party" means, unless the context otherwise indicates, a Party to the Kyoto Protocol.
2. "Protocol" means the Kyoto Protocol to the United Nations Framework Convention on Climate Change.
3. "Article" means, unless the context otherwise indicates, an Article of the Protocol.
4. "ERU" means an emission reduction unit, equal to one metric tonne of carbon dioxide equivalent, calculated using the global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.
5. "Stakeholder" means, the public affected by or likely to be affected by, or having an interest in the project.
6. "Secretariat" means the Secretariat of the UN Framework Convention on Climate Change

We do not see the need for sections A, B, C, D

E. Participation

Current text under A to be replaced by :

7. In order to acquire emission reduction units, a Party must:
 - a. have in place, by the time a report is submitted pursuant to paragraph 8(a) and thereafter, a national system for the estimation of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5.1 and the requirements in the guidelines decided thereunder;
 - b. have in place, by the time a report is submitted pursuant to paragraph 8(a) and thereafter, a computerized national registry to account for and track all changes in its assigned amount, in accordance with Article 7.4 and the requirements in the guidelines decided thereunder⁴;
 - c. have established, by the time a report is submitted pursuant to paragraph 8(a), its initial assigned amount, in accordance with Article 7.4 and the requirements in the guidelines decided thereunder;

⁴ This paragraph assumes that the guidelines for national registries will be decided under Article 7.4. It would need to be amended if the guidelines were agreed under another Article of the KP

- d. have submitted, with the report described in paragraph 8(a), one annual inventory for the relevant recent year, [of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol] ⁵ in accordance with the provisions of Articles 5.2 and 7.1 and the requirements in the guidelines decided thereunder, other than those relating to the deadline for the first submission; and
 - e. have subsequently submitted annual reports on its assigned amount for each year following the submission of a report described in paragraph 8(a), in accordance with Article 7.1 and the requirements in the guidelines decided thereunder, and annual inventories, in accordance with Articles 5.2 and 7.1 and the requirements in the guidelines decided thereunder .
 - f. be bound by any compliance regime adopted by the COP/moP; and
 - g. have submitted the last required periodic national communication.
8. (a) A Party may acquire ERUs under Article 6 after [XX] months have elapsed since the submission of a report to the Secretariat documenting that it meets the requirements in paragraph 7, subparagraphs (a) to (d), (f) and (g), unless the Compliance [Committee] has found that it has not met one or more of such requirements.
- (b) A Party may acquire ERUs under Article 6 at an earlier date if the enforcement branch of the Compliance [Committee] has notified the Secretariat that it is not proceeding with any question of implementation relating to the requirements in paragraph 7, subparagraphs (a) to (d), (f) and (g).
- (c) Subsequently, a Party may continue to participate, unless and until the Compliance [...] has found that it has not met one or more of the requirements in subparagraphs (a) through (g) above. If the Compliance [...] has found that a Party does not meet one or more requirements above, the Party may participate only if and when the Compliance [...] finds that the Party meets such requirements and therefore reinstates its eligibility to participate.
9. Pursuant to Article 6.4, if a question of implementation identified by an Article 8 expert review team about a Party's implementation of the requirements in paragraph 7, subparagraphs (a) to (f) is pursued by the Compliance [Committee], during the time between the Compliance [Committee]'s identification of the compliance question and the resolution of the issue of compliance, the Party may continue to acquire ERUs, provided that any such units may not be used by the Party to meet its commitments under Article 3.1 until the issue of compliance is resolved.

⁵ This is without prejudice to elaboration of inventory and reporting requirements for LULUCF.

We do not see the need for sections F through I

J. Verification

10. A Party involved in one or more projects under Article 6 should submit to the Secretariat, under Article 6, a report identifying the Party's point of contact for the purpose of project approval pursuant to Article 6, paragraph 1(a).
11. A Party hosting a project under Article 6 should submit to the Secretariat under Article 6, a report containing: any national guidelines and procedures for obtaining such project approval, for monitoring and verifying emission reductions in emissions by sources or enhancements of removals by sinks, comments by stakeholders, and for transferring or acquiring ERUs. This Party should also submit periodical information in accordance with Appendix C.
12. A Party should submit to the Secretariat such subsequent reports as may be appropriate to identify any significant changes in its point of contact or national guidelines and procedures.
13. A Party that authorizes legal entities to participate in article 6 projects under its responsibility in actions leading to the generation, transfer or acquisition of emission reduction units in accordance with Article 6, paragraph 3 shall remain responsible for the fulfilment of its obligations under the Protocol and shall ensure that such participation is consistent with this annex.
14. A host Party may transfer ERUs associated with reductions in anthropogenic emissions by sources or enhancing anthropogenic removals by sinks of greenhouse gases if they are verified as additional in accordance with the provisions of Article 6.1(b), through one of the procedures set forth in paragraph 15.
15. Reductions in anthropogenic emissions by sources or enhancing anthropogenic removals by sinks for Article 6 projects shall be verified either:
 - (a) by the Parties involved, if at the time of verification the host Party is qualified under paragraph 16,
or
 - (b) through the verification procedure as provided for under paragraph 17-25.
16. A Party hosting a project under Article 6 shall be qualified for the purpose of paragraph 15(a) if the Party has submitted a report to the Secretariat documenting that it meets the conditions set out in subparagraphs from 7 (a) to (d), (g) and (f),
 - (a) after [XX] months⁶ have elapsed since the submission of a report to the Secretariat documenting that it meets the conditions in subparagraphs from 7 (a) to (d), (f) and (g), unless the Compliance [Committee] has found that it has not met one or more of those conditions, or

⁶ A specified time period sufficient to allow the Article 8 expert review teams and the Compliance [Committee] a reasonable opportunity to identify a rule upon any problems.

- (b) at an earlier date if the Compliance [Committee] has notified the Secretariat that it is not proceeding⁷ with any question of implementation relating to the condition in subparagraphs from 6 (a) to (d), (f) and (g),

Such Party will remain qualified for the purposes of paragraph 15(a), unless and until the Compliance [Committee] has found that it has not met one or more of the conditions in subparagraphs from 6 (a) to (g). If the Compliance [Committee] has found that a Party does not meet one or more conditions above the Party shall become qualified again only if and when the Compliance [Committee] has found that it has met those conditions.

17. At the request of a Party involved a verification team shall be constituted in accordance with Appendix A (to be drafted).
18. Project participants shall submit to the verification team a project design document containing all information needed for the determination whether the project has been approved by the Parties involved, has an appropriate baseline, monitoring plan and crediting lifetime, in accordance with the criteria set out in Appendix B (to be drafted).
19. The verification team shall make the project design document publicly available through the Secretariat, subject to confidentiality provisions set out in para 29.
20. The verification team shall receive comments from Parties and stakeholders on the project design document and any supporting information for [60] days from the date the project design document is made publicly available.
21. The verification team shall make its determination on whether the project has an appropriate baseline, monitoring plan and crediting lifetime, in accordance with the baseline, monitoring and crediting lifetime criteria set out in Appendix B. It shall make its determination publicly available through the Secretariat, together with an explanation of its reasons addressing any significant issues raised. A determination of the appropriate baseline under this paragraph shall remain valid for the crediting lifetime of the project.
22. For the purpose of verifying reductions in anthropogenic emissions or enhancement of anthropogenic removals by sinks that have been achieved in accordance with paragraph 15 (b) the project participants shall submit information, according to the reporting format set forth in Appendix B, to demonstrate that such reductions in anthropogenic emissions or enhancements of anthropogenic removals by sinks were monitored and calculated in accordance with the appropriate baseline, monitoring plan and crediting lifetime.
23. The verification team shall review the project and make a determination as to whether any reported reductions in anthropogenic emissions or enhancements of anthropogenic removals by sinks were monitored and calculated in accordance with the appropriate

⁷ It will need to be made clear that this refers to enforcement proceeding, rather than a facilitative process.

baseline and monitoring plan, and crediting lifetime and if so, the amount of emission reductions or enhanced removals that have been achieved, stated in terms of metric tonnes of carbon dioxide equivalent.

24. The verification team shall make its determination publicly available through the secretariat, together with an explanation of its reasons.
25. The verification determinations of the project design document or of any reported reductions in anthropogenic emissions or enhancement of anthropogenic reductions by sinks shall be deemed final [30] days after the date on which it is made public, unless the Party [hosting/involved in] the project or [x] other Parties request a review by [an appropriate body]. If such a review is requested the [appropriate body] shall review the determination as soon as possible, but no later than [...]. The [appropriate body] shall make its decision publicly available. Its decision shall be final.]
26. A Party hosting a project activity that is subject to the procedure specified in paragraphs 17 - 25 may transfer ERUs only when a determination is made in accordance with paragraph 25, and may not transfer a number of ERUs exceeding the number of metric tonnes of carbon dioxide equivalent identified in paragraph 23.
27. Information on the project associated with each ERU shall be made public through an electronic link with the project identifier, described in paragraph 31.
28. A Party hosting the project may require legal entities implementing the project to provide the necessary information.
29. Except as required by national law, verification teams [or appropriate body] shall not disclose information regarding projects that has been marked as proprietary or confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emission data or other data relating to whether reductions or removals are additional shall not be considered confidential.
30. Parties involved in a project may elect to use the procedure set out in paragraph 17-25 at any time.

We do not see need for section K

L. Issuance of Emission Reduction Units

31. Transfers and acquisitions of ERUs shall be made by adding a project identifier to the serial number of the unit of assigned amount in the registry of the host Party, then removing the unit from the national registry of the host Party and adding it to the national registry of the acquiring Party.

No appendix X is needed for guidelines under art. 6

Appendix A: There is no need for appendix on Standards and procedures for the accreditation of entities. Replace with appendix on constitution of verification teams (to be drafted)

Appendix B: Baseline and Monitoring (to be drafted)

Appendix C: Reporting Format (to be drafted)

PAPER NO. 4: COLOMBIA

COLOMBIA'S SUBMISSION ON LAND USE, LAND USE CHANGE AND FORESTRY (LULUCF) PROJECTS IN THE CDM:

Expiring CERs

A proposal to addressing the permanence issue

INTRODUCTION

The potential benefits from using resource flows from the clean development mechanism to finance the reforestation of major watersheds and restore strategic ecosystems such as mangrove forests offers many benefits to developing nations. Employment, incomes, fresh water supply conservation, and biodiversity protection are among the most important benefits to developing nations from LUCF projects in the CDM. The fact that LUCF projects and their benefits are included in the JI and IET frameworks for industrialized nations and economies in transition make the exclusion of sinks seem highly unequitable to developing nations that need these environmental services and social benefits.

However, The inclusion of sink projects, specifically, forestry projects in the CDM, has been widely debated for many reasons including leakage, difficulty of measurement of carbon flows and permanence. Of these the issue of permanence is of the greatest concern, as the others may be controlled through effective monitoring and management. Although there are no questions with respect to the role of trees and forests as carbon sinks and as CO₂ capturing systems, the risk of future release of the CO₂ captured and financed through CDM places the environmental integrity of the mechanism at risk.

When an energy project reduces a ton of CO₂ emissions below a validated baseline, that ton of CO₂ is permanently prevented from ever being emitted into the atmosphere. In contrast, a ton of carbon stored in biomass might be released in the future, for example through forest fires or eventual harvesting, reversing to some extent the environmental benefits.

Some solutions have been proposed to address this concern. Approaches include: permanent enforcing, credit discounting, liabilities rules, minimum period for project lifetime, CERs buffers for risk management and others. Moreover, Some of these approaches may be used in combination if they are compatible, as long as the project complies with financial additionality.

The solution of permanently enforcing a carbon capture project has been severely criticized because it could threaten the sovereignty of the host country, or even its food security. CDM project lands would be prevented from changing its use (i.e. for agriculture) and would be also in continuous monitoring.

On the other hand, solutions like a minimum project lifetime still do not resolve completely the fact that the stored carbon may eventually be emitted in the future.

In this paper we propose a simple liability scheme that could resolve the permanence concern and at the same time offer an alternative to countries preoccupied about the sovereignty issue.

PROPOSED SCHEME

First let us state that a temporary capture from a forestry project has important environmental and economics benefits.

On the environmental side there is no doubt that the carbon sequestered by a forestry project reduces the atmospheric CO₂ concentration which is equivalent to a negative emission. Therefore a temporary storage of carbon will delay the radiative forcing effects of climate change. That delay is permanent.

On the economic side the benefits derived from the forestry projects can be summarized in:

- Internalizing the service of carbon sequestration and its climate change benefits will add value to forests.
- Forests provide a cost-effective option for reducing emissions.
- In an economically efficient regulatory scheme, as is the Kyoto Protocol, the benefit of equalizing the marginal costs of abatements depends on the variability of available alternatives for compliance among sources. Forest projects will increase the available options for emissions reductions.

The alternative proposed by this paper aims to solve the permanence issue by treating all LUCF projects as potentially non permanent, and placing an expiration date on the associated CERS. In other words, issuing a temporary CER that will be valid for a period of time equivalent to the difference between the finishing date of the project according to its useful life and the date when it was certified. The expired CERs will have to be replaced at the end of the project lifetime either by permanent CERs or new expiring ones. Consequently, the potential release of carbon will be secured in the future when the expiring CERs are replaced. This strategy ensures a permanent reduction in the long run.

On the other hand, lands, which were committed by a forestry project, could be released from any future commitment, if the expired CERS are replaced with permanent CERS or CERS from other projects.

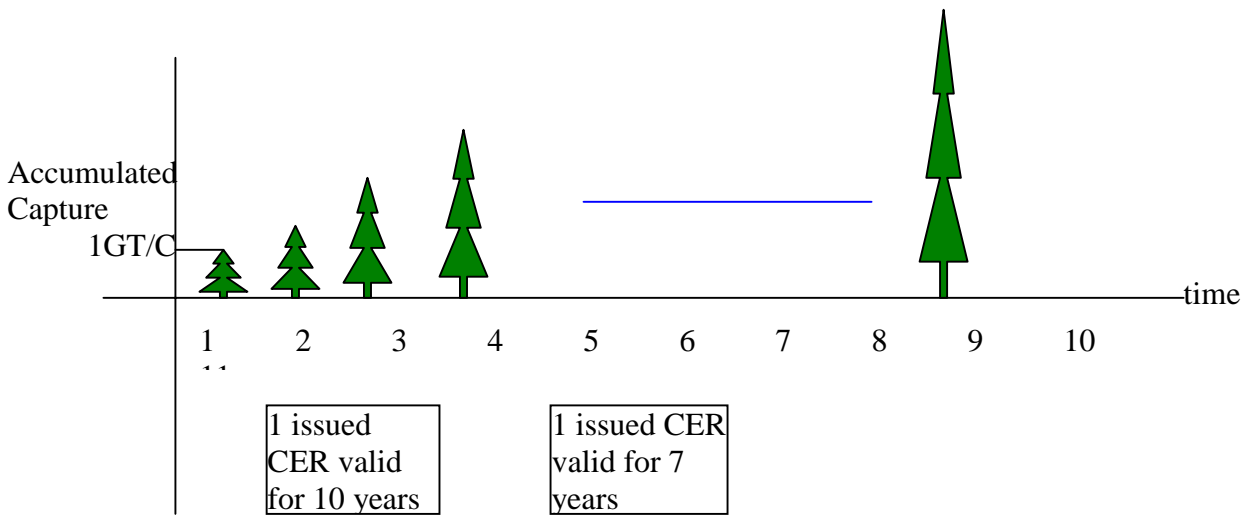
This approach allows developing nations to use the CDM for critical projects such as watershed and strategic ecosystem restoration, which are essential for sustainable development.

The system also permits time, research and development, and the advance of technology to develop lower cost permanent solutions to CO₂ emission reductions. For example, Annex I countries could invest in sinks projects with a 30-year life before expiration, that could be used to meet commitments during that period. In 30 years, when these CERs expire, renewable energy generation as hydrogen powered vehicles and emissions reduction technologies such or end-of-the-pipe-CO₂ capture could have become feasible and cost effective. In fact these two technologies have already fallen significantly in price since the mid 1990s due to intensive research and development.

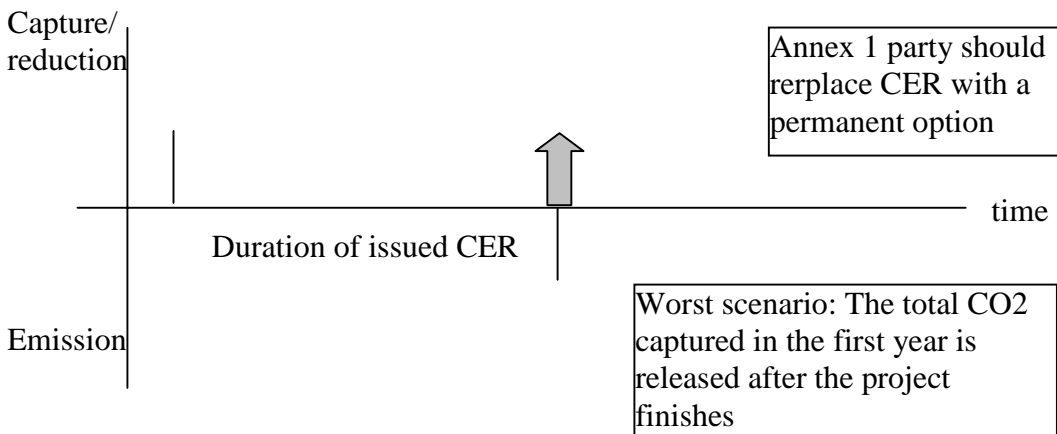
In terms of the accounting framework of the Kyoto Protocol, the expiring CERs would be added to the assigned amount of the Annex I country when initially produced, but subtracted from the assigned amount of the Annex I country at the time when the CER expires.

The following example will illustrate the scheme:

A forestry project removes 1 Gt C/year during, lets say, 11 years. The first removal takes place at year 1 and the last one at year 10. Lets assume that these removals are annually certified ex-post during the ten years, and that each year, a CER equivalent to 1 Gt C is issued. The first CER will be valid for a period of 10 years (the difference between the time when the project finished and the time when the CER was certified). The second will be valid for 9 years and so on.



Lets assume that the acquiring Party makes the first CER effective in 2009 in order to comply. Consequently it will be allowed not to reduce 1 Gt C that year. Given that the CER has an expiring time of 10 years, in 2019 that Party will have to make an additional reduction of 1 Gt C because the CER will be subtracted to its assigned amount.



From the atmospheric point of view 1 Gt of C was sequestered during the first year and kept stored at least during 10 years. In the worst scenario we can assume that the Party makes the CER effective at the end of the first year and that the stored carbon in the project will be completely released to the atmosphere. In this scenario the release is compensated with a new permanent CER when the CER expires and therefore, carbon fluxes are balanced, being the stock of carbon in the atmosphere unchanged. In this respect, the lands will be freed to either establish a new CDM project or any other land use.

Nevertheless, in other scenarios, not all the carbon from the project will be released to the atmosphere, representing an extra environmental benefit not accounted for. Whatever the case may be, the owner of the project might choose to extend the lifetime of the project in order to maximize the value of the generated CERs.

From the acquiring party's point of view the expiring CER postponed the reduction for 10 years, which is equivalent to buying time. Its willingness to pay for the CER will depend on the difference between the actual cost for compliance and its expectation about the future cost for compliance. The final price for the expiring CER will be determined by the market equilibrium point of the demand (willingness to pay) and the supply (forestry projects costs).

The Party will acquire the CER only if the value of the expiring CERs plus the value of the compensation is less than the actual value of non-expiring CERs. The former scheme will create differential prices for expiring and non-expiring CERs. Furthermore, the price for the expiring CER will depend on its expiring time.

CONCLUSIONS

1. The proposal solves the permanence issue while being neutral from the atmosphere point of view.
2. It is fully compatible with the Kyoto Protocol.
3. It gives a cost-effective way for Annex I to comply by allowing them a flexible alternative to postpone its emission reduction.
4. It releases the host country from a permanent commitment to land use, while allowing project proponents to commit themselves for an adequate lifetime of the project that maximizes the benefits.
5. The scheme is proposed for the worst case scenario in which the capture is totally released. Reality might show net environmental benefits.

PAPER NO. 5:

PROPOSAL BY FRANCE ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES FOR AMENDMENTS TO DOCUMENT FCCC/SB/2000/4

1. Page 51, Para 3, replace by the following:

”Emphasizing that Parties should use technologies in a way that minimizes any adverse environmental and social effects;

.....

Decides to adopt a positive list of safe, environmentally sound eligible projects, based on the following categories:

- (i) **Renewable energy:** solar energy, wind energy, sustainable biomass, geothermal heat and power, small-scale hydro power, wave and tidal power, ambient heat, energy recovery from biogas.*
- (ii) **Energy efficiency:** advanced technologies for combined heat and power installations and gas fired power plants: significant improvements in existing energy production; advanced technologies for, and/or significant improvements in industrial processes, buildings, energy transmission, transportation and distribution; more efficient and less polluting modes of mass and public transport (passenger and goods) and improvement or substitution of existing vehicles.*
- (iii) **Demand side management:** improvements in residential, commercial, transport and industrial energy consumption.”*

1. Page 51, Para 3 bis, insert (new Para):

“Recommends that the Conference of the Parties, serving as the meeting of the Parties to the Protocol at its first session after the entry into force to the Protocol, review the positive list set out in Para 3 above, based on the experience with the initial positive list.”

2. Page 70, Para 57 d (bis) (new insertion):

“The project has undergone an environmental impact assessment, including social impacts, in accordance with Para 55 bis, taking into account criteria for environmentally sound technologies as delineated in Agenda 21, Chapter 34.”

3. Page 71, Para 55 bis (insert new para):

4. *”The project participant shall be responsible for commissioning and financing an independent formal Environmental Impact Assessment (EIA) , including social impacts, carried out in accordance with existing rules, standards and legislation of the host country or, in the absence of these, appropriate international guidelines and good practice such as OECD-DAC guidelines on environmental impact assessments.”*

5. Page 91, Para 126 (d) (bis) (insert new para):

“all information relating to the environmental impact assessment, including social impacts, as required under para 55 bis.”

Submission by France on behalf of the European community and its member states on Article 6 Kyoto Protocol (consolidated text on the mechanisms part one, FCCC/SB/2000/4).

Decision-/CMP.1

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Taking into account provisions contained in Articles 3 and 6 of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 6, acquisitions of emission reduction units shall be supplemental to domestic actions for the purposes of meeting quantified emission limitation and reduction commitments under Article 3,

Also bearing in mind that, in accordance with Article 3, paragraphs 10 and 11, any emission reduction units which a Party acquires from another Party in accordance with the provisions of Article 6 shall be added to the assigned amount of the acquiring Party and subtracted from the assigned amount of the transferring Party,

Having considered decision A/CP.6,

1. Decides to adopt the guidelines for the implementation of Article 6 contained in the attached Annex to this decision,
2. Decides further that a review of the Annex shall be undertaken no later than one year after the completion of the first true-up period¹, taking into account, inter alia, the relevant experience of the Parties.
3. Decides that any future revision of this Annex shall be by consensus.
4. Decides that the sharing of the emission reduction units resulting from an Article 6 project will be determined by the participating Parties.
5. Urges the Parties concerned to facilitate the participation in Article 6 project activities of Parties included in Annex I undergoing the process of transition to a market economy.
6. Requests the Secretariat to perform functions assigned to it in the Annex to this decision.

¹ True-up period, as defined in the compliance decision.

Annex ..

Insert new part on definitions:

Definitions

For the purposes of this Annex:

1. “Party” means, unless the context otherwise indicates, a Party to the Kyoto Protocol.
2. “Protocol” means the Kyoto Protocol to the United Nations Framework Convention on Climate Change.
3. “Article” means, unless the context otherwise indicates, an Article of the Protocol.
4. “ERU” means an emission reduction unit, equal to one metric tonne of carbon dioxide equivalent, calculated using the global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.
5. “Stakeholder” means, the public affected by or likely to be affected by, or having an interest in the project.
6. “Secretariat” means the Secretariat of the UN Framework Convention on Climate Change

A. Role of the CoP/moP

Current text under A to be replaced by:

.. The CoP/moP shall exercise authority over and provide guidance regarding the implementation of article 6 by designating independent entities and for this purpose appointing an accreditation body as set out in Appendix (A)

We do not see the need for sections B and C

D. Accredited independent entities

Current paragraph 15 to be replaced by:

“ Accredited independent entities shall be responsible for carrying out functions referred to in section J and in the annex to this decision as well as in other relevant decisions of the CoP/moP”.

E. Participation

Current text under E to be replaced by:

7 In order to acquire emission reduction units, a Party must:

- a) have in place, by the time a report is submitted pursuant to paragraph 8a) and thereafter, a national system for the estimation of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5.1 and requirements in the guidelines thereunder;
- b) have in place, the time a report is submitted pursuant to paragraph 8 a) and thereafter, a computerized national registry to account for and track all changes in its assigned amount, in accordance with Article 7.4 and requirements in the guidelines decided thereunder²;
- c) have established, the time a report is submitted pursuant to paragraph 8 a) and thereafter, its initial assigned amount, in accordance with Article 7.4 and requirements in the guidelines thereunder;
- d) have submitted with the report described in paragraph 8 a), one annual inventory for the relevant recent year, of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol, in accordance with Articles 5.2 and 7.1 and the requirements in the guidelines thereunder², other than those relating to the deadline for the first submission; and
- e) have subsequently submitted annual reports on its assigned amount for each year following the submission of a report described in paragraph 8 a), in accordance with article 7.1 and the requirements in the guidelines decided thereunder, and annual inventories, in accordance with articles 5.2 and 7.1 and the requirements in the guidelines thereunder ³
- f) have submitted the last required periodic national communication, in accordance with the guidelines specified in decision 4/CP.5 or as modified by subsequent decisions of the [CoP][and/or][CoP/moP].

² This paragraph assumes that the guidelines for national registries will be decided under article 7.4. It would need to be amended if the guidelines were agreed under another Article of the Kyoto Protocol.

³ This is without prejudice to elaboration of inventory and reporting requirements LULUCF.

- 8 a) A Party may acquire ERUs under article 6 after [XX] months (*a specified time period sufficient to allow the Article 8 expert review teams and the enforcement branch of the Compliance Committee a reasonable opportunity to identify and rule upon any problems*) have elapsed since the submission of a report to the Secretariat documenting that it meets the requirements in paragraph 7, subparagraph a) through d) and f) and paragraph 10, unless the Compliance Committee has found that it has not met one or more of such requirements.
- b) A Party may acquire ERUs under article 6 at an earlier date if the enforcement branch of the Compliance Committee has notified the Secretariat that it is not proceeding with any question of implementation relating to the requirements in paragraph 7, subparagraphs a) through d) and f) and paragraph 10.

Such Party may acquire ERUs, unless and until the Compliance Committee has found that it has not met one or more of the requirements in the paragraph 8 subparagraphs a) through f) and paragraph 10 above. If the Compliance Committee has found that a Party does not meet one or more requirements above the Party shall become qualified again only if and when the Compliance Committee has found that it has met those requirements.

- 9 Pursuant to Article 6.4, if a question of implementation identified by an Article 8 expert review team about a Party's implementation of the requirements in paragraph 7, subparagraph a) through f) and paragraph 10 is pursued by the Compliance Committee, during the time between the Compliance Committee's identification of the compliance question and the resolution of the issue of compliance, the Party may continue to acquire ERUs, provided that any such units may not be used by the Party to meet its commitments under Article 3.1 until the issue of compliance is resolved.
- 10 In order to transfer or acquire ERUs Annex I Parties must be bound by any compliance regime adopted by COP/moP.
- 11 A Party that authorizes legal entities to participate in article 6 projects under its responsibility in actions leading to the generation, transfer or acquisition of emission reduction units in accordance with Article 6, paragraph 3 shall remain responsible for the fulfillment of its obligations under the Protocol and shall ensure that such participation is consistent with this annex.
- 12 A Party involved in one or more projects under article 6 shall submit to the Secretariat under article 6, a report identifying the Party's point of contact for the purpose of project approval pursuant to Article 6, paragraph 1(a).
- 13 The Party shall submit such subsequent reports as may be appropriate to identify any significant changes in its points of contact or national guidelines and procedures.

We do not see the need for sections F through I

J Verification

Current text to be replaced by :

- 14 A Party may transfer ERUs if they are verified as additional in accordance with the provisions of article 6.1(b), through one of the procedures set forth in paragraph 16.
- 15 Information on the project associated with each ERU transferred shall be made publicly available through the Secretariat by the hosting Party on the basis of the uniform reporting format as set forth in appendix (C)
- 16 Anthropogenic reductions in emissions by sources or removals by sinks for article 6 projects shall be verified either:
 - a) by the Parties involved, if the host Party at the time of verification is eligible under paragraph 17
 - or,
 - b) through the verification procedure as provided for under paragraph 22-30.
- 17 A Party hosting a project under article 6 may transfer ERUs, according to paragraph 14 above, if the Party has submitted a report to the Secretariat documenting that it meets the requirements in paragraph 8, subparagraph a) through d) and f) and paragraph 10 and;
 - a) if [XX] months⁴ have elapsed since the submission of a report to the Secretariat documenting that it meets the requirements in paragraph 7, subparagraph a) through d) and f) and paragraph 10, unless the Compliance [Committee] has found that it has not met one or more of such requirements or,
 - b. at an earlier date if the Compliance [Committee] has notified the Secretariat that it is not proceeding⁵ with any question of implementation relating to the requirements in paragraph 7, subparagraphs a) through d) and f) and paragraph 10.

⁴ A specified time period sufficient to allow the article 8 expert review teams and the Compliance [...] a reasonable opportunity to identify any rule upon any problems.

⁵ It will need to be made clear that this refers to an enforcement proceeding, rather than a facilitative process.

Such Party may transfer ERUs according to paragraph 14 above, unless and until the Compliance Committee has found that it has not met one or more of the requirements in the paragraph 8 subparagraphs a) through f) and paragraph 10 above. If the Compliance Committee has found that a Party does not meet one or more requirements above the Party shall become qualified again only if and when the Compliance Committee has found that it has met those requirements.

- 18 Any provisions relating to the liability of parts of assigned amounts acquired under Article 17 shall apply mutatis mutandis to acquisitions of ERUs if verification was carried out by provisions under 16 a).⁶
- 19 Any provisions on national systems for the participation of legal entities under article 17 as set out in Appendix (..) shall apply to Article 6 projects.
- 20 A Party hosting a project in accordance with paragraph 16 subparagraph a) shall submit to the Secretariat a report containing the national guidelines and procedures for obtaining a project approval.
- 21 A Party hosting a project in accordance with paragraph 16 subparagraph b) shall submit to the Secretariat a report containing: any national guidelines and procedures for obtaining a project approval, for monitoring and verifying emission reductions in emissions by sources or enhancement of removals by sinks, for comments by stakeholders, and for transferring ERUs
- 22 Verification is the two step process of evaluation of the project activity by an accredited independent entity against requirements of Article 6 project activities on the basis of:
 - a) a project design document as set forth in paragraph 23- 28 and
 - b) a document indicating the reductions of emissions or enhancements of removal achieved as set forth in paragraph.29-31.
- 23 Project participants shall submit to an accredited independent entity a project design document for verification in accordance with appendix (C).
- 24 The project design document shall contain all information needed for the determination whether the project has been approved by the Parties involved, has an appropriate baseline an appropriate monitoring plan, in accordance with the baseline and monitoring criteria set forth in Appendix (B).
- 25 The independent entity shall make the project design document publicly available through the Secretariat, subject to confidentiality provisions set forth in paragraph 32.
- 26 The independent entity shall receive comments from Parties and stakeholders on the project design document and any supporting information for [60] days from the date the project design document is made publicly available.

⁶ Pending the result on liability options under article 17.

- 27 The independent entity shall make its determinations publicly available through the Secretariat, together with an explanation of its reasons including a summary of comments by stakeholders and an assessment of how due account has been taken of these.
- 28 The verification of the project design document shall be deemed final [30] days after the date on which its determination is made public, unless the Party [hosting/ involved] the project or [x] other Parties request a review by [an appropriate body 8]. If such a review is requested the [appropriate body] shall review the determination as soon as possible, but no later than [..]. The [body] shall make its decision publicly available. Its decision shall be final.
- 29 On the basis of a uniform reporting format as set forth in appendix (C) the host Party shall submit a document to the independent entity containing information whether reported reductions in emissions or enhancements of removals by sinks were monitored and calculated in accordance with the appropriate baseline and monitoring plan.
- 30 The independent entity shall:
- a) Review and determine the reduction in emissions based on the project data and information provided in the submitted document defined/set forth in paragraph 24;
 - b) Identify any concerns related to conformity of the actual project activity and its operation with the [final] project design document. The independent entity shall inform the project participants of any such concerns. Project participants may address the concerns and supply any additional information;
 - c) Provide a verification report including its determinations to the project participants and the Parties involved;
- 31 The independent entity shall make its determinations publicly available through the secretariat, together with an explanation of its reasons.
- 32 When the independent entity makes its report, it shall make its report and the project design document publicly available through the Secretariat. Except as required by national law, independent entities shall not disclose information regarding projects that has been marked as proprietary or confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emission data or other data relating to whether reductions or removals are additional shall not be considered confidential.

We do not see the need for section K

L Issuance of ERUs

Modalities

xx Transfers and acquisitions of ERUs shall be made by adding a project identifier to the serial number of the unit of assigned amount in the registry of the host Party, then removing the unit from the national registry of the host Party and adding it to the national registry of the acquiring Party.

Appendices⁷ to the annex

X. Complementarity

A. Standards and Procedures for the accreditation of independent entities

B. Baseline and monitoring criteria

C. Reporting by parties (Uniform Reporting Format, Project Design Document)

⁷ To be based in large part / to be adopted from relevant parts of Part 3 on the CDM.

Proposal by France on behalf of the European Community and its member states for amendments to Document FCCC/SB/2000/4 relating to guidelines for baselines

The following elements are proposed as legal text to go into Part two of the Chairman's text on Article 12 of the Kyoto Protocol:

1. Page 51, Roman I (Preamble): Add the following two elements:

*“Emphasising the importance of reliable, transparent baselines for the assessment of additionality of projects under Article 12 of the Kyoto Protocol;
Recognising the need of methodological guidance for project developers, validators and certifiers;”*

2. Page 51, 2 bis a) (insert new para):

“Invites the IPCC to prepare Guidelines for baseline setting under the guidance of the executive board, taking into account:

- a) all baseline related sections of the annex to the draft decision [/CMP.1] on modalities and procedures for a clean development mechanism and*
- b) all baseline methodologies as approved [in the interim phase of the CDM] by the [interim] executive board and*
- c) the terms of reference provided in the Annex A to this decision.*

Requests the SBSTA to adopt the Guidelines for baseline setting at its 16th session.”

3. Page 90, para 123 bis (insert new para)

“Project developers and OEs shall use the Guidelines for baseline setting, contained in the UNFCCC reference manual, in accordance with decision [B/CP 6]. In accordance with the Guidelines, project developers and OEs may use different methods included in the Guidelines, giving priority to those methods which are believed to produce the most accurate estimates, depending on the data available. In accordance with the Guidelines, project developers can also use different methodologies which they consider better able to reflect the project situation provided that these methodologies are compatible with the Guidelines and are well documented.”

Terms of reference for the Guidelines on baselines

4. Page 52, after Para 6, (insert a new Annex to the COP 6 decision on the CDM):

“Annex A to the draft COP 6 decision on the CDM [B/CP.6]

[...]

X. Terms of Reference for the the establishment of guidelines on baselines

The [IPCC] [roster of experts, guided by the executive board], in preparing Guidelines for baseline setting for CDM projects, shall be guided i.a. by the following terms of reference:

Objectives

The objective of the Guidelines on baseline setting is to provide guidance for the establishment of methodologies for baseline setting for project based activities in order to

- (a) harmonise, further elaborate, extend and make consistent all baseline methodologies, as approved by the Executive board and contained in all baseline related sections of the annex to the draft decision [/CMP.1] on modalities and procedures for a clean development fund and*
- (b) enable project developers to develop baselines in an objective, transparent and reliable manner,*
- (c) provide guidance for OEs to check baselines in a consistent and transparent manner*

Content

Guidance should be provided in the following areas:

- 1. Definition of mutually exclusive project categories (e.g. based on sector, technology and geographic area), which show common methodological characteristics for baseline setting.*
- 2. Methodologies which are most likely to deliver the most accurate baseline. For the project categories identified, methodological guidance should cover project specific and multiproject baselines, including guidance on the level of aggregation taking into account data availability, geographic areas and data availability.*
- 3. Decision trees and other methodological tools, where appropriate, to guide the methodological choice in order to achieve the most realistic and most likely scenario, taking into account the dynamics of future developments.*
- 4. Possible level of standardisation of the methodologies, while maintaining good accuracy. Standardised parameters should be compiled wherever possible and appropriate. Standardisation should be conservative in order to prevent any overestimation of emission reductions accruing from projects under a highly standardised baseline.*
- 5. Determination of project boundaries including greenhouse gases to be included in the project boundaries. Relevance of leakage and recommendations for the setting of*

appropriate project boundaries and indicators allowing for the ex-post evaluation of the level of leakage.

6. *Crediting lifetime of a project.*
7. *Choice of data (international, default, national) and data collection including indicators to be measured, advice on estimation and treatment of uncertainties.*
8. *Incorporation of relevant national policies and specific national or regional circumstances, including, inter alia, sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.”*

Proposal by France on behalf of the European Community and its member states for amendments to Document FCCC/SB/2000/4 – relating to public participation in the Clean Development Mechanism

The European Union considers public participation to be an important element of the Clean Development Mechanism (CDM).

The EU believes that stakeholders (by which we mean the public affected or likely to be affected by, or having an interest in the decision) should be able to offer comments on all aspects of a CDM project during the early stages of the CDM ‘project cycle’ (i.e. pre-validation and registration).

We believe that the operational entity, in its validation report, should provide a summary of comments received, and should address how and why it has taken due account of those comments.

We believe that the project design document, with the exception of commercially confidential information, the validation report and the registration decision of the executive board should be made available for public comment.

Accordingly, we propose the following legal text for incorporation into the Chair’s revision of the document UNFCCC/2000/SB/4.

EU's proposed legal text for incorporation into the Chair's revision of the document UNFCCC/2000/SB/4

ANNEX

Validation

Paragraph 57. Add a new indent (j): “the project design document shows evidence of how and when the project participant has consulted local stakeholders¹, for example through the Environment Impact Assessment (including social impacts) as detailed in paragraph 55 bis² and how due account has been taken of their views.”

Paragraph 58. We propose replacing the current text with the following: “The designated operational entity shall make the project design document publicly available through hard copy and electronic means, subject to confidentiality provisions in paragraph 56. It shall receive comments from Parties and stakeholders on all aspects of the project design document for 60 days from the date that it has made the project design document publicly available.”

Paragraph 59. We propose replacing the current text with the following: “After 60 days, the designated operational entity shall make publicly available a summary of comments received from Parties and stakeholders, and an assessment of how it has taken due account of those comments in its validation report. On the basis of these comments and the information in paragraph 57, the operational entity shall make a determination as to whether the project activity should be validated. If requested to do so by a Party or by a member of the Executive Board, the operational entity shall make available all comments received.”

Registration

Paragraph 93. Please replace with the following: “The designated operational entity shall submit to the Executive Board its validation decision on the CDM project, along with the project design document, a summary of comments received from Parties and stakeholders, and a description of how it has taken due account of those comments. It shall make its validation report publicly available through hard copy and electronic means.

Paragraph 94. Please replace with the following: “The registration decision shall be considered final after 30 days from the date the validation report has been made publicly available, unless a Party involved in the project activity, or at least [x] Parties on the Executive Board, request a review of the registration decision by the Executive Board. Such a request shall be made in accordance with the following provisions:

¹ “Stakeholder” means the public affected by, or likely to be affected by, or having an interest in, the project.

² Paragraph 55 bis relates to EU submission on the positive list of eligible project types.

- (a) requests for reviews may relate to all aspects of the project design document;
- (b) ... [no changes proposed]
- (c) ... [no changes proposed]
- (d) ... [no changes proposed]

ANNEX TO APPENDIX B

Paragraph 124. Please insert an additional sentence: “The project design document, with the exception of commercially confidential information, shall be made publicly available.”

Paragraph 126 (b). Please insert “objective non-technical” between “short” and “summary”. The sentence would then read “A short objective non-technical summary of the purpose and context of the project”.

Please insert a new paragraph, paragraph 127 bis: “Stakeholders may comment on any aspect of the project design document to the project participant, operational entity or Parties involved.”

France on behalf of the EU

Annex

Liability options for emissions trading

Para 17; p.105-7

Replace options 2 and 3 by:

Option 9: Mixed liability: If a Party which has transferred parts of an assigned amount to another Party under the provisions of Article 17 is found to be in non-compliance with its commitments under Article 3, a portion of the transferred parts of assigned amount corresponding to the amount by which the emissions of the transferring Party exceeded its assigned amount and determined in the reverse chronological order of the original transfer (Last In, First Out), shall be temporarily invalidated and cannot be used for the purpose of meeting commitments under Article 3.1 for the period during which these parts of assigned amount were issued. The transferring Party remains liable for the entirety of its excess emissions and shall face the consequences provided for the breach of commitments under article 3 under the compliance system. The invalidated parts of assigned amount may be banked by the acquiring Party under the provisions of article 3.13 but may not be used for the purpose of meeting commitments under Article 3.1 until the Compliance Authority deems the transferring Party to have fulfilled any requirement resulting from the breach of commitments identified above.

PAPER NO. 6:

HONDURAS, ON BEHALF OF BOLIVIA, CHILE, COLOMBIA, COSTA RICA,
ECUADOR, GUATEMALA, MEXICO, NICARAGUA, PARAGUAY AND URUGUAY

**Consolidated text on principles, modalities, rule and guidelines pursuant to Articles 6,
12 and 17 of the Kyoto Protocol in document FCCC/SB/2000/4 (1 August, 2000)
Note by the Chairmen**

Part Two: Article 12 of the Kyoto Protocol

Consistent with FCCC/SBSTA/2000/9 Annex II, presented in SBSTA 12 by this group of countries, we request the following changes to the Chairmen's Note :

Page 51, Para 3- Delete the entire paragraph.

Page 70, Para 57 (c)- Delete the word "type"

Page 72, Para 63 (d,e,g) - Delete all three sections.

Page 72, Para 64 - After the word "reforestation", add "and prevention of deforestation".

According to the environmental integrity principles that guide this group, these countries do not accept the use of nuclear power as an energy source alternative in project-based activities. Therefore,

Page 72, para 63 (f) substitute "support" for the word "include".

PAPER NO. 7: INDIA

India

SUBMISSION

Articles 6, 12 and 17 of the Kyoto Protocol

The subsidiary bodies, at their twelfth session, have invited further submissions from the Parties concerning articles 6, 12 and 17 of the Kyoto Protocol. Accordingly, the following submission is made, with reference to FCCC/SB/2000/4, dated 1 August, 2000. This submission is further to earlier submissions made by India. It is understood that all submissions made by Parties remain under consideration.

The additions, to be made to the existing “consolidated text”, are in bold.

Article 6

1. **Bracket** the following title throughout the text: “Guidelines for the implementation of Article 6 of the Kyoto Protocol”. Also, there will be consequential bracketing, e.g., Page 9, para 1, i.e., “...guidelines for the implementation of Article 6...”
2. Page 8, para 2, after “Also bearing in mind” **add** the following: “**Articles 3 and 6 of the Kyoto Protocol, in accordance with which, any emission reduction units which a Party transfers to another Party shall be subtracted from the assigned amount for the transferring Party and any emission reduction units which a Party acquires from another Party shall be added to the assigned amount for the acquiring Party, keeping in view that any such transfers and acquisitions are only for the purpose of contributing to the achievement of compliance with the quantified emission limitation and reduction commitments in Article 3 without altering the assigned amount of any Party pursuant to its quantified emission limitation and reduction commitments inscribed in Annex B.**”
3. Consequent to above para 2 of this submission, the following may be **deleted** from Page 8, para 2 of the consolidated text: from “[Article 3, paragraphs 10 and...” to “...assigned amount for the transferring Party”.
4. Page 8, reference the fourth para, on Equity, after “Equity” **add** the following: “**between developed and developing countries**”, and, then, after “relates to equitable” **add** the following: “**per capita**”. After “...emission entitlements”, **delete** full-stop, and **add** the following: “**for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty**

eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.”

5. The above mentioned, in para 4 of this submission, must be included as a separate para in the “consolidated text”. The para will now read as follows: **“Equity between developed and developing countries relates to equitable per capita emission entitlements for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.”**

Article 12

1. Page 51, para 2: **Bracket** entire para.

2. Page 51, para 3: **Delete** entire para.

3. Page 52, para 4: **Bracket** entire para.

4. Page 52, reference para beginning as follows: “Bearing in mind...”, **add** the following: **“purpose of the”**, after the following: “...Article 12, paragraphs 2 and 3, the...”. Also, **add** the following: **“shall be”** after the following: “...the clean development mechanism (CDM)...”, after **deleting** the following: **“is”** (which has been written after “(CDM)”).

5. Page 52, after “...under Article 3 [and reflecting provisions contained in appendix X to the annex to this decision]”, **add, in two separate paras**, the following:

“Recognizing that each certified project activity must involve the participation both of a Party included in Annex I and a Party not included in Annex I, for achieving the two-fold purpose of the clean development mechanism.”

“Acknowledging that the participation of Parties not included in Annex I in certified project activities for the purpose of sustainable development, makes the clean development mechanism distinctive from the other mechanisms.”

6. Page 52, reference para beginning as follows: “Also bearing in mind”, after “Also bearing in mind”, **add** the following: “**the provisions contained in Articles 3 and 12 of the Kyoto Protocol, in accordance with which, any certified emission reductions which a Party acquires from another Party not included in Annex I, shall be added to the assigned amount of the acquiring Party, keeping in view that any such acquisitions are only for the purpose of contributing to the achievement of compliance with the quantified emission limitation and reduction commitments in Article 3 of the acquiring Party without altering that Party’s assigned amount pursuant to its quantified emission limitation and reduction commitments inscribed in Annex B.**”

7. From above para 6 of this submission, it follows that the remainder of the existing para in FCCC/SB/2000/4 shall stand **deleted**, i.e., from “[Article 3, paragraph 12]...” to “...for the acquiring Party”).

8. Page 52, reference para beginning as follows: “Also bearing in mind further”, after, “...climate change to meet the costs of adaptation”, **add** the following: “**taking into account the impacts on food and agricultural sustainability, keeping in view the poorest populations which are the most vulnerable.**”

9. Page 53, reference the second para on Equity, after “Equity” add the following: “**between developed and developing countries**”, and, then, after “relates to equitable” **add** the following: “**per capita**”. After “...emission entitlements”, **delete** full-stop, and **add** the following: “**for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.**”

10. The above mentioned, in para 9 of this submission, must be included as a separate para in the consolidated text. The para will now read as follows: “**Equity between developed and developing countries relates to equitable per capita emission entitlements for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.**”

11. Consequential to the above-mentioned para 10, ending "...between developed and developing country Parties.", the following may be **deleted**: "Developed countries shall contract greenhouse gas emissions to reduced levels, with per capita emission levels in developed and developing countries coming on a converging path". The **remainder** of the paragraph, i.e., beginning from "The CDM shall not have..." to "in the long term" (page 53), in the document FCCC/SB/2000/4 **shall follow as a separate paragraph**.

12. Page 54, regarding the paragraph on Special situations of developing countries that are particularly vulnerable to the adverse effect of climate change: After "...particularly", **add** the following: "**taking into account the adverse impacts on food and agricultural sustainability, keeping in view the poorest populations which are the most vulnerable, as well as**". Later, in the existing sentence: the following, i.e., "**related**" be **added** before "...CDM project activities".

13. On Page 56, under A. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, **add** the following:

"The Conference of the Parties serving as the meeting of the Parties to the Protocol shall:

(a) define the functions of the executive board of the clean development mechanism,

(b) formulate the principles, rules, modalities and guidelines for the functioning of the clean development mechanism and project activities therein, including determination of methodological issues and baselines for determination of reduction in emissions that are additional to any that would occur in the absence of certified project activity,

(c) take decisions on any matter referred to it by the executive board, including such, which may arise from any action or omission by an operational entity or other body connected with paragraphs 5 and 7 of Article 12,

(d) consider and decide upon any matter which a Party may refer to it related to a decision of the executive board in accordance with the rules which may be formulated for such purpose,

Provided, that nothing in this section shall prevent the Conference of the Parties serving as the meeting of the Parties to the Protocol from considering and deciding any matter, *suo-moto*, which may be related to the working of the clean development mechanism, including the review, modification, or overruling of any decision or other act of the executive board."

14. On Page 58, under B. Executive Board, **add the following:**

- “1. The executive board of the clean development mechanism, shall be located in the secretariat of the Convention. The secretariat shall assist the executive board to enable it perform its functions.**
- 2. The executive board shall comprise of a membership of 15, representing the five United Nations regional groups with three persons from each group. The members shall act in their personal capacities.**
- 3. The Parties shall propose candidates for election as members of the executive board by the Conference of the Parties serving as the meeting of the Parties to the Protocol.**
- 4. Each member shall be appointed for an initial period of two years, with the ability to serve not more than two consecutive terms.**
- 5. The members of the executive board shall elect a chairperson and vice-chairperson, including one from a Party included in annex B and the other from a Party not included in Annex B.**
- 6. The chairperson and vice-chairperson shall alternate between members from Parties included in Annex B and Parties not included in Annex B.**
- 7. The executive board shall meet as necessary, but not less than three times a year.**
- 8. Decisions by the executive board shall be on the basis of agreement by consensus. In the absence of consensus, decisions may be taken on the basis of two-thirds majority of the members present and voting at the meeting.**
- 9. The executive board shall:**
 - (a) Supervise the clean development mechanism, subject to the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Protocol,**
 - (b) Accredite and designate operational entities in accordance with the standards and procedures contained in appendix A and relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Protocol, to carry out functions in paragraphs 5 and 7 of Article 12, and suspend or terminate the accreditation or designation of such operational entity if there are sufficient grounds for doing so,**
 - (c) Maintain a reference manual for the development and stipulation of baselines and determination of reductions in emissions that are additional to any that would occur in the absence of the certified project activity,**
 - (d) Register and account for the certified emission reductions accruing from project activities and their acquisition by Parties to contribute to compliance with commitments under Article 3,**

- (e) **Maintain the central registry and report annually to all Parties the registry accounts of each Party and of the legal entities resident in that Party,**
- (f) **Retain and account for the share of proceeds to be used to cover the administrative expenses of the clean development mechanism,**
- (g) **Make recommendations to the Conference of the Parties serving as the meeting of the Parties to the Protocol about decisions on rules, modalities and guidelines, and related procedures, for the functioning of the clean development mechanism,**
- (h) **Report to each session of the Conference of the Parties serving as the meeting of the Parties to the Protocol on its activities.”**

15. Reference Page 62, C. Accreditation body, there does not appear any need for this part, because, this gets covered in B. Executive board and Appendix A containing the standards and procedures for such accreditation. This may be **deleted**.

16. Reference Page 62, D. Designated operational entities, the following be **added** in this part:

- “1. Designated operational entities shall monitor and certify reduction in emissions that are additional to any that would occur in the absence of certified project activity, in accordance with the modalities and procedures decided by the Conference of the Parties serving as the meeting of the Parties.**
- 2. The operational entities shall be supervised by the executive board and be accountable to the Conference of the Parties serving as the meeting of the Parties through the executive board.**
- 3. The operational entities shall make available the records of each certified project activity to the designated national authority for the clean development mechanism of the Party hosting the project.”**

17. Reference Page 63, E. Participation, the following be **added**:

- “1. Each certified project activity in the clean development mechanism must involve the participation both of Parties included in Annex I and Parties not included in Annex I.**
- 2. The participating Parties must have ratified the Protocol, and be bound by a compliance mechanism under Article 18 of the Protocol adopted by the Conference of the Parties serving as the meeting of the Parties.**
- 3. The Party included in Annex I, seeking to use certified emission reductions in achieving compliance with its commitments under Article 3, must be in compliance with the provisions of the Convention and the Protocol and the modalities and guidelines therein.**

4. A national authority for the clean development mechanism may be constituted by the Parties not included in Annex I, which shall act as the nodal point for coordinating activities related to accreditation, validation, monitoring and verification.

5. Parties not included in Annex I may publish national guidelines for participation in project activities, consistent with the principles, rules, modalities and guidelines established for the clean development mechanism.

6. The Parties are responsible for the involvement of their private and/or public entities in certified project activities subject to guidance provided by the executive board.”

18. Reference Page 68, F. Financing, the following be added:

“Certified project activity in Parties not included Annex I shall be funded by Parties included in Annex I. Such funding shall be additional to the other financial commitments of developed country Parties.”

19. Reference Page 69, G. Validation, the following be added:

“ Each project activity, as described in a project design document, shall be evaluated by a designated operational entity for being validated as an activity under the clean development mechanism, including stipulation of the period during which the Party included in Annex I, funding the project, may use the certified emission reductions accruing from such project activities to contribute to compliance with its commitments under Article 3 on the basis of reductions in emissions, which must be additional to any that would occur in the absence of the certified project activity, calculated on the basis of a baseline for that particular project, defined in terms of greenhouse gas emissions which would have occurred in the absence of the project. ”

Article 17

1. Page 100, after para ending: “...for offsetting domestic actions exceeding its assigned amount”, add the following in two paras:

“Bearing in mind further the provisions contained in Articles 3 and 17 of the Kyoto Protocol, in accordance with which, any part of an assigned amount, which a Party transfers to another Party shall be subtracted from the assigned amount for the transferring Party and any part of an assigned amount which a Party acquires from another Party shall be added to the assigned amount for the acquiring Party, keeping in view that any such transfers and acquisitions are only for the purpose of contributing to the achievement of compliance with the quantified emission limitation and reduction commitments in Article 3 without altering the assigned amount of the Parties pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B.

“Recognizing that the Protocol has not created or bestowed on Parties included in Annex B any right, title or entitlement to emissions of any kind in the pursuance of Articles 6, 12 and 17, and further recognizing that emissions trading under Article 17 is only for the accounting of transfers and acquisitions of parts of assigned amounts for the purpose of fulfilling commitments under Article 3.”

2. Page 100, after “... the following considerations”, reference the para on Equity, after “Equity between developed and developing country Parties” **add** the following (after deleting comma): **“includes equity with respect to per capita greenhouse gas emissions for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that Parties included in Annex B shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.”**

3. Consequential to the addition of the above, as stated in above para 2, The following may be **deleted**: from “including” to “not included in Annex I”.

4. Reference para 2 above in this submission, the para on Equity now reads as follows: **“Equity between developed and developing countries relates to equitable per capita emission entitlements for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.”**

5. Page 102, Option A, after “(a) Has ratified the Protocol”, **add** the following:

“ A Party included in Annex B may transfer a part of its assigned amount to another Party included in Annex B if the transferring Party, in the achievement of its commitment, has been able to limit or reduce its emissions through domestic policies and measures to an extent which exceeds its limitation and reduction commitment, thereby resulting in a part of its assigned amount not being used, which may be transferred to another Party included in Annex B seeking to acquire a part of assigned amount for offsetting domestic emissions exceeding its assigned amount.”

Note: It should be noted that discussions on various nature and scope questions related to the mechanisms pursuant to Articles 6, 12 and 17 will lead to deletions, additions and other amendments in various provisions regarding methodological, operational and institutional issues, in various Parts of FCCC/SB/2000/4.

PAPER NO. 8: JAPAN

Japan's Comment on "*Financial Additionality*" on CDM

As for the question of "additionality", Japan does not support any test other than the environmental additionality test, which is the most important component for ensuring environmental integrity of CDM and is clearly stipulated in Article 12.5.

Japan strongly supports the idea that the use of ODA should not be precluded for CDM project activities.

Japan opposes any position to deprive developing countries of their right to choose CDM projects financed by ODA. Japan has no intention to impose ODA-financed CDM on a reluctant Party. The party in question always retains the right to refuse the project on any ground as laid down in Article 12 (5) (a)

(Background thinking)

1. Japan believes, as other Parties do, that CDM is basically private-sector driven. Its main resources are private money and its main vehicle is private entities. At the same time, Japan understands that Article 12.9 clearly mentions that public bodies are able to participate in CDM activities and in acquiring CERS. This means that we have already agreed in Kyoto on the use of public money for CDM activities.
2. There exists huge concern about possible unbalanced geographic distribution of CDM activities. In order to address those concerns and to ensure balanced geographical distribution of CDM activities, public money provided on preferential terms can play a significant role, particularly in regions and project areas, where the private sector considers less attractive for their investments.
3. Japan opposes the position to deprive developing countries of their right to choose ODA-financed CDM activities. Japan has no intention to force ODA-financed CDM activities on developing countries. The country in question always retains the right to deny a project on grounds that it is financed by ODA.

PAPER NO. 9: PARAGUAY

Paraguay y la 13ra. Reunión, del Cuerpo Subsidiario para el Asesoramiento Científico y Tecnológico, y del Cuerpo Subsidiario de Implementación, de la Convención Marco de las Naciones Unidas sobre el Cambio Climático (CMNUCC).

PRESENTACION

El Paraguay es país signatario, y ha ratificado, la Convención Marco de las Naciones Unidas sobre el Cambio Climático (CMNUCC), bajo la Ley No. 251/94, y el Protocolo de Kyoto (PK), bajo la Ley No. 1447/99.

Asimismo ha creado por Decreto del Poder Ejecutivo No. 6754/99, una Comisión Nacional de Implementación Conjunta, para otorgar el marco técnico, jurídico e institucional, a los mecanismos de flexibilidad previstos en el Protocolo de Kyoto, con especial atención, hacia el denominado de “Actividades Implementadas Conjuntamente” (AIC) y hacia el futuro Mecanismo de Desarrollo Limpio (MDL).

De la misma manera, el país ha finalizado su “Inventario 1990 de Gases de Efecto Invernadero”, se encuentra en proceso de elaboración la “Primera Comunicación Nacional ante la CMNUCC”, cuya finalización se espera para el mes de diciembre del 2000, y en el marco de la misma se han finalizado los trabajos para la elaboración del “Inventario 1994 de Gases de Efecto Invernadero”.

Asimismo, el Paraguay, con el deseo de colaborar de la mejor manera a su alcance con los objetivos de la 13ra. Reunión, ha avalado y otorgado la condiciones técnicas, institucionales y jurídicas, para que el recurso humano paraguayo más entrenado pueda acompañar y cooperar en las negociaciones y decisiones a ser tomadas en la 13ra. Reunión. Para tal fin el Paraguay ha realizado un importante trabajo participativo, con los sectores gubernamentales, no gubernamentales y académico, para la obtención del presente documento. De la misma forma la Delegación paraguaya ante la 13ra. Reunión posee una importante diversidad institucional.

El presente documento, es un resumen que contiene los principales elementos de interés nacional, para adoptar una posición en la próxima reunión de los Cuerpos Subsidiarios de la CMNUCC, a realizarse en Lyon, Francia del 4 al 15 de setiembre del 2000.

LOS PRINCIPALES TÓPICOS A SER NEGOCIADOS EN LYON Y LA HAYA

A modo de resumen, a continuación se encuentran los tópicos principales sobre los que deberá adoptarse algún tipo de resolución en los próximos meses del 2000:

- **Transferencia de Tecnología.**
- **Fortalecimiento de Capacidades de los países No Anexo I.**

- **Vulnerabilidad y Adaptación de los países a las modificaciones del sistema climático mundial, obligaciones de los países del Anexo I para con los No Anexo I.**
- **El futuro de las Actividades Implementadas Conjuntamente AIC.**
- **Los criterios para el Desarrollo Sostenible en el Mecanismo de Desarrollo Limpio, su elaboración en los contextos nacionales y la influencia del contexto internacional.**
- **Uso de la Tierra, Cambio de Uso de la Tierra y Silvicultura en el Mecanismo de Desarrollo Limpio.**
- **La determinación de las Líneas de Base, generales o específicas**
- **El Modelo del Mecanismo de Desarrollo Limpio y su futuro funcionamiento**
- **El Comercio de los Certificados de Reducción de Emisiones.**
- **Procedimientos y mecanismos relacionados con los compromisos bajo el Protocolo de Kyoto**
- **Artículo 5, 7 y 8 del Protocolo de Kyoto**

TÓPICO PRIORITARIO PARA EL PARAGUAY

Mecanismos del Protocolo de Kyoto y actividades relacionadas con diseño del Mecanismo de Desarrollo Limpio.

En líneas generales, el país argumenta hacia aquellas acciones que favorezcan el cumplimiento de lo establecido en el Protocolo de Kyoto. De la misma forma debería argumentar hacia el hecho de que el régimen de cumplimiento de lo establecido en el PK posea condiciones como para ser verosímil, coherente, exhaustivo, unificado, eficiente, previsible, transparente, simple y basado en los principios de precaución.

De la misma forma, se argumenta a favor de la inclusión de los siguientes temas, bajo la conceptualización de principios, en el régimen de cumplimiento de lo previsto en el Protocolo de Kyoto:

- El establecimiento de Procedimientos Reglamentarios claros;
- La proporcionalidad;
- Las responsabilidades comunes, pero diferenciadas;
- El trato igualitario de las partes que asumen los mismos compromisos en virtud del Protocolo;
- El mantenimiento de los derechos soberanos y las obligaciones de las Partes en el Protocolo; y
- Otros principios generales pertinentes del derecho internacional consuetudinario.

Asimismo, será necesario continuar prestando atención a la manera y el grado en que el régimen de cumplimiento abordará los casos de incumplimiento de los requisitos previstos en los mecanismos del Protocolo de Kyoto, como también la forma y el carácter que adoptará cualquier revisión o apelación. También, será necesario abordar el tema de los resultados o consecuencias del incumplimiento, o del posible incumplimiento, de lo previsto en los mecanismos del Protocolo de Kyoto o sus reglamentos.

De la misma forma, se deberá prestar atención hacia el tema de “qué” consecuencias serán predeterminadas, y el grado de discrecionalidad que ejercerá la instancia que se pretende crear para gerenciar el cometido de los mecanismos del Protocolo de Kyoto.

El país argumenta favorablemente hacia el establecimiento, claro y preciso, de las atribuciones y competencias de esta futura instancia, tomando en consideración que el funcionamiento de la misma posea un bajo costo administrativo, rapidez operativa, equidad, eficiencia y reglas claras, cuidando que la intervención de ésta instancia sea la estrictamente necesaria.

Asimismo, el país argumenta hacia aquellas posiciones favorables, en relación con los siguientes aspectos del diseño del Mecanismo de Desarrollo Limpio:

- El concepto de Adicionalidad asegurado en los proyectos de MDL.
- La minimización de todas las restricciones y potenciales barreras al desarrollo del Mecanismo de Desarrollo Limpio.
- El tratamiento igualitario de los tres mecanismos de flexibilidad previstos en el PK.
- El tratamiento equitativo de la complementariedad entre los tres mecanismos de flexibilidad previstos en el PK:
- La promoción del desarrollo sostenible, tomando en consideración las condiciones específicas de los países, e integrando los principios del desarrollo sostenible en los programas nacionales de desarrollo.

En caso de que las negociaciones no sean favorables a la inmediata instalación del Mecanismo de Desarrollo Limpio, Paraguay tomaría en consideración la posibilidad de que el país argumente a favor de la instalación de una Fase más avanzada de las Actividades Implementadas Conjuntamente. Finalmente. Finalmente el Paraguay argumentaría a favor de que los proyectos de Actividades Implementadas Conjuntamente iniciados en enero del 2000, y que cumplan con los requisitos exigidos, puedan ser utilizados para obtener créditos de reducción.

(unofficial translation)

Paraguay and the 13th Meeting of the Subsidiary Body for Scientific, Technological and Technical Advice (SBSTTA) of the United Nations Framework Convention on Climate Change (UNFCCC).

PRESENTATION

Paraguay is signatory of, and has ratified by Law N° 251/94, the United Nations Framework Convention on Climate Change (UNFCCC), and the Kyoto Protocol (KP), by Law N° 1447/99.

Likewise, by presidential decree N° 6754/99 a National Joint Implementation Commission was created, to grant the technical, judicial and institutional framework to the flexibility mechanisms foreseen in the Kyoto Protocol, giving special attention to the Activities Implemented Jointly (AIC) and the future Clean Development Mechanisms (CDM).

Paraguay has concluded its “1990 Greenhouse Gases Inventory”. Meanwhile, the “First National Communication for the UNFCCC” is in process, its conclusion expected for December 2000. Within this framework, activities for the elaboration of the “1994 Greenhouse Gases Inventory” have been finalized.

The present document is a summary that contains the main national interest issues, to adopt a position in the next SBSTTA –UNFCCC Meeting, to take place in Lyon, France September 4 – 15, 2000.

MAIN TOPICS TO BE NEGOTIATED IN LYON AND THE HAGUE

The following are the main topics on which some resolution is to be adopted in the next months of year 2000:

- **Technology Transfer**
- **Non-Annex 1 countries capacity building.**
- **Vulnerability and Adaptation of the countries to the modifications of the world climatic system, obligations of Annex 1 countries towards Non- Annex 1 countries.**
- **The future of the Activities Implemented Jointly (AIJ).**
- **The approaches for Sustainable Development in the CDM, their elaboration in the national contexts and the influence of the international context.**
- **Land Use, Land Use Change and Forestry in the CDM.**
- **Base Line determination, general or specific.**
- **The Clean Development Mechanisms Model and their future operation.**
- **Tradability of the Certified Emissions Reductions (CERs).**
- **Mechanisms of the Kyoto Protocol and aspects related with the design of the Clean Development Mechanism**
- **Articles 5, 7 and 8 of the Kyoto Protocol.**

HIGH-PRIORITY TOPIC FOR PARAGUAY

➤ ***Mechanisms of the Kyoto Protocol and aspects related with the design of the Clean Development Mechanism***

In general, the Country is in favor of those actions that favor the execution of what has been established in the Kyoto Protocol. The executive board as established in the KP should be credible, coherent, exhaustive, unified, efficient, predictable, transparent, simple and based on precautionary principles.

In the same way, it would be important to argue in favor of the inclusion of the following topics as principles in the execution regime as established in the Kyoto Protocol:

- The establishment of clear Regulation Procedures;
- Proportionality;
- Common, but differentiated responsibilities;
- Equal treatment of the parts that assume the same commitments by virtue of the Protocol;
- Maintenance of the sovereign rights and obligations of the Parts to the Protocol; and
- Other pertinent general principles of international law.

In addition, it will be necessary to continue paying attention to the way -and the degree in- which the executive board will approach nonfulfillment of the requirements established in the Kyoto Protocol Mechanisms, as well as the way and the character it adopts for any revisions or appeals. In the same manner, it will be necessary to approach the topic of the results or consequences of nonfulfillment, or of potential nonfulfillment, as established in the mechanisms of the Kyoto Protocol or its regulations.

Likewise, attention shall be paid towards the topic of “what” consequences will be predetermined and the degree of discretion to be exercised by the executive board to be created for the management of the Kyoto Protocol mechanism.

Paraguay is in favor of establishing precisely the scope and duties of this executive board. This board should require low administration costs, be efficient in its procedures and intervene only when strictly necessary.

Paraguay is in favor of the following positions related to the design of the Clean Development Mechanism:

- To assure the concept of additionality of the MDL projects.
- To minimize all the restrictions and other potential barriers for Clean Development Mechanisms.

- To promote equal status among the three flexibility mechanisms foreseen in the UNFCCC and the KP.
- To support that complementarity should be distributed equally within the three mechanisms.
- To promote sustainable development, taking into consideration the specific conditions of the countries and integrating them to national development programs.

In case negotiations are not favorable to the immediate implementation of the Clean Development Mechanisms- the Country is in favor of the installation of a more advanced phase of the Activities Implemented Jointly. Finally, Paraguay is in favor of ensuring that the Jointly Implemented Activities that began after January 2000 and that comply with all demanded requirements, could be used to obtain reduction credits.

PAPER NO. 10: POLAND

Para 17; p.105-7

Insert new liability option for emissions trading

Each Party shall prepare its emissions projections for the years 2008-2012 and included them in the national communication for the year 2007. If a Party transfers part of its planned reduction (AAUs from a difference between assigned amount and projected emissions), a portion of [3%] of every transfer of AAUs under Art. 17 shall be placed in a compliance reserve. A portion of [20%] of every transfer of AAUs exceeding planned emissions reduction shall be placed in a compliance reserve.

If a transferring Party is in compliance with Art.3 commitments at the end of the commitment period, AAUs put by this Party into the compliance reserve shall be returned to this Party and can be further transferred with no restrictions or banked for future commitment periods. If at the end of the commitment period, a Party is not in compliance with its commitments under Article 3 an amount of AAUs deposited by that Party in compliance reserve equal to the number of units of excess emissions shall be invalidated.

If there is no sufficient AAUs in the given Party reserve account to cover that excess, all AAUs deposited by that Party in the compliance reserve will be invalidated, the Party will undergo the procedures under Art.18 and moreover the AAUs transferred by that Party with putting 20% to the reserve will be invalidated.

PAPER NO. 11: SAUDI ARABIA

**FURTHER SUBMISSION OF SAUDI ARABIA CONCERNING
MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF KYOTO PROTOCOL**

In pursuant to the informal consultation during Sept. 4 – 9, 2000, concerning Articles 6, 12 and 17 of the Kyoto Protocol. The following submission of Saudi Arabia directly relates its further proposals to the document numbered FCCC/SB/2000/4 in regard to the adaptation fund proposed by the G77 and China that Adaptation fund will be established under all three mechanisms under Articles 6, 12 and 17 of Kyoto Protocol.

At the first appearance of the subject of the establishment of Adaptation fund, a footnote is to be added as follows:

“Adaptation fund shall be established to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change and/or to the impact of the implementation of response measures, under Articles 6 and 17, to meet the costs of adaptation”.

PAPER NO. 12: SWITZERLAND

Switzerland

**Liability option for emission trading:
Revision of option 7 (Swiss proposal)**

Switzerland revises its Option 7 of paragraph 17 in part three of FCCC/SB/2000/4 as follows:

“Option 7: Units in surplus to plan: Emissions trading under Article 17 shall operate under an annual post-verification trading system limited to [AAUs] [PAAs] determined to be surplus to a Party’s allocation plan. Each Party that wishes to undertake transfers under Article 17 shall allocate its total assigned amount among the five years of the commitment period and notify the secretariat of these annual allocations prior to the start of the commitment period. A Party can at any time adjust its annual allocation for the remaining years of the commitment period by notifying the secretariat in advance of the year(s) in question. The assigned amount allocation to any single year should not exceed plus or minus ~~520~~ per cent of the total assigned amount divided by five.

Excess [AAUs] [PAAs] for a given year shall be calculated as follows:

- (a) Cumulative assigned amount allocation from the beginning of the commitment period through the given year;
- (b) Less cumulative emissions from the **year 2006** ~~beginning of the commitment period~~ through the **second last year prior to the** given year;
- (c) Less the amount of excess [AAU] [PAA] certificates issued for previous years of the commitment period and cumulative ERUs transferred under Article 6 (holdings of ERUs and CERs shall not be included in the calculation).

The secretariat shall verify the availability of excess [AAUs] [PAAs] and issue certificates for them. All issued certificates shall be valid on the market without any liability or trade-specific compliance rules.”

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